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THIS CIVIL ACTION IS BROUGHT UNDER THE FALSE CLAIMS ACT, 31 U.S.C. §§ 3729-3733. THE DOCUMENTS FILED IN THIS CASE ARE UNDER SEAL AND ARE CONFIDENTIAL PURSUANT TO 31 U.S.C. § 3730(b)(2).

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA



UNITED STATES OF AMERICA, *ex rel.*
MARK PHILLIPS,

Plaintiff-Relator,

v.

Case No.: 1:26-CV-21948-LFL

**FIRST AMENDED COMPLAINT
FOR VIOLATIONS OF THE
FALSE CLAIMS ACT,
31 U.S.C. §§ 3729–3733,
AND THE RACKETEER
INFLUENCED AND CORRUPT
ORGANIZATIONS ACT,
18 U.S.C. §§ 1961–1968
JURY TRIAL DEMANDED
FILED UNDER SEAL
PURSUANT TO 31 U.S.C.
§ 3730(b)(2)**

KYLEEN E. CANE (f/k/a Michael A. Cane),
JAN M. WALLACE (a/k/a Jan Jardine, Juanita Jardine, Joan Reardon, Sarah Blair),
WILLIAM HEARN JR,
MUNJIT JOHAL,
GRACE SIM,
AMIN LAKHA (a/k/a Andy Lakha), and
JOHN AND JANE DOES 1–10,

Defendants.

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I. EXECUTIVE OVERVIEW

1. This action exposes a four-decade criminal enterprise operated by Defendants Kyleen E. Cane and Jan M. Wallace that has defrauded the United States of more than \$100 million through a pipeline of at least fifteen corporate shells used to submit false Medicare claims, file false SEC reports, conceal offshore accounts from the IRS, originate fraudulent mortgages through a Fannie Mae-approved lending channel, and obtain fraudulent CARES Act pandemic relief loans. Between 1989 and the present, Cane architected a complex scheme to misrepresent her control and ownership through multiple devices including promissory notes, structuring below regulatory thresholds, offshore nominee entities, and a series of corporate bankruptcies, reverse mergers, and identity changes—converting private Cane-family equity into anonymous offshore cash while systematically destroying every individual who attempted to expose the enterprise’s operations. Every promissory note the enterprise issued—from the twelve notes capitalizing the Tele-Lawyer-to-LATI pipeline through Wallace’s \$200,000 Davi Skin note and the MW Medical secured debt—was an artifice of fraud designed to conceal Cane’s undisclosed majority control position from SEC regulators, investors, and the entrepreneurs whose companies the enterprise seized. From Dynamic Associates through MW Medical, Secured Diversified Investments, and Davi Skin, each entity in the core fraud chain had direct contact with federal programs or federally regulated markets: Dynamic/Genesis billed Medicare; MW Medical/Davi Skin generated securities sold through federally regulated exchanges while concealing proceeds from the IRS; SDI/Secured Lending originated mortgages through a Fannie Mae-approved channel; and Galaxy Gaming obtained CARES Act relief through the SDI successor shell. Every bankruptcy was a mechanism to extinguish outside equity and generate new shell entities; every identity was a partition to prevent regulators from connecting the schemes to a single controlling individual.
2. The enterprise’s foundational fraud occurred on June 12, 2001, when Cane’s private

company, Tele-Lawyer Inc. (founded May 1989), acquired Dynamic Associates Inc. (a public company controlled by Wallace since 1996) through a reverse merger. A simultaneous 153:1 reverse stock split diluted former Dynamic Associates shareholders by 99.35%, consolidating control in the Cane family, which emerged holding 85.7% of the successor entity, Legal Access Technologies Inc. (“LATI,” CIK 0000878146). A simultaneous Regulation S debt-to-equity conversion of \$8,599,085—structured from inception for offshore distribution—completed the architecture for every subsequent scheme. Cane subsequently changed her legal name from Michael A. Cane to Kyleen E. Cane. In July 2004, Cane reported to the SEC that the change had been effective since June 28, 2001—sixteen days after the reverse merger. Clark County property records establish the actual name change occurred no earlier than late 2003. The false effective date created an identity partition designed to conceal the continuity of her control across four decades of fraud.

3. Through Dynamic Associates’ wholly owned subsidiary Genesis Health Management Corporation, the enterprise operated twenty-six geropsychiatric hospital management units across four states (Louisiana, Arkansas, Mississippi, and Tennessee), billing Medicare directly under the PPS cost-plus exemption. Cumulative Medicare-derived revenue totaled approximately \$49.3 million, from which the enterprise extracted over \$10.26 million in documented officer payments, self-dealing legal fees, and offshore investor interest while total assets collapsed from \$33.9 million to \$50. The enterprise simultaneously employed an individual excluded from all federal healthcare programs since 1991 as COO of a sibling subsidiary, establishing per se false claim liability under *Escobar*, 579 U.S. 176 (2016). The detailed Medicare allegations are set forth in Section VI.A.
4. The enterprise assembled 76.69% control of Davi Skin Inc.’s free-trading stock through a dual-layer concealment structure: four offshore nominee accounts at LOM Securities in Bermuda calibrated at 3.97% each to evade the 5% SEC reporting threshold, plus 2,249,825 shares deposited through the Depository Trust Company. The enterprise

generated approximately \$6.39 million in illicit pump-and-dump proceeds concealed in unreported foreign financial accounts. Neither Cane nor Wallace filed the Foreign Bank Account Reports (“FBARs”) required by 31 U.S.C. §5314 for any year from 2005 through the present—twenty-one consecutive years of knowing non-compliance, representing estimated civil penalties exceeding \$72 million. The offshore concealment and FBAR allegations are set forth in Section VI.C; the securities fraud execution is set forth in Section VI.H.

5. The enterprise operated a shell factory business model: create entity, monetize through fraudulent offerings, drain through insider notes, force into bankruptcy, retain control of resulting shells, sell via reverse merger, repeat. MW Medical was driven into bankruptcy by Wallace’s manufactured sole-secured-creditor position (\$1,189,940), generating five blank-check shell entities distributed to enterprise insiders; the post-bankruptcy shell emerged as Davi Skin Inc., the pump-and-dump vehicle. Secured Diversified Investments was simultaneously hijacked through secret share issuances and forced into bankruptcy by Cane’s own law firm filing an involuntary petition against its own client; the SDI shell was sold to Galaxy Gaming Inc., which in 2020 obtained \$4,835,300 in CARES Act pandemic relief loans under the same SEC registrant (CIK 0000013156) that the enterprise had fraudulently seized. Through SDI’s subsidiary Secured Lending LLC, the enterprise originated mortgage loans through Americash, an approved Fannie Mae Seller/Servicer, without the required Arizona Mortgage Banking license—while simultaneously executing a plan to “sell the Shell” and liquidate all company assets. The shell trafficking pipeline is set forth in Sections VI.E and VI.F; the mortgage fraud is set forth in Section VI.B; the CARES Act claims are set forth in Section VI.L.
6. Relator founded MOD Systems, Inc. in March 2005. By October 2008, the company closed a Series A round at an \$88 million enterprise valuation with Toshiba, NCR, and Deluxe Entertainment as investors. The enterprise stole Relator’s identity, recruited individuals within MOD’s governance, falsified the company’s accounting to recharacterize

Relator’s authorized salary as embezzlement, framed Relator through a manufactured criminal referral built from fabricated evidence, and retaliated when he attempted to expose the fraud. The enterprise extracted \$35 million in MOD corporate assets. The detailed MOD allegations are set forth in Section VI.J.

7. On March 4, 2010, Relator’s attorney identified Cane as the principal of a criminal racketeering enterprise. Within ten days, four attorneys associated with the enterprise approached the USAO with a coordinated criminal referral targeting Relator, built from the evidentiary record Wallace had manufactured (paras. 132–133, Table 13). The government never contacted the one witness who knew every challenged transaction had been board-approved, never conducted an accounting audit, and omitted the document establishing board authorization for the transactions charged as fraud. Relator was imprisoned for thirty-six months, silencing the whistleblower who possessed evidence of the enterprise’s offshore accounts, false SEC filings, and identity fraud.
8. Since Relator filed the prior *qui tam* action and IRS Form 211 whistleblower applications, the enterprise has deployed convicted felon William Hearn to deliver hundreds of threatening contacts—including recorded voicemails, text messages, caller-ID-spoofed phone calls, and online publications containing explicit death and rape threats—over several months; filed a fraudulent defamation lawsuit while Cane was on \$1,000,000 bond in a federal securities fraud prosecution, concealing the indictment from the state court; fabricated service of process through Hearn’s perjured affidavit to obtain a \$4,888,924.78 default judgment without Relator’s knowledge; renewed that judgment on June 29, 2023; and on October 23, 2025, procured a settlement from co-victim James Seyler requiring him to cease all investigation and remove all public court records about Cane from the internet—at zero monetary cost to Cane—a silencing mechanism, not dispute resolution. The retaliation and obstruction allegations are set forth in Section VI.K.
9. The enterprise’s false claims encompass: (a) approximately \$49.3 million in Medicare billings submitted through officers simultaneously engaged in securities fraud and iden-

tity theft; (b) estimated FBAR penalties of \$72 million for twenty-one years of unreported offshore accounts; (c) mortgage originations through a government-backed lending channel operated by an unlicensed entity being stripped for bankruptcy; (d) systematic concealment of assets in bankruptcy proceedings; and (e) \$4,835,300 in CARES Act pandemic relief loans obtained through a fraudulently seized corporate shell. Enterprise wealth is subject to civil forfeiture under 18 U.S.C. §~1963 (RICO) and 31 U.S.C. §~5317 (Bank Secrecy Act). This action is timely: each unfiled FBAR constitutes a new annual violation; the June 29, 2023 fraudulent judgment renewal extends RICO limitations through June 29, 2027, and the October 23, 2025 Seyler settlement extends through October 23, 2029. The material facts—including the CEDE & CO. certificate tracing and the shell trafficking pipeline—were not discoverable through reasonable diligence until Relator completed forensic analysis in 2025–2026.

II. NATURE OF THE ACTION

10. This is a *qui tam* action brought by Relator Mark Phillips (“Relator”) on behalf of the United States of America pursuant to the False Claims Act (“FCA”), 31 U.S.C. §§~3729–3733, and as amended by the Fraud Enforcement and Recovery Act of 2009 (“FERA”), to recover damages and civil penalties arising from a four-decade racketeering enterprise operated by Defendants Kyleen E. Cane (“Cane”) and Jan M. Wallace (“Wallace”) that systematically defrauded government programs, concealed obligations owed to the United States, and retaliated against the Relator for his whistleblower activities.
11. The Cane-Wallace enterprise defrauded the United States through two categories of false claims: (1) false claims submitted *to* the government, including fraudulent Medicare billings through geropsychiatric hospital management units and mortgage originations through a Fannie Mae Seller/Servicer lending channel; and (2) obligations knowingly concealed and improperly avoided, including annual FBAR filing obligations under the Bank Secrecy Act arising from undisclosed offshore accounts in Bermuda and

the Cayman Islands, and obligations arising from fraudulent concealment of assets in bankruptcy. These false claims were integral components of a continuous racketeering enterprise operating from approximately 1989 to the present, involving securities fraud, wire fraud, money laundering, bankruptcy fraud, identity theft, obstruction of justice, and witness tampering. The enterprise’s most recent predicate acts—including a fraudulent \$4,888,924.78 default judgment renewed in 2023 and ongoing retaliation against the Relator—bring the entire pattern within the statute of limitations.

12. Relator has direct and independent knowledge of the facts alleged herein, derived through his employment as CEO of MOD Systems, Inc. (a corporate victim of the enterprise), his cooperation with federal law enforcement agencies including the FBI, and his forensic analysis of the enterprise’s activities utilizing custom-built software tools and primary-source evidence. The allegations herein are supported by SEC EDGAR filings, court orders and judicial findings, FBI 302 interview transcripts, bankruptcy court records, USPTO patent records, contemporaneous emails written by Defendants and co-conspirators, documents signed by Defendants, bank records, and third-party professional reports—each independently verifiable without reliance on Relator’s testimony. This action is filed under seal pursuant to 31 U.S.C. §~3730(b)(2). The forensic reconstruction—including the CEDE & CO. certificate tracing, offshore nominee deposit chronology, shell trafficking pipeline across three CIK numbers, and Cane family control bloc analysis—constitutes original, non-public work product derived from primary-source documents in Relator’s possession. Relator is the original source of the information underlying the false claims allegations within the meaning of 31 U.S.C. §~3730(e)(4)(B).

III. THE PARTIES

13. **Plaintiff-Relator Mark Phillips** is a citizen of the United States, a technology inventor holding four issued United States patents, and the founder and former CEO of MOD

Systems, Inc. The enterprise targeted Phillips beginning in 2006, using his personal information to create the false appearance that Phillips—rather than the enterprise—was the beneficial owner of the Hepburn Holdings offshore nominee account at LOM Securities in Bermuda. The enterprise’s retaliation resulted in Phillips’s federal prosecution and imprisonment, the seizure of MOD Systems, and the loss of his property, as detailed in Sections VI.J and VI.K.

14. Phillips filed a prior *qui tam* action (*Phillips v. Cane*, No. 10-cv-6399, W.D. Wash., filed November 1, 2010) that did not include the FBAR concealment scheme, identity fraud infrastructure, SEC filing fraud pattern, or post-2010 retaliation alleged herein. The United States declined to intervene, and the action was dismissed without prejudice. Phillips filed IRS Form 211 whistleblower applications on June 10, 2010 and December 22, 2011 identifying the enterprise’s offshore accounts and FBAR violations, and has cooperated with the FBI and provided sworn testimony regarding the enterprise’s activities. This Complaint alleges materially different and substantially broader false claims based on evidence not available at the time of the prior filings.
15. **Defendant Kyleen E. Cane** (born Michael A. Cane, male) is a securities attorney licensed in Hawaii, California, Nevada, and Washington, and the legal architect and principal of the enterprise. Cane founded Tele-Lawyer Inc. in 1989 and on June 12, 2001 orchestrated the reverse merger with Dynamic Associates Inc. (controlled by Wallace), consolidating a Cane family control bloc holding 85.7% of the successor entity.¹ Cane subsequently changed her legal name from Michael A. Cane to Kyleen E. Cane. In July 2004, Cane reported to the SEC that the change had been effective since June 28, 2001—sixteen days after the reverse merger—thereby decoupling her prior identity from the Dynamic Associates stock she controlled.² Despite four decades of documented se-

¹Schedule 13D, Legal Access Technologies, Inc., filed by Michael A. Cane at 1–3 (June 26, 2001), Accession No. 0001075793-01-500095.

²Form 5, Legal Access Technologies Inc., filed by Kyleen E. Cane (July 22, 2004), Accession No. 0001255294-04-000216 (SGML header notation: “FORMER CONFORMED NAME: CANE MICHAEL A,” “DATE OF NAME CHANGE: 20010628”; first filing under new identity; the reported June 28, 2001 effective date is contradicted by Clark County property records establishing the name change occurred no

curities fraud across at least seven SEC-registered entities, Cane has never been publicly disciplined by any state bar association.

16. Cane was indicted by a federal grand jury on July 15, 2014, for participating in a \$300 million market manipulation scheme (*United States v. Discala et al.*, Case No. 14-CR-399, E.D.N.Y.).³ On May 7, 2018, Cane was acquitted on all three counts; co-defendant Discala was convicted on all eight counts and sentenced to 138 months. Cane exploited her identity change by falsely reporting to the SEC that her legal name had changed years before it actually did (Section VI.G). The Cane family control structure—documented in Table 3 below—held 85.7% of the entity’s shares; family members with beneficial interests in the offshore LOM Securities accounts have independent FBAR reporting obligations under 31 U.S.C. §~5314.
17. **Defendant Jan M. Wallace** (also known as Jan Jardine, Juanita Jardine, and Joan Reardon) is a Canadian citizen holding a Canadian passport, who served as the enterprise’s primary operator and CEO of Dynamic Associates Inc. (CIK 0000878146), MW Medical Inc. / Davi Skin Inc. (CIK 0001059577), and Secured Diversified Investments Ltd. (CIK 0000013156).²³ In each role, Wallace controlled SEC filings, directed corporate finances, and oversaw Medicare billing operations—all while operating in the United States without valid work authorization on a B-2 visitor visa. Wallace has used multiple identities and at least three fraudulent social security numbers, including the SSN of deceased individual Rob L. Scruggs (xxx-xx-7593). Cane personally recruited Wallace, placed her as CEO of multiple SEC-reporting entities, and directed her corporate activities for over a decade. Wallace’s unauthorized immigration status was confirmed in Cane’s own FBI interview on January 5, 2011, constituting additional federal offenses under 8 U.S.C. §~1324c and 18 U.S.C. §~1546.

18. **Defendant William Hearn** is an individual and associate of the enterprise who acted

earlier than late 2003).

³Superseding Indictment at 18–14, *United States v. Discala et al.*, No. 14-CR-399 (E.D.N.Y. Nov. 19, 2015).

as enforcer and co-conspirator. Hearn participated in the campaign of extortion and harassment against the Relator and procured a fraudulent default judgment through the filing of a false affidavit of service, as detailed in Section VI.K.

19. **Defendants Amin Lakha and Munjit Johal.** Lakha (also known as Andy Lakha) participated in the MW Medical scheme through Lakha Investments, LLC, served as Director of Davi Skin Inc. from May 2006, orchestrated the \$2.2 million fraudulent convertible note transaction on May 14, 2007, and served as a silent capital contributor to Secure Diversified Lending. Johal served as Chief Financial Officer and director of SDI and Secured Lending LLC, certified the effectiveness of disclosure controls for SEC filings containing material misrepresentations, and received 750,000 derivative shares of SDI for his participation.
20. **Defendant Grace Sim** (also known as Grace Sims) served as CFO and Director of Dynamic Associates (CIK 0000878146) and MW Medical (CIK 0001059577). Sim converted \$313,173 in unpaid MW Medical salary into 95% ownership of the MW Asia/NW Asia bankruptcy shell entity. In 2005, Sim incorporated Western Investment Partners on behalf of Cane, and in 2006, co-formed Secure Diversified Lending with Wallace and Cane.
21. **Co-conspirator Anthony Bay** served as co-founder and Board Chairman of MOD Systems, Inc. Bay's fraudulent acts include: (a) falsifying accounting records to mischaracterize Relator's board-authorized salary as embezzlement, contradicted by the documentary evidence set forth in para. 6; (b) making false representations to Wells Fargo that Relator "had no authority and was committing a fraud"—independently provable bank fraud; (c) concealing board minutes that documented Relator's authorized compensation; and (d) falsifying the characterization of Relator's licensed intellectual property. Bay transferred \$5 million in indemnification funds to which he was not entitled, part of the enterprise's extraction of \$35 million in MOD corporate assets. After Judge Erlick removed Cane from the voting trustee position, Relator appointed himself

as voting trustee and removed Bay and Cane from the board. Despite their removal, they continued to operate MOD, falsely claiming Relator had no authority and wiring millions out of the company, and terminated Relator in violation of the Shareholders Agreement Section 2.7(xi). The detailed MOD allegations are set forth in Sections VI.J and VI.K.

22. **MOD co-conspirators.** Cane and Wallace orchestrated the DRC against Relator and recruited participants to support it. David Douglass, MOD’s CFO, reversed his own PricewaterhouseCoopers due diligence characterizations to support the falsified accounting. Justin Hotard, an NCR executive and MOD board member, approved the false characterization of accounting alongside Cane and Bay. Jeffrey A. Smyth, Arnold’s attorney, accepted stolen fabricated materials from Wallace operating under the false identity “Joan Reardon,” knowing that Reardon’s attorney Cane was simultaneously serving as DRC chair. William Bromfield of Fenwick & West made false representations to Wells Fargo blocking Relator’s corporate action. Additional MOD scheme participants are identified where their acts are alleged in Sections VI.J and VI.K.
23. **John and Jane Does 1–10** are individuals whose identities are currently unknown to Relator but who participated in the enterprise’s schemes as nominees, intermediaries, or facilitators. Relator reserves the right to amend this Complaint to identify these individuals upon further investigation and discovery.
24. **The Cane-Wallace Enterprise** constitutes an “enterprise” within the meaning of 18 U.S.C. §1961(4)—an association-in-fact with common purpose, four-decade longevity, and sufficient relationships among associates. The enterprise operated through Cane’s law firms (Cane O’Neill, Cane Clark LLP); offshore shell companies (Hepburn Holdings Ltd., Arch Ltd., Sunshine Ltd., Chloe Group, Aberdeen Holdings Ltd. Inc.); public company shells (Dynamic Associates / LATI, MW Medical / Davi Skin, SDI); and intermediary entities (Iomega Investments LLC, Bridge Street Services, Stone Bridge Services Ltd., Lakha Investments LLC). Co-conspirators include Anthony Bay (para.

21) and the MOD co-conspirators identified in para. 22.

25. **Additional offshore and financial co-conspirators.** The following individuals facilitated the enterprise’s offshore concealment, shell trafficking, and financial fraud:

Table 1. Offshore and Financial Co-Conspirators

Name	Role	Key Act
Scott Doney	SDI Outside Attorney	Direct Cane instruction despite no named role; “I still need to okay the action with Kyleen”
Kelly Black	Wallace Associate	15M SDI shares (Feb. 2, 2006); 48.97% control transfer without shareholder approval
Chloe Jardine-Cutler	Offshore Nominee	Chloe Group at LOM Securities, Bermuda; concealed enterprise Davi Skin ownership
Devi Johal	Account Manager	Munjit Johal’s sister; offshore account administration
Afshan Lakha	Co-Director	Amin Lakha’s wife; Lakha Investments co-director
Patrick McNevin	SDI Board Plant	Covert WIP member placed on SDI board
Jay Kister	Lending Services	Infinity Lending; circular audit fraud architect
Kevin Gunther	LOM Securities	Nominee account administrator
Claire Ambrosio	Davi Skin Director	Corporate signatory
Dean Drummond	Shell Recipient	MW Europe bankruptcy shell recipient
David Hunter	Dynamic Associates	Indicted 19 counts Medicaid fraud Sep. 20, 1995; OIG-excluded; never reinstated
Jim Brondino	SDI “Consultant”	Hired by Wallace; paid from SDI funds to surveil SDI’s own CEO and VP

IV. JURISDICTION AND VENUE

26. This Court has subject matter jurisdiction over the FCA claims pursuant to 31 U.S.C. §~3732(a) and 28 U.S.C. §~1331. This Court has jurisdiction over the RICO claims pursuant to 18 U.S.C. §~1964.

27. This action is timely under 31 U.S.C. §~3731(b). The reverse false claims alleged herein (Counts I–II) involve ongoing annual obligations that continue to the present day: each unfiled FBAR constitutes a new and independent violation in the year it is due, and the enterprise’s offshore accounts have remained unreported from at least 2005 through the present. The forward false claims (Count III) are brought within the statute of limitations as extended by the fraudulent concealment doctrine and the continuing violation doctrine, as set forth in Section VII.

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28. The enterprise’s most recent predicate acts independently extend all RICO and related limitations periods: the June 29, 2023 fraudulent judgment renewal extends RICO limitations through June 29, 2027, and the October 23, 2025 Seyler settlement extends RICO limitations through October 23, 2029, as set forth in Section VII.
29. Venue is proper in the Southern District of Florida pursuant to 31 U.S.C. §~3732(a), which provides that a False Claims Act action may be brought in any judicial district in which any one defendant can be found, resides, transacts business, or in which any act proscribed by section 3729 occurred, and 28 U.S.C. §~1391(b).
30. This Court has personal jurisdiction over each Defendant. The False Claims Act provides for nationwide service of process, 31 U.S.C. §~3732(a). The RICO statute independently provides for nationwide service under 18 U.S.C. §~1965(a) and (d).
31. This Complaint is filed under seal and served on the United States pursuant to 31 U.S.C. §~3730(b)(2). A copy of this Complaint and a written disclosure of substantially all material evidence and information possessed by Relator are being provided to the Attorney General of the United States and to the United States Attorney for the Southern District of Florida.

V. THE ENTERPRISE AND ITS FORMATION

32. As alleged in para. 17, the Cane-Wallace enterprise originated on June 12, 2001 through a reverse merger that consolidated Tele-Lawyer Inc. and Dynamic Associates Inc. into Legal Access Technologies Inc. (“LATI,” CIK 0000878146).⁴ A simultaneous 153-to-1 reverse stock split diluted former Dynamic Associates shareholders by 99.35%, consolidating control in Cane, who became CEO, CFO, and 48.7% individual owner—the nucleus of an 85.7% coordinated family control bloc (the “Cane bloc,” Table 3).⁵

⁴Form 10-KSB, Legal Access Technologies Inc., Fiscal Year Ended Apr. 30, 2002, at 98–92 (filed July 22, 2002), Accession No. 0001075793-02-000302 (documenting the June 12, 2001 reverse merger and 153:1 reverse stock split).

⁵Schedule 13D, *supra* note 2, at 1–3 (reporting Cane’s acquisition of 2,871,051 shares, 48.7% beneficial ownership of post-merger entity).

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33. Dynamic Associates—the shell Wallace brought to the June 12, 2001 reverse merger—originated in a convicted fraud scheme operated by David R. Yeaman through Capital General Corporation, who incorporated approximately 92 blank-check shell corporations without SEC registration. *United States v. Yeaman*, 194 F.3d 442 (3d Cir. 1999). In August 1995, Wallace—together with Harry C. Moll, a Vancouver Stock Exchange promoter blacklisted for the Pineridge Capital collapse, and David L. Hunter, fined \$30,000 for the Lionheart Resources pump-and-dump—acquired Dynamic Associates from Yeaman’s inventory, establishing Wallace’s shell operating base six years before Cane entered the network. Cane expanded this inventory through Cane Clark LLP (CIK 0001255294) and Cane Clark Agency LLC (Nevada registered agent for over 200 entities, of which 163 have no SEC filing records). An EDGARizer software fingerprint (`<!-- Licensed to: Cane Clark-->`) has been identified across 316 accession numbers and 1,140 EDGAR filing documents. Despite this scale, each shell maintained distinct management with zero cross-entity personnel overlap—a deliberate compartmentalization model in which the only connecting thread is the Cane legal infrastructure.
34. Prior to the merger, Wallace had built Dynamic Associates into a multi-subsidary operation that included Genesis Health Management Corporation, a Louisiana company managing geropsychiatric hospital units billing Medicare across multiple states. Through the merger, Cane acquired control of this Medicare billing infrastructure.
35. The enterprise operates through a consistent and repeatable *modus operandi*: (a) infiltration of target companies through Wallace’s placement as CEO or director and Cane’s installation as securities counsel or board member; (b) establishment of self-dealing subsidiary structures controlled by enterprise associates; (c) extraction of corporate assets through fraudulent transactions, inflated insider compensation, and unauthorized share issuances; (d) concealment of proceeds in offshore accounts beyond the reach of U.S. regulators and tax authorities; (e) monetization of captured corporate shells through pre-arranged bankruptcies and reverse mergers; and (f) retaliation against witnesses

and whistleblowers through intimidation, extortion, false police reports, and fraudulent litigation.

36. The corporate entities comprising the enterprise—Tele-Lawyer, Dynamic Associates, Legal Access Technologies, MW Medical, and Davi Skin—each served a specific function in converting Cane’s initial private company equity into publicly tradable securities that could be sold anonymously through offshore nominee accounts. Tele-Lawyer (1989) accumulated Cane-family equity in a private entity whose shareholders were exclusively Cane’s family and associates. The Dynamic Associates reverse merger (2001) converted that private equity into publicly registered securities, with former Tele-Lawyer holders receiving 91.6% of the post-merger entity. The MW Medical bankruptcy (2002) reconcentrated ownership through Wallace’s manufactured sole-secured-creditor position. Davi Skin (2004) was the vehicle through which the enterprise liquidated its accumulated positions for an estimated \$6.39 million in proceeds deposited in four offshore nominee accounts at LOM Securities.

Table 2. Share Pipeline – Private Equity to Offshore Liquidation (1989–2008)

#	Date	Entity	Event / Result
1	12/29/95	Tele-Lawyer	Private NV incorporation (NV SOS File C23375-1995); Cane sole officer; family equity outside SEC scrutiny
2	03/11/98	MW Medical	1:1 spin-off to DAI holders; mirror register; Wallace CEO, Cane counsel
3	06/12/01	Dynamic	Reverse merger ; 153:1 split; 5,354,997 shares to TL holders (91.6%)
4	06/18/01	Legal Access	Five 13G filings same date ; Cane 2,871,051 (48.7%); family bloc 85.7%
5	01/22/02	MW Medical	Ch. 11 filed ; Wallace sole secured creditor (\$1,189,940); all assets pledged
6	06/28/02	MW Medical	Plan confirmed; debt-to-equity ; 74M shares to Wallace (74.1%); 1:500 split
7	06/24/04	Davi Skin	Renamed; CIK retained ; Wallace CEO, Cane Dir., Sim CFO
8	04/03/07	Davi Skin	Concealed note conversion ; 4 LOM nominees $\times$ 573,847 = 2,295,388 (15.9%)
9	6/04–6/07	Davi Skin	36 CEDE & CO certificate deposits ; 2,249,825 shares to street name
10	'06–'08	Davi Skin	Offshore liquidation via LOM/CEDE; est. \$6.39M illicit proceeds

Note: Items 1–7 correspond to the numbered entity transformations in Appendix D(B), Entity Genealogy (Figure 2), which provides a visual diagram of the corporate obfuscation pipeline.

37. Throughout the formation period, Cane operated under a false identity to conceal her continuous control, falsely reporting to the SEC that her identity change predated the reverse merger (para. 17), preventing regulators from connecting the entity transformations to a single individual. Cane’s 2,871,051 shares (48.7%) of Legal Access Technolo-

gies existed in a public entity with SEC reporting obligations. The coordinated family control structure that enabled every subsequent enterprise transaction is documented in Schedule 13G filings submitted to the SEC on June 29, 2001—all filed on the same date—establishing the following ownership:

Table 3. Cane Family Coordinated Control Bloc – Legal Access Technologies Inc. (June 2001)

Shareholder	Relationship	Shares	%	Description
Kyleen E. Cane	Principal	2,871,051	48.7%	<i>Sole voting/dispositive power</i>
Herb & Shirley Cane	Parents	312,500	5.35%	<i>2636 Arimo, Henderson, NV*</i>
Stuart H. Cane	Brother	600,000	9.88%	<i>Mekelburg Trust executor (d. 07/28/2016)</i>
<i>— Immediate Family —</i>				
Myrna L. Mekelburg	Estate	600,000	9.88%	<i>SC 13D filed Sept. 3, 2002</i>
Brian Mekelburg	Extended family	312,500	5.35%	<i>Marina Del Rey, CA</i>
Nancy Mekelburg	Extended family	312,500	5.35%	<i>Marina Del Rey, CA†</i>
<i>— Mekelburg Family (linked via Stuart Cane as Trust executor) —</i>				
Total Cane Family Bloc		5,008,551	85.7%	<i>All 5 filings: June 29, 2001</i>
Jan Wallace + Grace Sim	Associates	126,000	2.2%	<i>Debt settlement, June 13, 2001</i>
Former Dynamic public	Dispersed	490,096	8.4%	<i>After 153:1 reverse split</i>
Other Tele-Lawyer holders	Associates	220,446	3.8%	
Total Outstanding		5,845,093	100.0%	

Note: The 85.7% figure represents the full coordinated Cane-Mekelburg family bloc as documented in Schedule 13G filings. Including Wallace and Sim (2.2%), 62.9% of post-merger shares were controlled by enterprise insiders, leaving only 12.1% in dispersed public hands.

*Shirley Cane served as bond surety in *United States v. Discala*, 16-CR-399 (E.D.N.Y.).

†Nancy Mekelburg’s listed phone number (702) 312-6255 is the Cane & Company office line.

38. The Mekelburg-Cane connection is established by Stuart Cane’s role as executor of the Estate of Myrna L. Mekelburg, Nancy Mekelburg’s business phone matching Cane & Company’s office line, and the coordination of all five filings on the identical date. Each of the four family holders other than Cane individually exceeded the 5% beneficial ownership threshold. The EDGAR metadata confirms they were uploaded through the same filing agent. Family members with beneficial interests in the offshore LOM Securities accounts have independent FBAR reporting obligations under 31 U.S.C. §~5314. The coordinated filing pattern, identical share counts among siblings (312,500), and shared family addresses establish that the Cane family operated as a single economic unit.
39. Between January and June 2001, Dynamic Associates issued 56,580,006 shares converting \$8,599,085 in accumulated debt to equity under Regulation S—permitting distri-

bution to offshore purchasers without U.S. registration. The 153:1 reverse stock split concentrated 91.6% of the post-merger entity in former Tele-Lawyer holders—exclusively Cane’s family and associates. The MW Medical 1:1 spin-off from Dynamic Associates on March 11, 1998 duplicated Cane’s beneficial interest across a second CIK (0001059577), creating a parallel track through which shares were concentrated through bankruptcy and ultimately deposited in offshore accounts. Each transformation was a discrete step in a single continuous fraud designed to convert private Cane-family equity into anonymous offshore cash: Tele-Lawyer accumulated equity without SEC scrutiny; the reverse merger converted it to public securities; the MW Medical bankruptcy reconcentrated ownership through Wallace’s manufactured \$1,189,939.70 creditor position; and Davi Skin provided the pump-and-dump vehicle.

40. The MW Medical bankruptcy generated five subsidiary blank-check shells—MW Asia/NW Asia, MW Europe, NW South America, MW Fitness, and Microwave Debtor—issued to insiders pursuant to 11 U.S.C. §~1145,⁶ exempt from Securities Act registration. The blank-check shell trafficking pattern described in para. 5 constitutes the enterprise’s core business model, documented across Tele-Lawyer, Dynamic Associates, MW Medical, Davi Skin, and SDI. *See* Disclosure Statement Section II.A for detailed shell subsidiary analysis.
41. Cane’s name change created an identity partition between the individual who acquired the enterprise’s assets and the individual who directed their disposition. In July 2004, Cane falsely reported to the SEC that the change had been effective since June 28, 2001, concealing the continuity of control across six Sarbanes-Oxley certifications filed while Cane maintained undisclosed offshore accounts (Section VI.G). During this period, the enterprise executed its first documented victim scheme: the Thomas & Wong attorney trust account fraud (2003–2008), in which \$799,960 was stolen through Cane’s law firm escrow account (Section VI.I).

⁶Disclosure Statement, *In re MW Medical Inc.*, Case No. 02-01090-PHX-RTB, Exhibit 22 at 5–6 (Bankr. D. Ariz. 2003) (allocating five subsidiary shell entities to enterprise insiders pursuant to 11 U.S.C. §~1145).

42. Wallace operated under at least four known names—Jan Mary Wallace, Jan Jardine, Juanita Jardine, and Joan Reardon—and used at least three fraudulent Social Security Numbers: xxx-xx-7593 (belonging to Rob L. Scruggs, deceased November 22, 1992), xxx-xx-1149 (never issued by the SSA), and xxx-xx-3083 (belonging to a second deceased individual). On April 1, 2010, Wallace provided the Scruggs SSN to FBI Special Agent Spencer Walker—a direct violation of 18 U.S.C. §~1001.⁷ Each SSN created an isolated financial profile, fragmenting the evidentiary trail; the IRS had no record of Wallace filing tax returns under any known SSN, rendering FBAR cross-referencing wholly ineffective. Comparative analysis of the March 10, 2006 and July 13, 2007 Pacific Stock Transfer shareholder reports for Davi Skin Inc. documents how the enterprise assembled 76.69% control of free-trading stock through the pipeline described in para. 36. The detailed factual allegations supporting each transformation are set forth in paras. 44–202 below.

Attorney as Instrument of Fraud

43. Cane’s law license—active in Hawaii, California, Nevada, and Washington with zero disciplinary proceedings—was the instrument of every scheme: it gave the DRC proceedings at Davi Skin, SDI, and MOD the appearance of legitimate corporate governance; it shielded enterprise communications under attorney-client privilege; it provided signing authority for corporate documents filed with the SEC and state agencies; and it enabled the filing of derivative complaints built from fabricated evidence. That Cane has maintained an unblemished disciplinary record across four decades of documented fraud—zero proceedings, zero sanctions—is itself evidence that the enterprise’s concealment architecture has functioned as designed.

⁷FBI Form 302, Interview of Jan Wallace at 3 (Apr. 1, 2010) (Wallace provided SSN xxx-xx-7593, belonging to Rob L. Scruggs, deceased Nov. 22, 1992, to FBI Special Agent Spencer Walker); *see also* FBI Form 302, Interview of Jan Wallace at 4 (Feb. 13, 2011) (Wallace false earrings claim and Hepburn Holdings admission).

VI. FACTUAL ALLEGATIONS: FALSE CLAIMS AND REVERSE FALSE CLAIMS

44. The enterprise operates through a complex network of corporate shells, offshore nominee accounts, and layered entities designed to conceal beneficial ownership, obscure the flow of funds, and prevent regulatory detection. To understand how the false claims and reverse false claims alleged herein were concealed from the United States, the Court must first understand the enterprise's corporate structure.

```

CHAIN 1: CIK 878146 -- Tele-Lawyer -> Dynamic -> LATI (1989--2006)
-----
Tele-Lawyer, Inc. (NV, 12/29/1995)
| Sole Officer: Michael A. Cane (Pres/Sec/Dir)
|
+-- REVERSE MERGER: 06/12/2001 --> Dynamic Associates Inc. (CIK 878146)
| 153:1 reverse split (99.3% dilution of public float)
| Wallace & Sim resign; Cane renamed Kyleen E. Cane (06/28/2001)
|
+-- ==> LEGAL ACCESS TECHNOLOGIES INC. (LATI)
| CEO: Kyleen E. Cane (48.7% beneficial owner, 2,871,051 shares)
| Family bloc: 85.7% (5,008,551 of 5,845,093 shares)
| Subsidiaries: Genesis Health (Medicare), P&H Industries, Microthermia
|
----- * -----

CHAIN 2: CIK 1059577 -- MW Medical -> Davi Skin (1997--2012)
-----
MW Medical Inc. (NV, 12/04/1997)
| Spun off 03/11/1998 (1:1 to Dynamic shareholders)
| CEO: Jan Wallace | Counsel: Michael A. Cane, Esq.
|
+-- BANKRUPTCY: 01/22/2002, In re MW Medical, 02-01090-PHX-RTB (D. Ariz.)
| Sole Secured Creditor: Jan Wallace ($615,871+, ALL assets)
| Subsidiaries distributed to insiders:
| MW Asia (95% to Sim) | MW Europe (95% to Drummond)
| NW South America (95% to Brown) | MW Fitness (95% to Wallace)
| Microwave Debtor (95% to Wallace)
|
+-- ==> DAVI SKIN INC. (emerged 06/24/2004)
| CEO: Wallace | Director: Cane | CFO: Grace Sim
| CEDE & CO. total: 2,249,825 shares (36 certs, Jun 2004--Mar 2007)
|
+-- SEC REGISTRATION REVOKED: 08/27/2012
|
----- * -----

CHAIN 3: CIK 13156 -- SDI -> Galaxy Gaming (2000--2020)
-----
Secured Diversified Investment Ltd (SDI) (NV, name change 05/17/2000)
| Original entity: Book Corp of America
|
+-- HOSTILE TAKEOVER (2005--2007)
| Wallace: "compliance expert" -- manufactured accounting irregularities
| Cane: outside securities counsel --> board control
| Johal: CFO installed (contradictory SOX certifications)
| Iomega Investments (Wallace): 15M shares (48.97%) --> 20:1 split
|
+-- INVOLUNTARY BANKRUPTCY: Cane Clark as petitioning creditor
| Reorganization plan prepared jointly with debtor (Johal-controlled)
| 25,000,000 shares issued to Galaxy Gaming shareholders
|
+-- ==> GALAXY GAMING, INC. (operational Feb 2009)
| Cane Clark creditors installed Johal as CEO

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Figure 1. Chain 1: Tele-Lawyer → Dynamic → LATI (CIK 878146); Chain 2: MW Medical → Davi Skin (CIK 1059577); Chain 3: SDI → Galaxy Gaming (CIK 13156). See Appendix D.

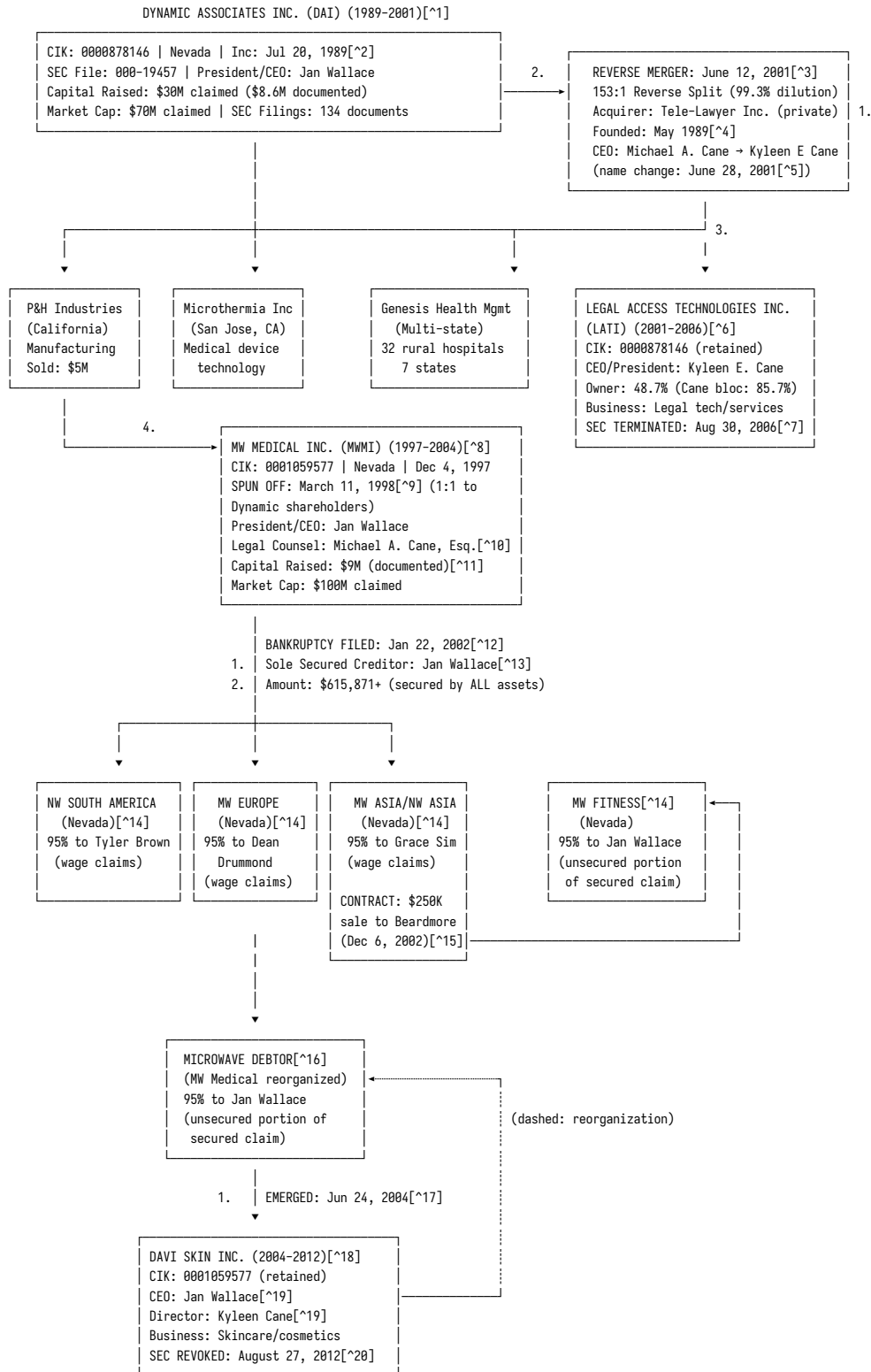


Figure 2. Dynamic Associates → MW Medical → Davi Skin: reverse merger, bankruptcy subsidiary distribution, and emergence.

-
45. The enterprise converted private Cane-family equity into publicly tradable securities, then systematically extracted and concealed the proceeds through offshore channels. This transformation chain is documented across 318 SEC filings, bankruptcy dockets in three jurisdictions, Pacific Stock Transfer shareholder reports, LOM Securities account records, and Wells Fargo banking records.
46. Each entity served a discrete function in the enterprise’s systematic exploitation of government programs: Dynamic Associates/Genesis billed Medicare approximately \$49.3 million, from which the enterprise extracted over \$10 million in officer payments and self-dealing fees; MW Medical/Davi Skin laundered the proceeds through offshore nominee accounts evading FBAR obligations; SDI/Secured Lending originated mortgages through a Fannie Mae-approved channel while planning the entity’s liquidation; and Galaxy Gaming obtained CARES Act PPP loans through the SDI successor shell. The corporate layering obscured the enterprise’s activities across multiple jurisdictions, entities, and identities. The detailed allegations that follow demonstrate that every element of this transformation is supported by specific dates, document references, and transactional evidence.

A. Medicare Billing Fraud (1994–2001)

47. *Regulatory Framework.* Title XVIII of the Social Security Act, 42 U.S.C. §~1395 *et seq.*, establishes the Medicare program. Geropsychiatric hospital management units operating under the PPS exemption receive cost-plus reimbursement. Medicare regulations at 42 C.F.R. §~413.17 require reasonable cost allocation and prohibit cost-shifting between related organizations. The knowing employment of an individual excluded by the HHS Office of Inspector General, in violation of 42 U.S.C. §~1320a-7(a), renders every Medicare claim submitted by any entity under common control actionable under the False Claims Act. *See Universal Health Services, Inc. v. United States ex rel. Escobar*, 579 U.S. 176 (2016).

Genesis Health Management / GCCA / PHMC

48. Dynamic Associates Inc. (CIK 0000878146), under Wallace’s control as CEO, operated geropsychiatric hospital management units through wholly owned subsidiaries Genesis Health Management Corporation (“Genesis”), Geriatric Care Centers of America (“GCCA”), and post-merger Perspectives Health Management Corp. (“PHMC”)—totaling twenty-six rural hospital management contracts across four states (Louisiana, Arkansas, Mississippi, and Tennessee) at peak operations.
49. The program was directly reimbursed by Medicare. As disclosed in Dynamic Associates’ SEC filings, signed and certified by Wallace as CEO and Sim as CFO:⁸

The program is reimbursed at cost by Medicare when established as a distinct part unit of a Hospital that qualifies for an exemption from the Medicare Prospective Payment System (“PPS”). The PPS exemption provides for a cost plus reimbursement system for the unit, which allows the hospital to receive full reimbursement of the direct operating expenses, plus an allocation to the unit of a substantial portion of the hospital’s overall overhead and capital costs.

50. The revenues of Genesis and GCCA were, by the enterprise’s own admission in SEC filings, “derived from the Medicare programs.” The following quarterly and monthly billing figures are documented in SEC filings signed by Wallace:

Table 4. Documented Medicare-Derived Revenue

Period	Entity	Metric	Amount
Dec. 31, 1996	Genesis	Monthly billings (19 contracts)	\$1,128,500
Jan. 1997	Genesis	Monthly billings (20 contracts)	\$1,166,000
Dec. 31, 1997	Genesis + GCCA	Monthly billings (22 + 3 contracts)	\$1,244,700
Q2 1998	Genesis + GCCA	Quarterly management fee income	\$4,041,724
Q3 1998	Genesis + GCCA	Quarterly management fee income	\$3,081,373
Dec. 31, 1998	Genesis + GCCA	Monthly billings (23 + 2 contracts)	\$863,300
Q2 1999	Genesis + GCCA	Quarterly management fee income	\$2,029,246
Q3 1999	Genesis + GCCA	Quarterly management fee income	\$2,055,890
Dec. 31, 1999	Genesis + GCCA	Monthly billings (17 + 3 contracts)	\$586,026

⁸SEC EDGAR Database, CIK 0000878146 (Dynamic Associates / Legal Access Technologies, 160 filings) (Medicare PPS cost-plus reimbursement disclosures in annual and quarterly reports, fiscal years 1996–2001).

51. Based on these documented figures and comprehensive analysis of SEC filings across CIK 0000878146, the enterprise’s cumulative Medicare-derived management fee revenue during the operational period totaled approximately **\$49.3 million** (actual annual filings, fiscal years 1996–2001) or **\$55.3 million** including 1995 pro forma figures. From this Medicare revenue stream, the enterprise extracted approximately **\$6.98 million** in documented officer and related-party cash payments, plus an additional **\$3.28 million** in convertible note interest paid to offshore Regulation S investors, representing a combined extraction of over **\$10.26 million** from Medicare-sourced funds into enterprise-controlled channels, as documented in the following table:

Table 5. Medicare Revenue Extraction – Officer and Related-Party Payments

Category	Amount	Recipient / Nature
Direct Officer Compensation		
Wallace salary (1995–2001)	\$553,958	CEO Dynamic Associates / LATI
Cane salary (2000–2003)	\$362,500	CEO/President LATI
Cane Self-Dealing		
Law firm fees (2002–2005)	\$321,234	Cane & Associates / Cane Clark LLP
Office sublease	~\$37,000	17% LATI space at \$3,107–\$5,215/mo
UCC-1 secured loan	Undisclosed	Senior lien on all LATI assets
Additional Officer / Related-Party Extractions		
Grace Sim salary	\$256,800	Secretary/Treasurer/CFO (1997–1999)
Logan Anderson + Amteck	\$545,921	Sec/Treasurer + entity payments
Harry Moll consulting	\$120,000	Consultant/Director (1996)
Genesis attorney retainer	~\$480,000	\$10–15K/month (1996–1998)
Genesis consultant	~\$660,000	\$30K/month former owner (1997–1998)
Billy Means consulting	~\$392,667	Consultant (1996–1998)
Subtotal (Officer/Related-Party)	~\$3,730,080	
Offshore Regulation S Investor Interest		
Convertible note interest (1996–2000)	~\$3,284,884	VMR/Florian Homm, Giano Capital, Upper Mill
TOTAL DOCUMENTED EXTRACTION	~\$7,014,964	
Plus additional undocumented salary, options, and overhead allocations charged to Medicare cost-plus reimbursement during 1994–2001 period		
ESTIMATED TOTAL EXTRACTION	>\$10,260,000	From \$49.3M–\$55.3M Medicare revenue

52. Dynamic Associates’ total assets collapsed from \$33.9 million (1996) to \$50 (2005). The Medicare billing infrastructure generated revenue that the enterprise extracted through officer compensation, self-dealing legal fees, and offshore interest payments documented in Table 5.

53. The enterprise was on notice that its Medicare billing constituted false claims. In

Q2 1999, Dynamic Associates disclosed a *qui tam* action by former Genesis employees under the FCA (Accession No. 0001016295-99-000101). This disclosure appeared in one filing only and was dropped from all subsequent filings—a material omission while the enterprise continued billing Medicare at approximately \$2 million per quarter for two more years.

The False Claims

54. The enterprise caused false claims to be submitted to Medicare by (a) operating the Genesis/GCCA/PHMC billing enterprise through officers simultaneously engaged in securities fraud, money laundering, and identity theft; (b) systematically extracting over \$10.26 million from Medicare-derived revenues to fund fraudulent activities including offshore account concealment, securities manipulation, and corporate shell trafficking rather than legitimate healthcare operations; and (c) submitting cost-plus billings that allocated enterprise overhead costs—including costs associated with fraudulent corporate transactions, reverse mergers, and racketeering predicate acts—to the Medicare program.
55. The October 2001 Asset Purchase Agreement⁹ between Perspectives Health Management Corporation and Horizon Mental Health Management, Inc., filed as Exhibit 10.1 to the Form 8-K, contains officer certifications representing that no officer or director had violated “Medicare or Medicaid laws or regulations or any state licensing laws or been barred from participation under either of the Medicare or Medicaid programs.” These certifications, made in connection with the disposition of the enterprise’s hospital management subsidiary for \$2,900,000, were material to the continued participation of the enterprise’s subsidiaries in the Medicare program.

⁹Form 8-K, Exhibit 10.1 (Asset Purchase Agreement), Legal Access Technologies Inc. (filed Oct. 9, 2001), Accession No. 0001075793-01-500222 (Asset Purchase Agreement between Perspectives Health Management Corporation and Horizon Mental Health Management, Inc., Sections 2.12 and 2.22 containing officer certifications regarding Medicare/Medicaid compliance; disposition of hospital management subsidiary for \$2,900,000, with \$5,800,000 in outstanding receivables from Medicare/Medicaid-reimbursed hospital management contracts).

Excluded Individuals

56. The enterprise’s Medicare billing fraud is further established by the confirmed employment of an individual excluded from all federal healthcare programs by the HHS Office of Inspector General. A search of the OIG List of Excluded Individuals/Entities (“LEIE”) confirms that **Robert B. Spertell, M.D.** (DOB 04/18/1949, UPIN A47027, General Medical Practice, Redwood City, California) was excluded from all federal healthcare programs effective October 9, 1991, under 42 U.S.C. §~1320a-7(b)(4) (license revocation/suspension/surrender).¹⁰ SEC filings confirm that Spertell served as COO and Chief Scientist of MMC—the MW Medical subsidiary—from April 1996 through August 1999, at a salary of \$110,000 per year, appearing in sixteen SEC filings across CIK 0001059577 (MW Medical) and CIK 0000878146 (Dynamic Associates).
57. MW Medical and Genesis Health Management were sibling subsidiaries under common control of Dynamic Associates and the Cane family bloc (85.7% aggregate control). Under 42 U.S.C. §~1320a-7(a) and 42 CFR §~413.17 (related organization cost principles), the knowing employment of an OIG-excluded individual by any entity under common control with a Medicare-billing entity constitutes a per se basis for false claim liability. Every Medicare claim submitted by Genesis during the period of Spertell’s employment at MW Medical (April 1996 through August 1999) is tainted by the enterprise’s knowing employment of an excluded individual. *See Universal Health Services, Inc. v. United States ex rel. Escobar*, 579 U.S. 176 (2016) (implied certification theory: claims submitted while material regulatory conditions are violated are actionable under the FCA).

58. **David Hunter** co-acquired Dynamic Associates on August 30, 1995; twenty-one days

¹⁰HHS Office of Inspector General, List of Excluded Individuals/Entities (LEIE), search results for Robert B. Spertell, M.D. (DOB 04/18/1949; UPIN A47027; General Medical Practice; 801 Brewster Ave. #240, Redwood City, CA 94063). Exclusion type: 42 U.S.C. §~1320a-7(b)(4) (license revocation/suspension/surrender). Exclusion date: October 9, 1991. Spertell served as COO/Chief Scientist of MMC (MW Medical subsidiary, CIK 0001059577) from April 1996 through August 1999 at \$110,000/year, appearing in 16 SEC filings across CIK 0001059577 and CIK 0000878146; *see also* Form 8-K, Dynamic Associates Inc. (March 2, 1998), Accession No. 0001023856-98-000005; *Universal Health Servs., Inc. v. United States ex rel. Escobar*, 579 U.S. 176 (2016) (implied false certification theory).

later he was indicted on nineteen counts of Medicaid fraud (*United States v. Hunter*, No. 5:95-cr-00020-DCB, S.D. Miss.).¹¹ Hunter pled guilty, was OIG-excluded (Oct. 29, 1996), and resigned from Dynamic—but SEC filings never disclosed his criminal history. After Hunter’s resignation, the enterprise acquired Genesis, the Medicare billing entity. The enterprise recruited a person under active Medicaid fraud indictment to co-acquire the parent of a \$49.3 million Medicare operation, then concealed his criminal history while billing Medicare for five more years.

B. Mortgage Fraud (2006)

59. *Regulatory Framework.* The FHA, GNMA, and Fannie Mae establish qualification standards for mortgage originators requiring valid state licensing, regulatory compliance, and accurate borrower certifications. 18 U.S.C. §~1014 prohibits false statements to any federal home loan bank or in connection with any loan or application for insurance. A mortgage originated through an FNMA-approved channel by an entity operating without required state licensing—and simultaneously planning the parent entity’s bankruptcy—constitutes a false claim under 31 U.S.C. §~3729(a)(1)(A) because the originator’s certifications regarding regulatory compliance and business viability were false when made.

Secured Lending LLC / Americash

60. In 2006, SDI (CIK 0000013156), under Wallace’s control as CEO and director, established Secured Lending LLC (“Secured Lending”) as a wholly owned subsidiary to conduct mortgage banking operations through Americash Mortgage Bankers (“Americash”), an approved Fannie Mae Seller/Servicer licensed as a direct lender in nineteen states.

¹¹Docket Sheet, *United States v. Hunter*, No. 5:95-cr-00020-DCB (S.D. Miss.) (PACER) (19 counts, 42 U.S.C. §~1320a-7b(a), filed Sept. 20, 1995; Plea Agreement Jan. 22, 1996; Judgment Apr. 24, 1996; Satisfaction of Judgment Apr. 12, 2002); HHS Office of Inspector General, LEIE, search results for David Hunter (DOB 09/28/1929; exclusion type 42 U.S.C. §~1320a-7(a)(1); excluded Oct. 29, 1996; not reinstated); *see also* Form 10-KSB, Dynamic Associates Inc. (CIK 0000878146), filed Nov. 18, 1996, Accession No. 0001016295-96-000070 (identifying Hunter as co-acquirer with Moll and Wallace; Director and Secretary; salary \$45,500).

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61. Wallace signed the Americash Branch Agreement in her individual capacity and agreed to assign her compensation rights to Secured Lending. Cane served as the registered agent and incorporator of Secured Lending. The members of Secured Lending included Wallace, Grace Sim, Munjit Johal, and associates Patrick McNevin and Amin Lakha.
62. The mortgage lending operation originated government-backed loans. Americash's investor fee schedule, documented in SEC filings¹² and the prior *qui tam* complaint,¹³ identifies FNMA (Fannie Mae) conforming fixed-rate products as the primary loan type, along with products from CitiFinancial, Wells Fargo, RFC, HSBC, Countrywide, New Century, and Long Beach. Americash's status as an approved Fannie Mae Seller/Servicer means loans originated through the Secured Lending branch were intended to be sold to Fannie Mae, a government-sponsored enterprise.
63. On August 2, 2006, Secured Lending entered into an agreement with Dakota First LLC to generate and process loans funded through Americash, with revenue targets of eighty loans per month. Wallace's contemporaneous emails establish the mortgage operation was conducted without the required Arizona Mortgage Banking license. In an email dated June 13, 2006, Wallace wrote to Jay Kister (jay@ilendservices.com):¹⁴

the newest issue is that dick got messed up with his mortgage, you apparently do not have the right licence to be a mortgage bank in Arizona, you are supposed to have a separate license other than real estate, these are matters I do not know about, so I need to know if you are properly licensed, if not when. This issue is a hot button for mark, dick is working today to save the same mortgage with another vendor because putting it through infinity did not work.

Kister's responsive email confirmed the operation required a Mortgage Banking license

¹²SEC EDGAR, Secured Diversified Investments Ltd. (CIK 0000013156), Americash Mortgage Bankers Investor Fee Schedule, Accession No. 0001255294-06-000587 (FNMA conforming fixed-rate products and lender investor schedule).

¹³*Phillips v. Cane*, No. 10-cv-6399 (W.D. Wash. filed Nov. 1, 2010) (prior *qui tam* complaint alleging false claims related to the enterprise's mortgage fraud operations).

¹⁴Email from Jan Wallace to Jay Kister (jay@ilendservices.com) (June 13, 2006), *re: mortgage licensing and Arizona qualifications* (on file with Relator; recovered from Wallace email archive).

that would take 90 to 120 days to obtain. Despite this acknowledged licensing deficiency, the enterprise continued originating loans.

64. The mortgage operation was not a genuine business expansion but a cover story for a pre-existing plan to liquidate SDI and sell the corporate shell. An internal investment memorandum dated July 12, 2005—eleven months before Secured Lending was incorporated—sets forth the actual plan in explicit terms: “sell the Shell, and thus ‘taking of SDI PRIVATE NLT 31 Dec 2006’ to focus on making real gelt.” The same memorandum demanded the “Immediate sale/liquidation/vacate of ALL present SDI Real Estate holdings” and the termination of SDI’s CEO Strand, VP Biddle, and COO Trolf “before 1 October 2005.” On August 31, 2005, all three officers were terminated on the same day—precisely as the memorandum directed. SDI’s CEO Strand had objected to the plan just five days before the memorandum was drafted, writing to Wallace on July 7, 2005: “I think we would be foolish to go private.” Wallace and Cane overrode this objection, terminated Strand within six weeks, and installed a one-person “audit committee” (Peter Richman) with no written charter to rubber-stamp subsequent enterprise transactions.
65. While SDI’s public SEC filings represented to shareholders that management was “looking into extending our business plan to include real estate financing” and forming “a subsidiary company to engage in the residential mortgage brokerage business,” the internal plan called for liquidating all assets and selling the shell. The Cannery West Shopping Center was sold for \$9,000,000 in July 2005 as the plan demanded. Every representation made to Americash, mortgage applicants, and government-backed lending programs about SDI’s business expansion was false—the entity was being systematically dismantled throughout the period of the mortgage origination activity.
66. Cane controlled all major SDI decisions despite not being a named officer or director. SDI’s outside attorney Doney confirmed Cane’s shadow authority in two emails dated August 30, 2006: “I still need to okay the action with Kyleen” regarding corporate

actions, and “My initial inclination is to issue new shares to Wallace and Black. Let me run this by Kyleen” regarding share issuances. At the June 2, 2006 SDI shareholders meeting held at Cane’s law office, witnesses observed “Kyleen Kane was in and out of the very small conference room to whisper into J. Wallace ear” whenever Wallace was questioned. This shadow control structure establishes that the same person who authored the plan to liquidate SDI and sell the shell directed the mortgage fraud.

67. On February 2, 2006—four months before Secured Lending was incorporated—SDI secretly issued 15,000,000 shares to Iomega Investments LLC, a defunct Nevada entity, transferring 48.97% of SDI’s stock to enterprise control without shareholder approval.¹⁵ Cane directed the issuance, instructing attorney Scott Doney on February 28, 2006: “This should not be dated,” explicitly ordering the backdating of corporate documents to conceal the timing of the share transfer. Cane followed up on March 1, 2006, directing Doney to prepare “the Jan 21 board minutes re changes to bylaws; and Proxy (you will need to fill in the date of annual meeting) (for Iomega).” SDI shareholder Clifford Strand filed an August 18, 2006 bar complaint against Cane documenting that “[t]hrough some shady (possibly illegal) stock transactions, effective control of the corporation was wrestled from incumbent management.”¹⁶ The enterprise’s intent was to “Bankrupt SDI and leave the corporate entity with no property assets, and leaving SDI to default on the mortgage obligations.” The plan culminated in a 20:1 reverse stock split in October 2007 (five times more aggressive than the 4:1 the internal memorandum contemplated) and a February 2009 reverse merger with Galaxy Gaming Inc. that extinguished all prior SDI equity.

¹⁵Secured Diversified Inv., Ltd., Schedule 13D (Feb. 2, 2006) (reporting 15,000,000 common shares issued to Iomega Investments LLC); Email from Kyleen Cane to Scott Doney and Jan Wallace (Feb. 28, 2006) (“This should not be dated”); Email from Kyleen Cane to Scott Doney (Mar. 1, 2006) (directing preparation of backdated board minutes and proxy); Emails from Scott Doney (Aug. 30, 2006) (“I still need to okay the action with Kyleen” and “Let me run this by Kyleen”).

¹⁶Clifford Strand Bar and SEC Complaint Against Kyleen Cane (Aug. 18, 2006).

The False Claims

68. The enterprise caused false claims to be submitted to government-sponsored mortgage programs by (a) originating loans through Americash’s FNMA-approved channel without the required Arizona Mortgage Banking license; (b) making false statements in loan applications and lender agreements regarding the qualifications and regulatory status of the originating entity; (c) operating the mortgage origination business while simultaneously planning the bankruptcy of the parent entity, with knowledge that SDI’s insolvency would cause defaults on the mortgages; and (d) circulating, on August 7, 2006, a Uniform Contract form asking “Whether you are qualified to do business in Arizona”¹⁷—a qualification the enterprise knew it did not possess. On September 13, 2006, Wallace, through Secured Lending and ILEND SERVICES, made false statements to William Biddle regarding a purported loan she was approving for him in connection with stock transactions relating to Iomega LLC and the West Family, designed to destabilize Biddle in furtherance of the enterprise’s control over SDI.

C. FBAR and Asset Concealment (2005–Present)

69. *Regulatory Framework.* The Bank Secrecy Act, 31 U.S.C. § 5314, and its implementing regulations at 31 C.F.R. § 1010.350, require every “United States person” with a financial interest in, or signature authority over, a foreign financial account exceeding \$10,000 at any time during the calendar year to file an annual FBAR with FinCEN by April 15 of the following year. A person has a “financial interest” in an account if the owner of record acts as agent, nominee, or attorney on behalf of the U.S. person. 31 C.F.R. § 1010.350(e)(2). For willful violations, the civil penalty is the greater of \$100,000 or 50% of the account balance per account, per year. 31 U.S.C. § 5321(a)(5)(C).

70. FBAR obligations are codified in Title 31, not the Internal Revenue Code, and FBAR penalties are therefore not “taxes” subject to the limitation in 31 U.S.C. § 3729(d). *See*

¹⁷Email from Wallace (Aug. 7, 2006, 10:41 PM), *re: Uniform Contract form—Arizona business qualification inquiry* (on file with Relator; recovered from Wallace email archive).

Jenner v. Commissioner, 195 T.C. No. 7 (2024); *Mendu v. United States*, 184 Fed. Cl. 357 (2021). The knowing failure to file an FBAR constitutes a “reverse false claim” under 31 U.S.C. §~3729(a)(1)(G).

71. The enterprise maintained undisclosed financial accounts in Bermuda and the Cayman Islands through which it concealed the proceeds of its racketeering activities from federal regulators. These accounts were administered through LOM Securities, located at The LOM Building, 27 Reid Street, Hamilton, Bermuda.¹⁸
72. The following offshore entities, all controlled by the enterprise, held financial accounts that were not reported to the IRS as required by 31 U.S.C. §~5314 (Foreign Bank Account Report, or “FBAR”):

Table 6. Undisclosed Offshore Account Infrastructure and Share Holdings

Entity	Jurisdiction	Bank/Custodian	Davi Skin Shares	% Float ^a
Hepburn Holdings Ltd.	Bermuda	Bank of NT Butterfield ^b	573,847	9.68
Arch Ltd.	Bermuda	LOM Securities ^c	573,847	9.68
Sunshine Ltd.	Bermuda	LOM Securities ^c	573,847	9.68
Chloe Group	Cayman Islands	LOM Securities ^c	573,847	9.68
(unnamed accounts)	Bermuda	Bank of Bermuda Ltd. ^d	—	—
Aberdeen Holdings Ltd. Inc.	Bermuda	LOM Securities ^c	33	<0.01
Bridge Street Services	Bermuda	(facilitator)	—	—
Stone Bridge Services Ltd.	Bermuda	(facilitator)	—	—
Offshore Subtotal (Wallace-controlled)			2,295,421	38.73
CEDE & CO. (DTC)	United States	Depository Trust Co. ^e	2,249,825	37.96
Total Enterprise-Controlled Shares			4,545,246	76.69

^aPercentage of 5,926,598 free-trading shares (July 13, 2007 Pacific Stock Transfer report).

^bAccount 20.006.840.351501.100. ^cLOM Building, 27 Reid St., Hamilton, Bermuda.

^dAccount 1010-956504. ^eDTC Participant Account (Cane-controlled via LATI issuance).

73. Wallace routinely wired funds from domestic bank accounts at JP Morgan Chase and HSBC Bank USA to LOM Securities accounts at Bank of Bermuda Limited (account 1010-956504) and Bank of NT Butterfield (account 20.006.840.351501.100). These wire transfers were used to pay renewal fees for the offshore entities (approximately \$2,500 per entity per year) and to fund securities trading in the offshore accounts.

¹⁸SEC Litigation Release No. 20378, *SEC v. Lines et al.*, No. 07-cv-11566 (S.D.N.Y. filed Dec. 19, 2007); SEC Complaint, *SEC v. Lines*, No. 07-cv-11566 (S.D.N.Y. filed Dec. 19, 2007) (LOM Securities offshore pump-and-dump enforcement action identifying Sedona Software Corporation as victim company where Cane Clark LLP served as beneficial owner of shares).

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74. The Davi Skin Active Shareholder Report dated July 13, 2007, issued by Pacific Stock Transfer Company,¹⁹ confirms the offshore share positions as set forth in Table 6. All four entities were registered at the identical address: The LOM Building, 27 Reid Street, Hamilton, Bermuda. Each position was calibrated at approximately 3.97% of total outstanding shares to remain below the 5% beneficial ownership threshold that would trigger SEC reporting requirements.
75. In parallel, Cane concealed an additional 2,249,825 shares of Davi Skin stock—representing 38% of total outstanding shares and approximately 50% of free-trading volume—through CEDE & CO., the nominee name used by the Depository Trust Company (“DTC”) to hold securities in street name. On or about August 31, 2004, Cane, through Legal Access Technologies Inc. (the Tele-Lawyer/Dynamic Associates successor entity she controlled), issued 2,341,279 shares to CEDE & CO. The July 13, 2007 shareholder report confirmed that CEDE & CO. held 2,249,825 shares across thirty-six certificates (numbers 2029 through 5323), making it the single largest position in the company. These shares trace directly to the Cane bloc’s 85.7% control of the post-merger entity (para. 38, Table 3), carried through to the Davi Skin share register via MW Medical’s 1:1 spin-off from Dynamic Associates. No outside party held sufficient shares to generate CEDE & CO. deposits of this magnitude. The mathematical impossibility of any alternative attribution is demonstrated by a single certificate: CEDE & CO. certificate No. 5304, deposited March 5, 2007, contained 946,085 shares—nearly double the entire non-enterprise shareholder pool. No individual holder, and no combination of the approximately 500 dispersed former Dynamic Associates shareholders, could have generated a single deposit of this magnitude. Even if every former Dynamic Associates shareholder had deposited every share into the Depository Trust system, the result would account for less than 22% of the 2,249,825 CEDE & CO. total. The CEDE & CO. accumulation can only represent Cane bloc

¹⁹Davi Skin Active Shareholder Report, Pacific Stock Transfer Company (July 13, 2007) (documenting four LOM Securities offshore entities each holding 573,847 shares).

stock deposited into the Depository Trust system.

Table 7. Cane Family Coordinated Control Bloc – CEDE & CO. Deposits (2004–2007)

Channel / Source	Period	Shares	% Float
<i>A. Domestic Channel: CEDE & CO. (Depository Trust Company)</i>			
Davi Skin (13 deposits)	6/04–2/06	325,971	5.5%
Davi Skin (13 deposits)	4/06–11/06	335,469	5.7%
Davi Skin (10 deposits)	1/07–6/07	1,588,385	26.8%
<i>incl. Cert 5304 (03/05/07)</i>		<i>946,085</i>	<i>16.0%</i>
	6/04–6/07	2,249,825	38.0%
<i>B. Cane Family Coordinated Control Bloc – Provenance</i>			
Cane (Sched. 13G, 06/29/01)		2,871,051	48.7%
Family bloc total (Table 3)		5,008,551	85.7%
CEDE deposits as % of Cane individual		2,249,825	(78.4%)*

*Ratio of CEDE deposits to Cane’s individual shares (2,249,825 / 2,871,051), not percentage of float. The Cane bloc’s total enterprise control of Davi Skin free-trading stock—combining CEDE & CO. domestic deposits and offshore LOM Securities nominees—was 76.69% (Table 6; para. 107).

Note: All CEDE & CO. deposits trace to shares originally issued to Michael A. Cane through the June 12, 2001 Tele-Lawyer/Dynamic Associates reverse merger. Cane’s individual position (2,871,051 shares) exceeds total CEDE deposits by 621,226 shares, making attribution to other family members mathematically unnecessary. All SEC filings originate from Cane; all contact information resolves to Cane.

Source: Pacific Stock Transfer Co. Shareholder Report (July 13, 2007), CUSIP 238528103.

76. The combined effect of the CEDE & CO. holdings (controlled by Cane through LATI) and the four LOM Securities offshore nominees (controlled by Wallace) was that the enterprise secretly controlled 76.69% of Davi Skin’s free-trading stock. This dual-layer concealment—domestic nominee registration through DTC and offshore nominee registration through LOM Securities—enabled the enterprise to manipulate the market while maintaining the false appearance that the stock was widely held by independent parties. Co-conspirator Devi Johal (Munjit Johal’s sister) managed the Arch Ltd. nominee entity, while co-conspirator Kevin Gunther administered the Hepburn Holdings account and used Phillips’s personal information to create the false appearance that Phillips was the beneficial owner. Cane’s dual role as enterprise operator and securities attorney enabled this accumulation through a closed-loop fraud: as attorney for Legal Access Technologies, Cane issued the Rule 144 opinion letters required to convert restricted shares to free-trading status—shares originally issued to “Michael A. Cane” now being certified by “Kyleen E. Cane,” exploiting the identity discontinuity to obscure that the certifying attorney and the beneficial owner were the same person.

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77. The scale of the resulting manipulation is documented by the Pacific Stock Transfer Company shareholder reports: between March 10, 2006 and July 13, 2007, free-trading stock increased from 449,347 to 5,926,598 shares—a 1,219% increase—while the total number of shareholders remained exactly 565 on both reports. Zero new public investors entered the register during a period when the enterprise injected over 3 million shares into the free-trading float. Neither the April 14, 2007 10-KSB²⁰ nor the quarterly report for the period ended June 30, 2007²¹—disclosed the CEDE & CO. accumulation, the four LOM nominee entities, the Wallace promissory note conversion, or any related party transactions.
78. On January 5, 2011, Cane made false statements to federal authorities regarding her interest in Legal Access Technologies, claiming she had no ownership in offshore accounts—a denial directly contradicted by the documented CEDE & CO./DTC share structure and the LATI-to-CEDE issuance she personally directed. The enterprise generated substantial income from the sale of these unregistered securities into the public markets; as CEO of Davi Skin, Wallace signed SEC filings that falsely described these offshore entities as “unrelated third parties,” concealing the enterprise’s beneficial ownership from regulators. The proceeds were retained in the offshore accounts and never reported as income to the IRS.
79. In an FBI interview on February 13, 2011,²² Wallace stated that “while she lived in Canada, WALLACE and her common law husband HARRY MOLL had an account in Bermuda. The account was called ‘Hepburn Holdings.’ WALLACE was considering putting any money earned from MOD into Hepburn Holdings for reinvestment.” In a

²⁰Form 10-KSB, Davi Skin Inc. (CIK 0001059577) (filed Apr. 17, 2007), Accession No. 0001117768-07-000030.

²¹Form 10-QSB, Davi Skin Inc. (CIK 0001059577), for the Quarter Ended June 30, 2007 (filed Aug. 20, 2007), Accession No. 0001144204-07-045234.

²²FBI 302 Interview of Jan Wallace at 4 (Feb. 13, 2011) (“while she lived in Canada, WALLACE and her common law husband HARRY MOLL had an account in Bermuda. The account was called ‘Hepburn Holdings.’ WALLACE was considering putting any money earned from MOD into Hepburn Holdings for reinvestment.”).

separate FBI interview on November 8, 2010,²³ the FBI documented that “WALLACE told CANE that WALLACE had some offshore trading accounts.”

80. Despite these admissions to law enforcement, Wallace subsequently denied the existence of offshore accounts during her bankruptcy creditor examination on November 4, 2013.²⁴ When asked “Is it your testimony that you never had offshore accounts?” and then confronted with “Ma’am, what is Hepburn Holdings Limited?”, Wallace’s denial was directly impeached by the documented FBI statements and wire transfer records.
81. On trial cross-examination on February 22, 2011, Wallace was questioned regarding Swiss bank accounts and her relationship with Kevin Gunther, identified as a director of Bridge Street Services, a management firm in Bermuda that facilitated the enterprise’s offshore transactions.
82. IRS Form 211 whistleblower applications were filed by Relator on June 10, 2010 and December 22, 2011,²⁵ and a third by forensic accounting expert Dennis Mandell on February 12, 2010. This Complaint provides materially different evidence: *it directly traces the CEDE & CO. stock positions in Davi Skin back to shares originally issued to Michael A. Cane, establishing the beneficial ownership chain the enterprise’s identity fraud was designed to conceal.* To the extent the Form 211 filings also disclosed unreported income—a “claim, record, or statement made under the Internal Revenue Code” within the meaning of 31 U.S.C. §~3729(d)—this Complaint does not assert FCA claims for unpaid income taxes. The FBAR obligations at issue arise exclusively under the Bank Secrecy Act, 31 U.S.C. §~5314, codified in Title 31, not in the Internal Revenue Code (Title 26). *See Jenner v. Commissioner*, 195 T.C. No. 7 (2024); *Mendu v. United States*, 184 Fed. Cl. 357 (2021). Evidence of unreported income is referenced

²³FBI Form 302, Interview of Kyleen Cane at 2 (Nov. 8, 2010) (“WALLACE told CANE that WALLACE had some offshore trading accounts. CANE has also read about WALLACE’s offshore trading accounts as she has read about the investigation of PHILLIPS. WALLACE never told CANE where her offshore money was or how much money was in the accounts.”).

²⁴Transcript of Continued 341 Meeting at 17:10–15, *In re Wallace*, No. 2:13-bk-17237-SSC (Bankr. D. Ariz. Nov. 4, 2013) (Wallace: “I owned Hepburn Holdings Ltd. in Bermuda”).

²⁵IRS Form 211 Whistleblower Application (filed June 10, 2010) (identifying the enterprise principals and offshore account infrastructure); *see also* IRS Form 211 Application (resubmitted Dec. 22, 2011).

solely to establish criminal purpose, scienter, and concealment pattern—not as the basis for any FCA claim.

Defendant-by-Defendant FBAR Obligation Analysis

83. The following analysis identifies each U.S. person defendant’s FBAR obligations, the foreign accounts triggering those obligations, and the willfulness indicators establishing that non-compliance was knowing and deliberate rather than negligent.

Table 8: FBAR Obligation Analysis by Defendant

Defendant	U.S. Person Status	Foreign Accounts	Years	Filed?
Kyleen E. Cane	U.S. citizen, NV	Aberdeen Holdings; LOM ²⁴	2005–2025	No
Jan M. Wallace	Canadian citizen ²³	Hepburn, Arch, Sunshine, Chloe ²⁵	2005–2025	No
Munjit Johal	U.S. citizen	Arch Ltd. (sister managed)	2005–2009	Unknown
Grace Sim	U.S. resident	MW Asia shell; WIP accounts	2005–2009	Unknown
Amin Lakha	U.S. citizen	SDL capital; LOM structure	2005–2009	Unknown

^wFive independent government records establish Wallace as a Canadian citizen operating in the United States without valid work authorization: (1) IRS Form 211 (Dec. 22, 2011) identified Wallace as “a citizen of Canada and possibly the Cayman Islands” but “a legal resident of the United States, and as such, a ‘United States person’ for federal income tax purposes,” I.R.C. § 7701(a)(30); (2) FBI Form 302, Interview of Jan Wallace (Nov. 8, 2010) (recording Wallace’s Canadian citizenship and B-2 visitor visa status); (3) FBI Form 302, Interview of Jan Wallace (Feb. 13, 2011) (confirming Wallace’s Canadian origin and residence history); (4) FBI Form 302, Interview of Kyleen Cane (Jan. 5, 2011) (Cane acknowledging awareness of Wallace’s background and offshore accounts); (5) ICE/CBP records (establishing Wallace’s entry and immigration status history, including B-2 visitor visa classification incompatible with corporate officer employment).

^xAberdeen Holdings Ltd. Inc. (Bermuda), Certificate No. 1960, issued August 22, 2001 (71 days after the June 12, 2001 reverse merger), 33 restricted shares at LOM Securities. Pacific Stock Transfer Co. Shareholder Reports (Mar. 10, 2006 and July 13, 2007) classify Aberdeen as “Enterprise-Connected.” The FBAR penalty period is calculated from 2005, when documentary evidence (Bridge Street Services renewal invoices) first establishes account balances; however, the Aberdeen certificate establishes that Cane’s offshore account infrastructure was active as early as August 2001.

^yE-mail from Leanne Perrin, York Street Ltd. (27 Reid Street, Hamilton, Bermuda—the LOM Building), to janwallace@att.net, Subject: “2006 Renewal Invoice—Arch Ltd. and Sunshine Ltd.,” attaching BSS USD wire transfer instructions and invoices Nos. 1374 (Arch Ltd.) and 1236 (Sunshine Ltd.) (Jan. 31, 2006). The “renewal” designation establishes these entities existed prior to 2006. Wallace’s FBI admission that she maintained the Hepburn Holdings account “while she lived in Canada” with “common law husband HARRY MOLL” places that account in the Dynamic Associates era (pre-June 2001). *See* FBI Form 302, Interview of Jan Wallace at 4 (Feb. 13, 2011).

84. **Willfulness Indicators – Cane.** (i) Structured four nominee entities below the 5% SEC disclosure threshold and issued Rule 144 opinion letters for accounts she controlled, demonstrating specialized knowledge of the regulatory framework she circumvented; (ii) denied ownership of offshore accounts to the FBI on January 5, 2011; (iii) operated

in secrecy jurisdictions (Bermuda, Cayman Islands); and (iv) falsely reported to the SEC that her identity change predated the reverse merger, preventing regulators from connecting the offshore structures to a single individual. **Willfulness Indicators – Wallace.** (i) Wired renewal fees from personal JP Morgan Chase and HSBC accounts to LOM Securities and Bank of NT Butterfield (para. 73); (ii) admitted to the FBI on November 8, 2010 and February 13, 2011 that she had offshore accounts including Hepburn Holdings (para. 79); (iii) denied those accounts under oath at her November 4, 2013 bankruptcy examination (para. 80); (iv) used three fraudulent Social Security Numbers to conceal her financial identity from the IRS; and (v) the bankruptcy court found “actual fraud, deception, and material false representations made with intent to deceive.”

85. **Willfulness Indicators – Johal, Sim, and Lakha.** **Johal:** served as CFO of Davi Skin and SDI, co-signed SOX certifications falsely describing offshore entities as “unrelated third parties,” and his sister Devi Johal managed the Arch Ltd. nominee entity. **Sim:** served as CFO and Director of Dynamic Associates and MW Medical during creation of the equity positions later deposited offshore, and co-formed Secure Diversified Lending with Wallace and Cane. **Lakha:** described as the enterprise’s “money man” providing “overseas financial facilitation,” orchestrated the \$2.2 million Davi Skin convertible note transaction, and served as Director during the offshore nominee share distributions.

Aggregate FBAR Penalty Exposure

86. The civil penalties for FBAR violations are set forth in 31 U.S.C. §5321(a)(5). For willful violations, the penalty is the greater of \$100,000 or 50% of the balance in the account at the time of the violation, assessed per account, per year. The record establishes willfulness for Cane and Wallace, and supports willfulness for Johal, Sim, and Lakha.

87. The following table conservatively estimates FBAR penalty exposure based on documented account balances:

Table 9: Estimated FBAR Penalty Exposure

Defendant(s)	Accts	Years	Est. Max Bal.	50% Penalty/Yr
Cane & Wallace ^a	5+	21 (2005–2025)	\$6,358,225	\$3,179,113
Amin Lakha	2+	5 (2005–2009)	\$2,215,000	\$1,107,500
Cane & Wallace: 21 yr × \$3,179,113 =				\$66,761,373
Lakha: 5 yr × \$1,107,500 =				\$5,537,500
Total Estimated FBAR Penalty Exposure				\$72,298,873

^aEnterprise offshore accounts jointly controlled by Cane (architect, beneficial owner through LATI) and Wallace (signatory, wire transfers to LOM/Butterfield). The \$6,358,225 represents the aggregate value of 2,295,388 Davi Skin shares held across four LOM nominee entities as of July 13, 2007. Johal and Sim also maintained financial interests in enterprise offshore accounts—Johal through his sister Devi Johal (manager, Arch Ltd.) and Sim through MW Asia and WIP accounts—generating independent FBAR obligations not quantified here.

88. These estimates are conservative. They do not include: (i) cash proceeds from securities sales through the offshore accounts, which would increase account balances substantially above the stock valuations used; (ii) accounts that may exist at financial institutions beyond LOM Securities, Bank of NT Butterfield, and Bank of Bermuda; (iii) proceeds from the Discala \$300 million scheme that may have been routed through the same offshore infrastructure; (iv) proceeds from the \$9 million Cannery West sale that Johal could not account for at the SDI 341 meeting; (v) the \$50–68 million in cumulative Medicare revenue that funded the enterprise’s operations and created the equity positions later deposited into offshore accounts; or (vi) FBAR penalties assessed at the \$100,000 per-account-per-year minimum rather than the 50% balance calculation, which would apply in years where account balances dipped below \$200,000.

89. Each unfiled FBAR constitutes a new and independent violation of 31 U.S.C. §~5314 in the year it is due. The offshore accounts have remained unreported from at least 2005 through the present—a period established by the January 31, 2006 Bridge Street Services renewal invoices for Arch Ltd. and Sunshine Ltd., which confirm the accounts existed no later than 2005.²⁵ Documentary evidence suggests earlier origination: Aberdeen Holdings Ltd. Inc. (Certificate No. 1960, issued August 22, 2001) establishes Cane’s

offshore account infrastructure was active within 71 days of the June 12, 2001 reverse merger,²⁴ and Wallace’s FBI admission that she maintained Hepburn Holdings “while she lived in Canada” with Harry Moll places that account in the Dynamic Associates era (pre-June 2001). Wallace’s subsequent bankruptcy denial (November 4, 2013) confirms the accounts were knowingly concealed; Cane’s January 5, 2011 denial to FBI confirms she knew of the accounts and chose to conceal them. Each annual non-filing generates a separate obligation to the United States that the enterprise knowingly concealed and improperly avoided, constituting a reverse false claim under 31 U.S.C. §~3729(a)(1)(G).

D. Bankruptcy Concealment (2013–Present)

Wallace Chapter 7 Proceedings

90. Wallace filed for Chapter 7 bankruptcy protection following the entry of a \$1,306,144 judgment against her in the Thomas & Wong litigation (Maricopa County Superior Court, April 11, 2008, affirmed on appeal January 10, 2011).²⁶ In her bankruptcy proceedings, Wallace systematically concealed enterprise assets and income that, if disclosed, would have been available to satisfy obligations owed to the United States.
91. The bankruptcy court found that Wallace committed fraud under 11 U.S.C. §~523(a)(2)(A) and fraud in a fiduciary capacity under 11 U.S.C. §~523(a)(4), declaring \$799,960 nondischargeable.²⁷ The bankruptcy court specifically found that Wallace failed to disclose material information, including her secret commission agreements and her conflicts of interest in the Thomas & Wong escrow transaction managed through Cane’s law firm.
92. Wallace’s bankruptcy schedules failed to disclose her beneficial interests in the offshore entities identified in paras. 71–73, her 77.4% equity ownership of SDI (which had sold the Cannery West Shopping Center for \$9 million), and other enterprise interests.¹⁶ Her

²⁶Voluntary Petition, *In re Wallace*, No. 2:13-bk-17237-PS (Bankr. D. Ariz. Oct. 2, 2013).

²⁷Memorandum Decision, *In re Wallace*, No. 15-1319 (B.A.P. 9th Cir. Oct. 14, 2016) (finding fraud under 11 U.S.C. §§~523(a)(2)(A) and 523(a)(4); declaring \$799,960 nondischargeable).

undisclosed annual income—derived from roles as CEO of multiple public companies, 77.4% equity ownership of SDI, and offshore securities transaction volume—generated independent FBAR reporting obligations she never fulfilled.

The False Claims

93. Each false statement in Wallace’s bankruptcy schedules that omitted offshore accounts, enterprise interests, or undisclosed income constitutes a reverse false claim under 31 U.S.C. §~3729(a)(1)(G), because the concealment knowingly avoided Wallace’s obligations to the United States, including FBAR penalties under the Bank Secrecy Act and potential Medicare overpayment obligations.

E. Bankruptcy Asset Stripping (2007–2009)

Secured Diversified Investments

94. Prior to SDI’s entry into bankruptcy, Wallace and the enterprise executed a systematic pre-petition asset stripping scheme that had been planned since at least July 12, 2005, when an internal investment memorandum directed the enterprise to liquidate all SDI real estate, terminate existing management, execute a reverse stock split, and “sell the Shell, taking SDI PRIVATE NLT 31 Dec 2006.”²⁸ The scheme was designed to leave the entity unable to satisfy obligations to the government and legitimate creditors:
95. Wallace and the executive staff increased their salaries to incur additional accrued notes against the corporation immediately before the bankruptcy filing, caused related party transactions exchanging SDI assets for promissory note reductions without independent valuation, and invested one-third of SDI’s equity (\$300,000) in the Cactus Scottsdale property—then transferred the property to Wallace personally upon entering bankruptcy.

²⁸YEI Investment Memorandum at 2 (July 12, 2005) (on file with Relator; recovered from SDI email archive) (directing enterprise to “sell the Shell, taking SDI PRIVATE NLT 31 Dec 2006” and to “liquidate ALL real estate” and terminate existing management “before 1 October 2005”).

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96. Wallace diverted over \$357,000 from the \$9 million Cannery West escrow through four fraudulent “hold back” instructions to Alliance Title Company between November 29 and December 2, 2005. Wallace had induced SDI’s founders—Clifford Strand (CEO), William Biddle (VP), and Gernot Trolf (COO)—to resign on August 31, 2005 by falsely promising that their accrued salaries would be paid from the Cannery West proceeds. Instead, Wallace issued hold-back instructions diverting Strand’s \$90,000+ accrued salary, Biddle’s \$45,000+ accrued salary, Trolf’s \$42,000+ accrued salary, and Nationwide Commercial Brokers’ \$180,000 earned commission. The corporate resolution purporting to authorize these instructions was fabricated; the SDI board had not authorized Wallace to withhold payments.²⁹
97. On June 14, 2006, co-conspirator Jay Kister proposed a \$250,000 circular transaction to Wallace designed to deceive SDI’s auditors: “I will get the 250K... return it to its place and everything has been accomplished.” The scheme would temporarily deposit \$250,000 into SDI’s account to satisfy audit requirements, then immediately withdraw the funds—manufacturing the appearance of corporate solvency while the enterprise was stripping the company’s assets. Wallace’s response—“let’s talk about the process”—demonstrates consciousness of guilt: she accepted the scheme’s premise but refused to approve it in writing.³⁰
98. Central to the enterprise’s seizure of SDI was the exploitation of Helen West, an incapacitated shareholder whose Iomega Investments LLC held a controlling block of SDI stock. Wallace, through her relationship with William Biddle—West’s caretaker—obtained a proxy from the incapacitated West and used it to execute the February 2, 2006 Schedule 13D filing transferring 15,000,000 shares to Iomega Investments LLC under Wallace’s control. The enterprise subsequently made West a borrower through its own Secured

²⁹Complaint at paras. 15, 23, 19, *Strand v. Wallace* (filed May 4, 2006) (documenting the fraudulent resignation inducement, the Alliance Title hold-back instructions of November 29 through December 2, 2005, and the fabricated corporate resolution); see also Cross Complaint, *Alliance Title Company v. SDI Officers Attorney Ambrosio* (Jan. 20, 2005).

³⁰Email from Jay Kister to Jan Wallace re: Secured Lending Money (June 14, 2006) (“I will get the 250K... return it to its place and everything has been accomplished”).

Lending operation, originating a \$464,750 loan at 11.25%—originating a loan to West through the same entity that had seized her shares through fraud.

99. Wallace received 400,000 derivative shares of SDI on March 4, 2005; Johal received 750,000 derivative shares for their participation in the scheme. Wallace simultaneously operated Wallace Black LLC as a conduit for SDI fund extraction, maintaining Bank of America account 004659342393 (Phoenix, Arizona) through which documented wire transfers from SDI include \$30,000 on January 18, 2008 and \$10,000 on May 21, 2008—establishing a multi-year extraction channel operating alongside Wallace’s officer compensation and derivative share awards.
100. Cane, through Cane Clark LLP (which served as both SDI’s securities counsel and a major creditor), filed an involuntary bankruptcy petition against its own client, SDI, on June 16, 2008. Cane then presented a reorganization plan to sell the SDI shell to Galaxy Gaming Inc. through a reverse merger, extinguishing the interests of legitimate creditors and shareholders.

Table 10. SDI Pre-Petition Asset Stripping and Post-Petition Shell Conversion

Date	Transaction	Amount	Recipient
Jul 2005	Cannery West casino sale	\$9,000,000	SDI (proceeds not reinvested)
Aug 2005	Management purge (Strand, Biddle, Trolf terminated)	—	Enterprise control established
Mar 4, 2005	Derivative share issuance	400,000 shares	Wallace
Oct 11, 2005	Derivative share issuance	250,000 shares	Johal
2005–2006	Additional derivative shares	500,000 shares	Johal
2005–2007	Inflated salary accruals	Undisclosed	Wallace, executive staff
2005–2007	Related-party note exchanges	Undisclosed	Wallace
2005–2007	Cactus Scottsdale property transfer	\$300,000 (1/3 equity)	Wallace (personal)
Feb 2, 2006	Iomega Investments 13D filing	15,000,000 shares	Wallace-controlled LLC
Jun 30, 2006	DRC sham report	—	Cover for manipulation
Oct 2007	20:1 reverse stock split	—	Dilute remaining minority
Jun 16, 2008	Involuntary bankruptcy petition	—	Cane Clark LLP (own client)
Feb 2009	Shell sale to Galaxy Gaming	25,000,000 shares	Galaxy Gaming shareholders

The False Claims

101. Cane, Wallace, and Johal concealed the true amount of SDI stock held in undisclosed off-shore entities. SEC filings contain contradictory statements regarding the Iomega LLC share issuance: the February 2, 2006 Schedule 13D reported 15,000,000 shares issued;

the June 30, 2006 10-QSB reported 250,000 preferred shares converted to 15,000,000 common shares; and the September 30, 2006 10-QSB, after a 20:1 reverse split, reported 12,500 preferred shares converted to 750,000 common shares. These contradictory SEC filings constitute false records material to the government’s ability to assess and collect obligations owed by the enterprise.

F. FDA Fraud and Shell Trafficking (1997–2012)

MW Medical / Davi Skin

102. MW Medical Inc. (CIK 0001059577), with Wallace as President and CEO and Sim as CFO, raised \$9,005,000 from investors between 1998 and 2001 based on false representations that the company’s microwave medical device had received FDA approval for clinical use. The device, intended for treatment of benign prostatic hypertrophy, never received FDA approval, never worked as represented, and was ultimately recalled.³¹
103. Wallace further represented that the device was supported by credible scientific studies conducted under the supervision of qualified medical professionals. In fact, the purported medical director, Dr. Robert B. Spertell, M.D., had his medical license revoked for “egregious sexual misconduct with patients,” his credentials were falsified, and—as confirmed by the HHS-OIG LEIE—he had been **excluded from all federal health-care programs since October 9, 1991**, five years before the enterprise employed him.³² No legitimate scientific studies supported the device’s efficacy claims.
104. The false FDA approval representations were material to the enterprise’s fundraising activities. Between 1998 and 2001, MW Medical raised approximately \$9,005,000 from

³¹Amended Complaint §§10–14, *Burwell v. MW Medical, Inc.*, No. CV2000-007658 (Ariz. Super. Ct. May 25, 2000) (documenting false representations regarding FDA approval, device efficacy, and scientific studies supporting the microwave medical device).

³²*Id.* at §12 (Wallace represented that “a medical doctor, Robert Spertell, was in charge of the scientific studies and research efforts behind the medical device”; Spertell’s medical license had been revoked for “egregious sexual misconduct with patients” and his credentials were falsified); HHS Office of Inspector General, List of Excluded Individuals/Entities (LEIE), search confirmed Robert B. Spertell, M.D. (DOB 04/18/1949, UPIN A47027) excluded effective October 9, 1991 under 42 U.S.C. §1320a-7(b)(4) (license revocation/suspension/surrender).

investors based on these misrepresentations. The enterprise induced Clement L. Burwell III to accept employment as National Sales Manager in April 1999 through fraudulent representations regarding the device's FDA status, scientific validation, and commercial viability. Burwell was promised stock options valued at over \$92,000 as primary compensation, which the enterprise subsequently blocked from sale and deliberately devalued through the bankruptcy scheme.³³

105. When victims discovered the fraud and threatened exposure, the enterprise pivoted to a victim framing campaign. Wallace filed false allegations against Burwell in SEC Form 10-KSB filings, filed a false police report with the Scottsdale Police Department falsely accusing Burwell and co-victim Mitch DeShon of breaking and entering and theft, and disseminated defamatory statements to investor relations firms. This pattern—fraudulent inducement, exploitation, discovery, framing—would be repeated against Parrish Medley at Davi Skin (2006) and Mark Phillips at MOD Systems (2008-2011).³⁴
106. The FDA fraud is material to the government program false claims alleged herein because the same individuals who made false FDA representations—Wallace as CEO, Sim as CFO, Cane as securities counsel—simultaneously operated the Medicare billing enterprise described in Section VI.A and made Sarbanes-Oxley certifications regarding the accuracy of SEC filings.³⁵ This pattern of material misrepresentation to federal regulatory agencies pervades every certification these individuals made.

The Shell Trafficking Pipeline

107. Wallace simultaneously positioned herself as MW Medical's sole secured creditor, accumulating \$1,139,940 in secured debt (plus \$50,000 unsecured, totaling \$1,189,940) against all company assets. On January 22, 2002, MW Medical filed Chapter 11

³³Complaint §§6–11, *Burwell v. Wallace*, No. CV2001-019191 (Ariz. Super. Ct. Nov. 2, 2001) (documenting stock option fraud valued at over \$92,000, wage theft, retaliatory termination, and the enterprise's systematic devaluation of Burwell's compensation through the bankruptcy scheme).

³⁴Amended Complaint §§16–23, *Burwell v. MW Medical, Inc.*, No. CV2000-007658 (Ariz. Super. Ct. May 25, 2000) (false police report filed with Scottsdale Police Department falsely accusing Burwell and DeShon of breaking and entering and theft).

³⁵*See supra* note regarding MW Medical SOX certifications signed by Wallace as CEO.

bankruptcy (Case No. 02-01090-PHX-RTB, Bankr. D. Ariz.). The Joint Plan of Reorganization, confirmed June 28, 2002, converted Wallace’s secured claim to 74,000,000 shares at \$0.005 per share—giving her 74.1% of the post-emergence entity and extinguishing all outside equity interests through a subsequent 1-for-500 reverse stock split. The remaining 25.9% consisted of shares from the Dynamic Associates 1:1 spin-off, where the Cane bloc’s 85.7% control position made the Cane family the dominant holder. No outside investor acquired material equity; Wallace’s dual positioning as CEO and sole secured creditor created an irreconcilable conflict enabling her to control both bankruptcy timing and asset disposition.

108. MW Medical’s bankruptcy reorganization created five subsidiary shell entities distributed to enterprise insiders—MW Asia/NW Asia (95% Grace Sim), MW Europe (95% Dean Drummond), NW South America (95% Tyler Brown), MW Fitness (95% Wallace), and Microwave Debtor (95% Wallace)—all issued pursuant to 11 U.S.C. §~1145, creating multiple Nevada shell corporations with public company share issuance capability for future reverse merger transactions.¹⁹
109. MW Medical emerged from bankruptcy as Davi Skin Inc. on June 24, 2004, with Wallace as CEO and Cane as Director. Wallace sold the shell to Parrish Medley, who invested capital and recruited Carlo Mondavi as co-founder, while concealing a \$200,000 promissory note—an artifice designed to conceal Cane’s undisclosed majority position carried through the MW Medical bankruptcy. On April 3, 2007, Wallace converted this note into 2,295,388 shares distributed across the four LOM Securities offshore nominee entities (para. 74) without SEC disclosure. Simultaneously, Cane deposited 1,923,854 shares of her Dynamic Associates-origin stock into CEDE & CO. between April 2006 and June 2007—including 946,085 shares on March 5, 2007, twenty-nine days before Wallace’s LOM nominee issuance—establishing that the two channels, though structurally independent, were operationally synchronized. Each entity transition—Tele-Lawyer to Dynamic, Dynamic to LATI, MW Medical to Davi Skin—was a separate fraud act in fur-

therance of the enterprise's scheme to raise money on public markets through concealed control positions.

110. The enterprise then executed the pump-and-dump scheme set forth in Section VI.H, generating an estimated \$6.39 million in illicit proceeds concealed from the IRS, while inflicting documented losses on Mondavi, Medley, the Noctua Fund (defrauded of \$650,000 through a false private placement memorandum at \$1.50 per share), Artist House Holdings, and retail investors.

G. False SEC Filings (2001–2012)

111. *Regulatory Framework.* Companies with securities registered under Section 12 of the Securities Exchange Act of 1934, 15 U.S.C. §~78l, and companies required to file reports under Section 15(d), 15 U.S.C. §~78o(d), must file accurate periodic reports with the SEC. These reports must not contain untrue statements of material fact or omit material facts necessary to make the statements made not misleading. 15 U.S.C. §~78j(b); 17 C.F.R. §~240.10b-5. Beneficial owners of more than 5% of a class of equity securities must file Schedule 13D disclosures within ten days of acquisition. 15 U.S.C. §~78m(d).
112. False SEC filings constitute predicate acts of wire fraud under 18 U.S.C. §~1343 and “false records or statements material to an obligation to pay or transmit money or property to the Government” under 31 U.S.C. §~3729(a)(1)(G) when they conceal beneficial ownership information that would trigger regulatory inquiry into unreported foreign financial accounts. The Sarbanes-Oxley Act of 2002 imposed personal certification requirements on principal executive and financial officers: Section 302 (15 U.S.C. §~7241) requires certification that reports contain no untrue statements and that internal controls are effective; Section 906 (18 U.S.C. §~1350) imposes criminal penalties of up to \$5 million and 20 years imprisonment for willful violations. A SOX certification signed under a false identity is false ab initio as to the certifying officer's identity, constituting an independent federal offense regardless of the underlying financial statements' accuracy.

The False Filings

113. The enterprise’s racketeering activity was enabled and concealed through a volume of false SEC filings that constitutes an independent category of fraud on a federal agency. Documentary evidence establishes 318 SEC EDGAR filings across the enterprise’s two primary CIK numbers: 134 filings under CIK 0000878146 (Dynamic Associates / Legal Access Technologies) and 184 filings under CIK 0001059577 (MW Medical / Davi Skin). Cane Clark LLP, Cane’s law firm and the enterprise’s legal infrastructure, filed an additional 2,059 SEC filings on behalf of various clients between August 15, 2003 and April 23, 2010. The 318 enterprise filings include annual reports (Form 10-KSB, 12-K), quarterly reports (Form 10-QSB, 12-Q), current reports (Form 8-K), registration statements (Form S-1, S-8), beneficial ownership reports (Schedule 13D), proxy statements, and Sarbanes-Oxley certifications—each filed with the Securities and Exchange Commission and each containing representations signed under penalty of perjury by enterprise officers.
114. These filings were systematically false across four categories. **False Identity-Change Date:** In July 2004, Cane reported to the SEC that her legal name had changed from Michael A. Cane to Kyleen E. Cane effective June 28, 2001.³⁶ Clark County property records establish the actual name change occurred no earlier than late 2003. The false effective date, placed sixteen days after the June 12, 2001 reverse merger, severed the EDGAR trail connecting the Cane family’s 85.7% control bloc in Dynamic Associates / LATI to Cane’s subsequent filings under her new identity.³⁷ **False Beneficial Ownership:** SEC filings described LOM Securities nominee entities as “unrelated third

³⁶Form 5, Legal Access Technologies Inc., filed by Kyleen E. Cane (July 22, 2004), Accession No. 0001255294-04-000216 (SGML header notation: “FORMER CONFORMED NAME: CANE MICHAEL A,” “DATE OF NAME CHANGE: 20010628”; first filing under new identity; the reported June 28, 2001 effective date is contradicted by Clark County property records establishing the name change occurred no earlier than late 2003).

³⁷Schedule 13D/A, Legal Access Technologies, Inc., filed by Michael A. Cane (July 2, 2001), Accession No. 0001075793-01-500108; Form 8-K, Legal Access Technologies (Oct. 9, 2001), Accession No. 0001075793-01-500222; Schedule 13D (Feb. 14, 2002), Accession No. 0001075793-02-000056; Form 10-QSB with SOX Certifications (filed Dec. 16, 2002), Accession No. 0001075793-02-000559.

parties” when each was enterprise-controlled;³⁸ neither the April 2007 10-KSB nor June 2007 amendment disclosed CEDE & CO. accumulation, LOM nominees, or the coordinated share distributions. **Contradictory Share Reports:** SDI filings contained three contradictory statements regarding the Iomega share issuance—15M common, 250K preferred converted, or 12.5K preferred converted—each signed by Johal under SOX, designed to defeat cross-referencing and conceal enterprise control of 48.97% of SDI.

115. **False SOX Certifications:** Cane signed six SOX certifications for LATI as “Michael A. Cane” (eleven individual violations, Dec. 2002–Sept. 2003).³⁹ Each certification was false ab initio because Cane simultaneously maintained undisclosed foreign financial accounts holding securities of the certifying entity—rendering the required representations regarding internal controls and financial disclosures materially misleading. Wallace signed at least two SOX certifications for MW Medical (Nov. 2002, June 2003)⁴⁰ while operating under the alias “Jan Wallace” rather than her legal name Juanita Mary Jardine, using fraudulent SSNs, maintaining unreported offshore accounts, and concealing beneficial ownership—rendering every certification false ab initio. SOX certifications carry criminal liability under 18 U.S.C. §~1350 (up to 20 years). *See* Disclosure Statement Section II.F for filing-by-filing analysis.

³⁸Form 10-KSB/A, Davi Skin Inc. (filed Mar. 6, 2006), Accession No. 0001255294-06-000132 (failed to disclose Wallace’s beneficial ownership through LOM nominees; described Wallace’s \$200,000 note as transaction with “unrelated third party”).

³⁹*See* Appendix F, Tables 1–2 (comprehensive catalog of false identity SEC filings documenting six LATI SOX certifications—yielding eleven individual violations (five Section 302 and six Section 906)—signed “Michael A. Cane” between December 2002 and September 2003, during which period Cane’s legal name had not yet changed; two additional LVGI mainbody filings were signed by Cane as Director as “Michael Cane” in April 2002 and March 2003, but SOX certification blocks in those filings were signed by CEO Russell R. Roth, not Cane).

⁴⁰Form 10-QSB, MW Medical Inc. (Nov. 19, 2002), Accession No. 0001075793-02-000523 (SOX certification signed by Wallace as CEO); Form 10-QSB, MW Medical Inc. (June 30, 2003), Accession No. 0001075793-03-000498 (SOX certification signed by Wallace as CEO).

The Concealment Function

116. The false SEC filings are material to the FBAR reverse false claims alleged in Count I because they concealed the enterprise’s offshore account infrastructure from the federal agency best positioned to detect it. The SEC maintains cross-referencing systems linking beneficial ownership reports (Schedule 13D), insider trading disclosures (Forms 4 and 5), and institutional holding statements. False identification of the reporting person, false descriptions of nominee entities, and contradictory share disclosures defeated each of these detection mechanisms.
117. Cane obfuscated ownership across the Tele-Lawyer → Dynamic Associates → LATI → MW Medical → Davi Skin chain by falsely reporting to the SEC that her identity change predated the reverse merger, decoupling the Cane bloc’s 85.7% LATI position from the Davi Skin directorship, and preventing the SEC from connecting either to the CEDE & CO. deposits or LOM nominees. Each false filing constitutes a “false record or statement material to an obligation to pay or transmit money” under 31 U.S.C. §3729(a)(1)(G). Cane Clark LLP’s 2,059 additional SEC filings establish broader racketeering infrastructure: the SEC identified Cane Clark as connected to entities whose stock was manipulated through the same LOM Securities nominee infrastructure.⁴¹
118. The racketeering character of the SEC filing activity is further established by the enterprise’s control of four CIK numbers—CIK 0000878146 (Dynamic Associates / LATI, Cane as CEO/President), CIK 0001059577 (MW Medical / Davi Skin, Wallace as CEO, Cane as Director/Counsel), CIK 0001144030 (Michael A. Cane / Kyleen E. Cane, individual beneficial ownership), and CIK 0001103993 (Las Vegas Gaming Inc., Cane as Director)—across which every filing signed by Cane or Wallace while simultaneously maintaining undisclosed foreign financial accounts constitutes a false statement material to the concealment of FBAR obligations. Cane signed or directed 318 SEC filings on behalf of entities she controlled while maintaining undisclosed foreign financial accounts

⁴¹SEC Litigation Release No. 20378, *SEC v. Lines et al.*, No. 07-cv-11566 (S.D.N.Y. filed Dec. 19, 2007) (LOM Securities enforcement action).

holding securities of those same entities, establishing knowledge of FBAR reporting obligations. The scope of the enterprise’s SEC filing fraud—235 entity filings, a false identity-change date reported to the SEC to sever the EDGAR cross-referencing trail, at least 9 false SOX certifications, and 2,059 Cane Clark LLP filings—is not merely evidence of a pattern of racketeering; it is the mechanism by which the enterprise projected the false appearance of regulatory compliance while systematically defrauding federal programs and concealing obligations to the United States.

H. Offshore Securities Fraud (2004–2008)

Davi Skin Inc.

119. Following MW Medical’s bankruptcy reorganization, Wallace sold the reorganized shell to entrepreneur Parrish Medley in 2004 while concealing a promissory note as described in Section VI.F.⁴² Medley renamed the entity Davi Skin Inc. and recruited Carlo Mondavi as co-founder and investor. Wallace positioned Cane as purportedly independent securities counsel and board member, concealing their long-standing relationship and coordinated control of offshore nominee infrastructure.
120. In March 2006, when Davi Skin’s auditors contacted Wallace regarding the concealed promissory note, Wallace responded by transmitting a defamatory fax to the accounting firm stating: “I find [Medley] to be a liar, a cheat, self-serving and of low moral character.”⁴³ This defamation campaign enabled Wallace to force Medley’s removal and install Cane as Secretary and General Counsel and Lakha as Director by May 2006. Wallace then systematically diluted and extinguished Mondavi’s founding ownership through share issuances totaling 2,295,388 shares to offshore nominees authorized by the Cane-controlled board.

⁴²Complaint ¶¶ 6–9, *Medley v. Wallace*, No. BC351142 (L.A. Super. Ct. filed Apr. 21, 2006) (Wallace failed to disclose \$200,000 promissory note when selling MW Medical shell to Medley).

⁴³*Id.* at ¶ 10 (defamatory fax to Davi Skin’s accounting firm stating Medley was “a liar, a cheat, self-serving and of low moral character”).

The Offshore Distribution

121. The offshore distribution described in Section VI.F placed 2,295,388 shares across four LOM Securities nominee entities—Arch Ltd., Hepburn Holdings Ltd., Sunshine Ltd., and Chloe Group—calibrated at precisely 3.97% ownership to remain below the 5% Schedule 13D reporting threshold under 15 U.S.C. §78m(d), while collectively controlling 15.88% of outstanding stock.⁴⁴ The sequential certificate numbers (5309–5312) and identical April 3, 2007 issuance dates confirm this was a single coordinated transaction, not four independent investments.
122. Cane’s parallel CEDE & CO. deposits, set forth in Section VI.C and Table 7, brought the enterprise’s combined control to 76.69% of Davi Skin’s free-trading stock, giving the enterprise near-total control of the float.⁴⁵ The accelerating deposit pattern is documented in the Pacific Stock Transfer Company shareholder report dated July 13, 2007:

Table 11. CEDE & CO. Certificate Deposits – Davi Skin Inc. (CIK 0001059577)

Period	Certs	Shares	Cumulative	Key Certificates
2004 (Jun–Dec)	3	21,950	21,950	2029–2030, 5095
2005 (Mar–Dec)	9	254,051	276,001	5107 (125,000 on 03/29)
2006 (Feb–Nov)	14	385,439	661,440	5240 (100,000 on 06/27)
2007 (Jan–Jun)	10	1,588,385	2,249,825	5304 (946,085 on 03/05)
Total	36	2,249,825		Cert range: 2029–5323
<i>LOM Nominee Issuance (for comparison):</i>				
04/03/2007	4	2,295,388	—	5309–5312 (4 × 573,847)

Source: Pacific Stock Transfer Co., Active Shareholder Report (July 13, 2007).

Note: 70.6% of all CEDE deposits occurred in Jan–Jun 2007, contemporaneous with the LOM nominee issuance. Cert 5304 (946,085 shares) was deposited 29 days before certs 5309–5312 (LOM nominees), confirming operational synchronization.

123. The enterprise executed a pump-and-dump scheme controlling approximately 89% of daily trading volume during the manipulation period, artificially inflating the stock price while systematically dumping shares through the offshore nominees.⁴⁶ The scheme gen-

⁴⁴Davi Skin Shareholder Report (July 13, 2007) (listing four offshore entities with identical 573,847 share holdings, certificate numbers 5309–5312, all dated Apr. 3, 2007, all at LOM Building address).

⁴⁵Davi Skin Historical Trade Information and Analysis at Corporate Actions Timeline (documenting Cane’s CEDE & CO. deposits including 946,085 shares on Mar. 5, 2007).

⁴⁶*Id.* at Summary (enterprise controlled approximately 89% of daily trading volume during manipulation

erated approximately \$6.39 million in illicit proceeds concealed from the IRS through the unreported offshore accounts, while inflicting documented losses on Mondavi (\$650,000+ through investment and lost equity), Medley (investment losses and legal fees), the Noctua Fund (\$650,000 through a false private placement memorandum at \$1.50 per share), Artist House Holdings, and retail investors.

124. Davi Skin’s SEC filings during 2007–2008, certified by Wallace as CEO and Johal as CFO under Sarbanes-Oxley, falsely described the four LOM Securities entities as “unrelated third parties” and failed to disclose Wallace’s and Cane’s beneficial ownership, the coordinated nature of the share distributions, and the offshore pump-and-dump operation.⁴⁷ Wallace admitted the Hepburn Holdings account to the FBI and later denied it under oath, as set forth in Section VI.C.⁴⁸

I. Attorney Trust Account Fraud (2003–2011)

Thomas & Wong

125. Between February and August 2003, Wallace and Cane orchestrated an escrow fraud targeting Thomas & Wong General Contractor, Inc., a Brunei-based company, and its representative Ed Tarapaski.⁴⁹ Wallace positioned herself as Thomas & Wong’s trusted financial advisor while secretly serving as a director of BDV Investments, Inc., the purported borrower. Wallace induced Thomas & Wong to wire \$799,960 in two tranches into an attorney trust account controlled by Cane O’Neill & Taylor, LLC (Cane’s law firm) for a purported \$1.5 million bridge loan secured by “gold doré” collateral. An additional \$700,000 was later sent directly to Lake Bank, bypassing the escrow entirely,

period; generated approximately \$6.39 million in illicit proceeds).

⁴⁷SEC Form 10-K, Davi Skin, Inc. (Mar. 31, 2007) (falsely describing offshore entities as “unrelated third parties”).

⁴⁸Transcript of Continued 341 Meeting at 17:10–15, *In re Wallace*, No. 2:13-bk-17237-SSC (Bankr. D. Ariz. Nov. 4, 2013) (Wallace first denied offshore accounts, then confronted with prior FBI admission: “Ma’am, what is Hepburn Holdings Limited?” “It’s a management account.” “And where is it located?” “In Bermuda”).

⁴⁹Trial Transcript at 3490–3494, *Thomas & Wong Gen. Contractor v. Blume*, No. CV2005-012516 (Ariz. Super. Ct. Feb. 5, 2008) (Wallace testimony regarding Thomas & Wong escrow scheme).

after Wallace falsely represented that due diligence conditions had been satisfied.

126. Despite clear escrow conditions requiring Thomas & Wong’s authorization for all disbursements, Cane O’Neill personnel executed multiple unauthorized wire transfers based solely on Wallace’s instructions: \$275,000 on March 6, 2003 to purchase a Minneapolis condominium (two days *before* the promissory note was even signed on March 8, 2003); \$20,000 on March 21, 2003 to L. Trust LLC (an entity controlled by BDV principal John Beardmore’s girlfriend); and \$4,960 on August 28, 2003 to Cane O’Neill for legal fees from an account Tarapaski believed was closed.⁵⁰ A Cane O’Neill employee’s March 6, 2003 email stated “I took one for the team” regarding the unauthorized transfer, demonstrating internal awareness of the impropriety.
127. Wallace concealed multiple conflicts of interest: a pre-existing \$250,000 contract to sell MW Asia corporate shell to Beardmore, receipt of \$50,000 kickback from Lake Bank funded by the loan proceeds, and her directorship of BDV.⁵¹ Wallace fabricated a story about a “gold melt” in Salt Lake City with proceeds transferred offshore and then to Florida, which proved entirely false. The promised collateral—gold doré purportedly stored in a secure New Mexico warehouse—was worthless gold concentrate that had never been properly secured.
128. Cane managed the Cane O’Neill & Taylor trust account from which the unauthorized disbursements were made. Thomas & Wong, Tarapaski, and all other third parties dealt with Cane as a disinterested escrow attorney. In fact, Cane and Wallace had operated as enterprise partners since at least the June 12, 2001 reverse merger (para. 2), and Wallace served as the operator of the Cane family’s undisclosed control bloc across the enterprise’s public companies—Dynamic Associates, MW Medical, Davi Skin, and SDI (paras. 36–42, Table 3). Cane was not a disinterested attorney administering an escrow; she was Wallace’s co-conspirator, and the trust account was an instrumentality of their

⁵⁰*Id.* at 3492–3493 (unauthorized wire transfers documented); Email from Susan Johnson, Cane O’Neill employee (Mar. 6, 2003) (“I took one for the team” regarding unauthorized \$275,000 transfer).

⁵¹Deposition of Jan Wallace at 113, *In re Thomas & Wong* (June 19, 2007) (Wallace testimony regarding undisclosed conflicts and \$50,000 kickback from Lake Bank).

joint fraud.

Table 12. Cane O’Neill & Taylor Trust Account — Thomas & Wong Escrow (2003)

Date	Type	Amount	Counterparty / Purpose
<i>Inflows to Trust Account</i>			
Mar. 5, 2003	Wire inflow	\$549,980	Thomas & Wong (Brunei)
Mar. 7, 2003	Wire inflow	\$249,980	Thomas & Wong (Brunei)
Total Inflows		\$799,960	
<i>Unauthorized Disbursements (Wallace-directed, no T&W authorization)</i>			
Mar. 6, 2003	Disbursement	\$275,000	Basford Lockhart (Minneapolis condo) ^a
Mar. 13, 2003	Disbursement	\$500,000	Lake Bank (Beardmore regulatory debt) ^b
Mar. 21, 2003	Disbursement	\$20,000	L. Trust LLC (Sokim Lach)
Aug. 28, 2003	Disbursement	\$4,960	Cane O’Neill (self-assessed fees) ^c
Total Disbursements		\$799,960	
Escrow Balance		\$0	
<i>Additional Fraud-Induced Transfers (Bypassing Escrow)</i>			
Apr. 2003	Direct wire	\$700,000	Thomas & Wong → Lake Bank ^d
Summer 2003	Kickback	\$50,000	Lake Bank → Wallace (personal)
Total Thomas & Wong Losses		\$1,499,960	

^aExecuted one day before second T&W tranche and two days before promissory note signed.

^bPost-hoc authorization obtained Mar. 12 under false pretenses (fabricated “safekeeping receipt”).

^cTarapaski believed account closed; unauthorized self-payment by escrow agent.

^dInduced by Wallace’s false representation that due diligence conditions were satisfied.

The Judicial Finding

129. On April 11, 2008, a Maricopa County Superior Court jury found Wallace 84% at fault and awarded Thomas & Wong \$1,554,934 in damages.⁵² The final judgment entered January 10, 2011 totaled \$1,306,144 plus costs and interest at 10% per annum. Wallace has never paid this judgment. In February 2015, the bankruptcy court ruled the judgment nondischargeable under 11 U.S.C. §§~523(a)(2)(A) and 523(a)(4) due to Wallace’s actual fraud, deception, and material false representations made with intent to deceive.⁵³ Each false statement Wallace made to Thomas & Wong, and each unauthorized wire transfer Cane O’Neill executed, constitutes wire fraud under 18 U.S.C. §~1343 and is consistent with the enterprise’s modus operandi of using attorney trust accounts and

⁵²Appellate Brief, *Thomas & Wong v. Blume* (Dec. 1, 2008) (jury verdict finding Wallace 84% at fault for \$1,554,934 in damages).

⁵³Memorandum Decision, *In re Wallace*, No. 15-1319 (B.A.P. 9th Cir. Oct. 14, 2016) (Thomas & Wong judgment ruled nondischargeable under 11 U.S.C. §§~523(a)(2)(A) and 523(a)(4) due to actual fraud).

offshore structures to execute fraud.

J. MOD Systems, Banana, and A DOT Corporation (2007–2013)

The \$35 Million MOD Scheme

130. The enterprise seized approximately \$35 million in assets from MOD Systems, Inc.—a company Relator founded in March 2005 as a digital media technology company in Seattle, Washington, and which closed a Series A round at an \$88 million enterprise valuation with Toshiba, NCR Corporation, and Deluxe Entertainment Services Group in October 2008. An independent valuation in October 2007 valued the intellectual property portfolio at \$393 million (pending patents) and \$494 million (issued patents).⁵⁴ Relator owned all intellectual property personally, retained three issued U.S. patents, and secured content licensing from Warner Brothers and Paramount.
131. Bay contributed \$50,000 for a minority stake at founding; Arnold later invested approximately \$3.5 million. Relator was the primary funding source: he directed personal consulting revenues into MOD, personally funded the Series A bridge loan, advanced emergency capital on August 21, 2008 (approved by all directors including Cane), and deferred IP license fees owed under the April 7, 2008 Toshiba Memorandum of Understanding.

Infiltration and Evidence Fabrication (2007–Oct 2008)

132. Wallace infiltrated MOD as an outside consultant through Wallace Black LLC—the same entity used to receive proceeds from the SDI stock fraud—vouched for personally by Lakha. Cane secured appointment to MOD’s board on July 2, 2008, representing that she would serve as an independent director—a material misrepresentation that concealed her participation in a long-running criminal enterprise with Wallace.
133. Over eighteen months, Wallace manufactured a fraudulent evidentiary record through

⁵⁴Superseding Indictment at 18–14, *United States v. Discala et al.*, No. 14-CR-399 (E.D.N.Y. Nov. 19, 2015).

four key acts: (a) on September 12, 2007, acquired Relator’s Social Security Number through Cane Clark LLP to create the false appearance that Relator—rather than Wallace—held the Hepburn Holdings account at LOM Securities;⁵⁵ (b) three documented LOM framing communications attributed the enterprise’s offshore accounts to Relator; (c) demanded payment for fundraising introduction efforts, then used the funds to purchase luxury gifts for Relator—creating the appearance of unauthorized spending; and (d) obtained Relator’s MOD corporate credit card under the pretext of booking travel and business expenses, deceived MOD’s administrative staff into processing the charges, and made over \$83,000 in personal purchases—including \$23,235 in Hermes luxury goods shipped to Wallace’s home on May 3–4, 2007—which the enterprise later characterized as Relator misusing corporate funds. Unbeknownst to Wallace and Cane, the funds for Wallace’s consulting payment had been drawn from Relator’s own salary. By September 28, 2008, Wallace had compiled these fabrications into “The List,” delivered to Cane—three weeks before Cane voted to approve the Series A closing. The following table documents the key framing communications:

Table 13. Wallace Framing Communications and Actions

Date	Action
Sep. 12, 2007	Acquires Relator’s Social Security Number through Cane Clark LLP under pretext of SEC Form 3 filing. Wallace emailed Relator: “The sec attorneys need your ssn for the form 3 filing with the sec for your davi shares.” Wallace was meeting with Cane the same day. Wallace also proposed assigning 573,847 Davi Skin shares to Kenn Gordon—MOD’s COO—to implicate him in the offshore stock scheme. ²
Sep. 28, 2008	Compiles and delivers “The List”—fabricated accusations against Relator—to Cane. Assembled over 18 months (Apr. 2007–Sep. 2008). Wallace recruited Smyth and Arnold—a minority shareholder—presenting the fabricated record as an opportunity to leverage claims against majority shareholder Phillips.
Dec. 2008	Contacts Smyth using alias “Joan Reardon” to coordinate data theft from Relator’s computers.
Summer 2008	Boasts to multiple individuals that she “had gained access to all of A Dot’s computers and had used that access on numerous occasions for her personal purposes, as well as given the information to others.”

134. Wallace’s more than forty documented emails during this period—each advancing the LOM account frame, extracting financial information, or manufacturing the appearance of unauthorized transactions—establish the enterprise’s premeditation.

⁵⁵Schedule 13D, Legal Access Technologies, Inc., filed by Michael A. Cane at 1–3 (June 26, 2001), Accession No. 0001075793-01-500095.

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135. The Series A comprised six interlocking agreements protecting Relator's position: a Shareholders Agreement veto over CEO changes (Section 2.7(xi)), a five-year Employment Agreement at \$500,000 annually with \$1,000,000 separation benefits, a Freedom of Operation Agreement requiring Relator's signature and NCR consent, and a License Agreement under which Relator retained personal IP ownership.⁵⁶

The DRC as Fraud Instrument (Jan–Mar 2009)

136. Smyth filed a derivative complaint against Relator from fabricated evidence provided by Wallace under the alias “Joan Reardon,” and simultaneously transmitted settlement demands totaling \$100 million.⁵⁷ In response, Cane formed the “Demand Review Committee” on January 22, 2009 and appointed herself chair—investigating the very claims she and Wallace had manufactured. This was the third documented deployment of the DRC/audit committee instrument, following Davi Skin and SDI. Wallace appeared at the DRC on March 17, 2009 and was paid \$126,000 from MOD funds laundered through Lane Powell without board authorization.
137. Cane proposed director indemnification on January 23, 2009 to protect herself while chairing the investigation of her own manufactured claims. Lane Powell's Thomas Grohman—serving as secretary—witnessed Cane and Bay attempt to grant the DRC special powers; the board rejected this and instructed that neither Cane nor Bay was authorized to act without full board approval.
138. The DRC never interviewed Cheryl Gradwohl, MOD's controller since June 2007—the person with firsthand knowledge that every challenged transaction had been board-approved. Instead, Cane and Bay secretly met with Wallace and Douglass and agreed

⁵⁶Form 10-KSB, Legal Access Technologies Inc., Fiscal Year Ended Apr. 30, 2002, at 98–92 (filed July 22, 2002), Accession No. 0001075793-02-000302 (documenting the June 12, 2001 reverse merger and 153:1 reverse stock split).

⁵⁷Form 5, Legal Access Technologies Inc., filed by Kyleen E. Cane (July 22, 2004), Accession No. 0001255294-04-000216 (SGML header notation: “FORMER CONFORMED NAME: CANE MICHAEL A,” “DATE OF NAME CHANGE: 20010628”; first filing under new identity; the reported June 28, 2001 effective date is contradicted by Clark County property records establishing the name change occurred no earlier than late 2003).

to recharacterize Relator’s authorized transactions as fraud—the same accounting fabrication technique deployed in the Davi Skin and SDI schemes. The following table documents how Cane’s own signed approvals contradict every claim the enterprise later made:

Table 14. Cane’s Documented Actions and Signed Documents

Date	Action	Significance
Feb. 11, 2008	Mortgage frame coordination	Active before board appointment
Apr. 2, 2008	IP licensing discussions	3 months before formal appointment
June 18, 2008	Requests fax machine, signing access	Independent document control
July 2, 2008	Appointed to MOD Board	Conceals Wallace relationship
July 9, 2008	Votes YES: AnythingBox acquisition	Approves transaction later cited as fraud
Sep. 17, 2008	Votes YES: Relator IP License (1st)	Approves license she later claims unauthorized
Sep. 24, 2008	Votes YES: Relator IP License (2nd)	Reaffirms approval
Oct. 14, 2008	Votes YES: Relator IP License (3rd)	Third board approval
Oct. 17, 2008	Signs Series A closing documents	\$88M valuation predicated on Relator
Jan. 22, 2009	DRC formed; Cane appointed chair	Chairs investigation of her own claims
Jan. 23, 2009	Proposes director indemnification	Secures protection; Bay excluded
Mar. 17, 2009	Secret meeting with Wallace; pays \$126K	Unauthorized MOD expenditure
Mar. 27, 2009	Appointed voting trustee	SA prohibited; fiduciary breach
Apr. 2, 2009	Relator removed as MOD Japan director	Bay appointed in his place
Apr. 3, 2009	DRC findings; Relator placed on leave	Salary: \$500K to under \$50K
Sep. 30, 2009	MOD breaches IP License	First \$500K royalty not paid
Nov. 12, 2009	Court removes Cane from voting trustee position	Erlick: “so obvious and incurable”
Dec. 17, 2009	Signs Non-Unanimous Written Consent	Ratifies \$1.3M in claims contradicted by board minutes
Dec. 30, 2009	Unauthorized board terminates Relator	Violates SA § 2.7(xi)

Coerced Voting Trust and Lockout (Mar–Apr 2009)

139. Under coordinated pressure—threats from Wallace documented in para. 153, settlement demands from Smyth (para. 136, fn. 3), and Hotard’s threat to “destroy” him—Relator signed the voting trust on March 27, 2009, transferring control of his majority shareholding to Cane. With the voting trust secured, Bay and Cane locked Relator out of his own company.

Fabricated Accounting and Bank Fraud (Apr–Dec 2009)

140. The enterprise executed the accounting fabrication agreed upon during the secret meetings. Bay and Cane had voted YES on the IP License Agreement three times and approved related transactions in board minutes dating to April 2008; the enterprise then recharacterized these same board-approved transactions as unauthorized self-dealing—converting Relator’s authorized salary into embezzlement and his board-approved license agreement into wire fraud.
141. CFO David Douglass reversed his own June 2008 Toshiba due diligence characterizations, recharacterizing transactions he had documented as authorized corporate obligations as evidence of embezzlement—even though MOD was operating primarily from Relator’s personal funds, and the accounting entries were the ordinary debits and credits tracking Relator’s capital contributions to his own company. PricewaterhouseCoopers had raised no accounting issues during due diligence. Washington Employment Security records confirm Relator was paid only \$130,288.55—not the \$250,000 the board had authorized—because he had directed his salary to cover Wallace’s consulting payments; yet the enterprise characterized approximately \$100,000 as embezzlement, charging Relator with stealing less than the company owed him. Bay instructed controller Gradwohl to record transactions she knew were “inaccurate, dishonest and intended to deceive,” then admitted MOD’s IT department had “mistakenly erased or overwritten backups” containing the board minutes proving authorization.⁵⁸

Manufactured Prosecution and Total Extraction (Nov 2009–2013)

142. On November 12, 2009, Judge Erlick removed Cane from the voting trustee position, finding her conflicts “so obvious and incurable” that she could not continue. Relator appointed himself voting trustee and removed Bay and Cane from the board. Draining the remaining assets before Relator returned to MOD now required escalating to

⁵⁸Schedule 13D, *supra* note 2, at 1–3 (reporting Cane’s acquisition of 2,871,051 shares, 48.7% beneficial ownership of post-merger entity).

imprisonment.

143. Bay and Bromfield made coordinated false representations to Wells Fargo that Relator “had no authority” and was “committing a fraud”—independently provable bank fraud (18 U.S.C. §~1344) and wire fraud (18 U.S.C. §~1343).⁵⁹ On December 17, 2009, Cane, Bay, and Hotard—knowing Cane had been removed from the voting trust and Bay from the board—signed the Non-Unanimous Written Consent ratifying \$1,295,864 in fabricated claims. On December 30, 2009, the unauthorized board terminated Relator in violation of the Shareholders Agreement Section 2.7(xi).
144. Bay and De Bakker, with Cane, directed a \$5 million transfer to Fenwick and West as a litigation fund to spend down MOD’s assets before Relator returned to MOD. Controller Gradwohl refused to execute the transfer, resigning in protest.⁶⁰ On March 4, 2010, Relator’s attorney Harmeet K. Dhillon sent a shareholder letter identifying Cane as the principal of a criminal racketeering enterprise. Within ten days, four enterprise attorneys (Smyth, De Bakker, Buckley, and Roth) approached the USAO with a manufactured criminal referral built from the fabricated accounting. While Relator was imprisoned on the manufactured charges, the enterprise extorted a settlement on January 25, 2011 stripping him of his patents, shares, and equity in exchange for a non-exclusive license to his own intellectual property for one dollar.

MOD Damages Consolidation

145. The MOD scheme was the first in which the enterprise’s methodology became visible to a target—but only the fraud directed at Relator himself. It would take more than a decade of independent research, software development, and forensic analysis by

⁵⁹Form 10-KSB, Legal Access Technologies Inc., Fiscal Year Ended Apr. 30, 2002, at 98–92 (filed July 22, 2002), Accession No. 0001075793-02-000302 (documenting the June 12, 2001 reverse merger and 153:1 reverse stock split).

⁶⁰Form 8-K, Exhibit 10.1 (Asset Purchase Agreement), Legal Access Technologies Inc. (filed Oct. 9, 2001), Accession No. 0001075793-01-500222 (Asset Purchase Agreement between Perspectives Health Management Corporation and Horizon Mental Health Management, Inc., Sections 2.12 and 2.22 containing officer certifications regarding Medicare/Medicaid compliance; disposition of hospital management subsidiary for \$2,900,000, with \$5,800,000 in outstanding receivables from Medicare/Medicaid-reimbursed hospital management contracts).

Relator—conducted despite ongoing retaliation and the hardship detailed in Section VI.K—to reverse engineer Cane’s operational methods across schemes and assemble the fuller scope of fraud against the United States documented in this Complaint. The enterprise nevertheless prevailed at MOD, as it has in every documented fraud and hostile takeover. The layered complexity of the scheme—manufacturing evidence through one co-conspirator, self-appointing the investigative committee, fabricating accounting to support the manufactured claims, then weaponizing the criminal justice system to imprison the whistleblower—is without documented precedent and allowed the enterprise to operate undetected across multiple jurisdictions for decades. The conspiracy operated through a division of labor: Cane provided legal architecture, Bay provided internal access and fabricated records, Wallace manufactured evidence, Douglass provided accounting recharacterizations, and Hotard oversaw the scheme. Relator’s damages—including lost compensation, equity, intellectual property, and thirty-six months of liberty—are quantified in para. 164.

K. Whistleblower Activity and Retaliation (2009–Present)

SEC Whistleblowing and Retaliation Protection

146. On December 14, 2009, Relator and Chris Grundy—a former Banana Corporation employee and MOD contractor—contacted David Williams, the lead SEC attorney investigating LOM Securities, to report securities fraud, money laundering, and tax evasion by Cane, Wallace, and their associates. The following day, Relator delivered a “Whistleblower Notice of Facts” to the SEC (Williams), the Department of Justice, De Bakker, Barber, Toshiba, NCR, and other MOD shareholders. Grundy filed a separate whistleblower complaint the same day.⁶¹

147. The SEC’s lead investigator Williams confirmed his commitment to protect Relator. Relator subsequently filed IRS Form 211 whistleblower applications reporting the enter-

⁶¹Superseding Indictment at 18–14, *United States v. Discala et al.*, No. 14-CR-399 (E.D.N.Y. Nov. 19, 2015).

prise’s tax evasion, unreported offshore accounts, and FBAR violations.

Immediate Retaliation (December 2009–March 2010)

148. One day after the whistleblower notice, the enterprise retaliated: on December 17, 2009, Cane signed the unauthorized Non-Unanimous Written Consent ratifying \$1,295,864 in claims contradicted by board minutes she and Bay had signed; on December 30, 2009—two weeks after the whistleblower notice—the unauthorized board terminated Relator without paying contractual separation benefits or IP royalties owed under the Employment and License Agreements.
149. MOD’s counsel and officers suppressed both whistleblower reports. Buckley of Fenwick and West dismissed the disclosures;⁶² when Grundy independently reported to De Bakker that “the company is being raided from the inside,” De Bakker threatened him with “personal liability.”⁶³ *See* Disclosure Statement Section II.I for extended correspondence.

Manufactured Criminal Referral (March 2010)

150. In March 2010, Bromfield contacted Wells Fargo and falsely represented that Relator “had no authority and was committing a fraud”—an act of wire fraud blocking Relator’s lawful corporate action. Between March 14 and 18, 2010—less than three months after the SEC whistleblower notice—four attorneys associated with the enterprise (Smyth, De Bakker, Buckley, and Roth) approached the USAO as a coordinated group with a criminal referral targeting Relator.⁶⁴
151. Relator was indicted. The enterprise did not produce all corporate records to the gov-

⁶²Schedule 13D, Legal Access Technologies, Inc., filed by Michael A. Cane at 1–3 (June 26, 2001), Accession No. 0001075793-01-500095.

⁶³Email, Chris Grundy to Derek De Bakker (Feb. 20, 2010).

⁶⁴Form 5, Legal Access Technologies Inc., filed by Kyleen E. Cane (July 22, 2004), Accession No. 0001255294-04-000216 (SGML header notation: “FORMER CONFORMED NAME: CANE MICHAEL A,” “DATE OF NAME CHANGE: 20010628”; first filing under new identity; the reported June 28, 2001 effective date is contradicted by Clark County property records establishing the name change occurred no earlier than late 2003).

ernment. IRS-CID SA Benjamin George omitted the AnythingBox License Agreement from the grand jury presentation—the document establishing board authorization for the transactions charged as fraud.⁶⁵

152. The government never conducted an accounting audit of MOD’s finances and never interviewed MOD controller Cheryl Gradwohl—the one witness with continuous financial oversight who knew every challenged transaction had been board-approved.

Stalking and Pattern of Violence

153. The enterprise deployed physical violence before targeting Relator. Wallace assaulted Jeanette Loretta Ojile on April 9, 2005 and delivered explicit death threats to David Brian Leeper on July 4, 2005—both during the SDI hostile takeover.⁶⁶ Beginning in 2006, the enterprise infiltrated Relator’s operations through unauthorized computer access (confirmed by the CFAA Complaint), password theft, and fabrication of false claims to federal investigators.
154. Wallace covertly administered intoxicating substances to Relator on at least seven documented occasions, then cited Relator’s incapacitation to the FBI as evidence of drug abuse—a characterization contradicted by Relator’s medical records and the absence of any drug-related arrest or finding.⁶⁷ Wallace fabricated allegations of weapons and drug possession to MOD’s attorneys and the FBI, telling agents Relator was “a daily drug user” with narcotics in his safe—all false.⁶⁸ The DRC paid Wallace \$126,000 through Lane Powell for data she had stolen from Relator’s systems.⁶⁹ *See* Disclosure Statement

⁶⁵ *Id.*

⁶⁶ Schedule 13D, *supra* note 2, at 1–3 (reporting Cane’s acquisition of 2,871,051 shares, 48.7% beneficial ownership of post-merger entity).

⁶⁷ FBI 302 Interview of Jan Wallace at 4 (Feb. 13, 2011) (“while she lived in Canada, WALLACE and her common law husband HARRY MOLL had an account in Bermuda. The account was called ‘Hepburn Holdings.’ WALLACE was considering putting any money earned from MOD into Hepburn Holdings for reinvestment.”).

⁶⁸ Email from Wallace (Aug. 7, 2006, 10:41 PM), *re: Uniform Contract form—Arizona business qualification inquiry* (on file with Relator; recovered from Wallace email archive).

⁶⁹ Secured Diversified Inv., Ltd., Schedule 13D (Feb. 2, 2006) (reporting 15,000,000 common shares issued to Iomega Investments LLC); Email from Kyleen Cane to Scott Doney and Jan Wallace (Feb. 28, 2006) (“This should not be dated”); Email from Kyleen Cane to Scott Doney (Mar. 1, 2006) (directing preparation

Section II.J for extended documentation.

Legal Harassment and Witness Tampering

155. Cane filed retaliatory SLAPP lawsuits targeting every person who submitted evidence exposing the enterprise. On September 16, 2011, Cane sued Relator, Professor O’Kelley, Dennis Mandell, and Harmeet K. Dhillon—involuntarily dismissed for failure to prosecute.⁷⁰ On September 9, 2016, while under supervision on \$1,000,000 bond in the *Discala* prosecution with conditions prohibiting witness contact, Cane filed a defamation lawsuit against Relator (Case No. A-16-743194-C, Clark Cnty., Nev.) claiming over \$4.8 million for statements repeating publicly available facts about her federal indictment.⁷¹ Cane’s own criminal defense attorney had admitted fourteen months earlier that “the government’s published allegations have destroyed Ms. Cane’s law practice”—establishing her knowledge that the claimed damages were false. The Nevada lawsuit is itself an instrumentality of the enterprise’s use of fraudulent litigation to suppress truthful disclosures. *See* Disclosure Statement Section II.J for extended legal harassment documentation.

Hearn Terror Campaign and Obstruction

156. Six months before filing the Nevada defamation complaint, Cane deployed convicted felon William Hearn, Jr. to terrorize Relator. From March 2016 through September 2016, Hearn subjected Relator to hundreds of threatening contacts across multiple channels—recorded voicemails, text messages, caller-ID-spoofed phone calls, and online

of backdated board minutes and proxy); Emails from Scott Doney (Aug. 30, 2006) (“I still need to okay the action with Kyleen” and “Let me run this by Kyleen”).

⁷⁰SEC EDGAR Database, CIK 0000878146 (Dynamic Associates / Legal Access Technologies, 160 filings) (Medicare PPS cost-plus reimbursement disclosures in annual and quarterly reports, fiscal years 1996–2001).

⁷¹Form 8-K, Exhibit 10.1 (Asset Purchase Agreement), Legal Access Technologies Inc. (filed Oct. 9, 2001), Accession No. 0001075793-01-500222 (Asset Purchase Agreement between Perspectives Health Management Corporation and Horizon Mental Health Management, Inc., Sections 2.12 and 2.22 containing officer certifications regarding Medicare/Medicaid compliance; disposition of hospital management subsidiary for \$2,900,000, with \$5,800,000 in outstanding receivables from Medicare/Medicaid-reimbursed hospital management contracts).

publications—including explicit death and rape threats:⁷²

“When u get back in, Ill have a rape fund set up 4 u, \$25,000. worth. Ull luv it as the party favor especially with ur teeth knockd out hummn away.”

“Where is my money you fucking dirty cock-sucking bitch. I gave you a break, man. Don’t worry, you are going back fuck-face. I am taking you out.”

157. On April 25, 2016, Cane and Hearn published a WordPress page demanding Relator cease filing government complaints, explicitly referencing the preceding threats: “you should by now have a good idea how that response might look and feel.”⁷³ A second WordPress page on September 25, 2016 demanded Relator and Seyler cease investigating Cane.⁷⁴

The Fraudulent Default Judgment

158. On October 20, 2016, Hearn executed a false “Affidavit of Personal Service” declaring under penalty of perjury that he served Relator at 2801 1st Ave, Seattle, at 3:30 PM. Relator was approximately 1,800 miles away in Southern California. At 2:45 PM—forty-five minutes before Hearn claimed service—Relator took a photograph in the Santa Monica Mountains with EXIF metadata establishing the date, time, and GPS coordinates.⁷⁵
159. Based on Hearn’s perjured affidavit, the Nevada court entered a default judgment on June 22, 2017 for \$4,888,924.78—\$2,888,924.78 in compensatory damages and \$2,000,000.00 in exemplary damages—against both Relator and co-defendant James Seyler.⁷⁶ The court also ordered the removal and de-indexing of websites documenting

⁷²SEC EDGAR, Secured Diversified Investments Ltd. (CIK 0000013156), Americash Mortgage Bankers Investor Fee Schedule, Accession No. 0001255294-06-000587 (FNMA conforming fixed-rate products and lender investor schedule).

⁷³WordPress Publication, “Offer to End the Harassment” (Apr. 25, 2016).

⁷⁴WordPress Publication, “Phillips/Seyler Amnesty Offer” (Sept. 25, 2016).

⁷⁵*Phillips v. Cane*, No. 10-cv-6399 (W.D. Wash. filed Nov. 1, 2010) (prior *qui tam* complaint alleging false claims related to the enterprise’s mortgage fraud operations).

⁷⁶Default Judgment (June 22, 2017).

Cane's criminal activities from Google, Yahoo, and Bing.

160. Cane conditioned the Seyler settlement on cessation of all investigation—a silencing mechanism, not dispute resolution—at zero monetary cost to Cane. On June 29, 2023, Cane filed an Affidavit for Renewal of Judgment, extending the fraudulent judgment based on Hearn's perjured affidavit. The renewed judgment has been used to compel removal of public records documenting the enterprise's fraud. This renewal constitutes a new predicate act within the limitations period.

Witness Intimidation and Family Targeting

161. The enterprise targeted Relator's family and other victims: Wallace filed false CPS reports against Relator's sister, destroyed his therapeutic relationship through false allegations at his psychologist's workplace, and filed false stolen vehicle reports causing high-risk traffic stops.⁷⁷ Cane and Wallace filed retaliatory SEC and IRS complaints targeting other scheme victims Parrish Medley and Clifford Strand.⁷⁸

RICO Predicate Acts Arising from Retaliation

162. The retaliatory conduct set forth in this section constitutes the following predicate acts under 18 U.S.C. §~1961(1): witness tampering in violation of 18 U.S.C. §~1512(b) (the WordPress publications demanding cessation of government complaints; the Hearn death and rape threats; the Seyler settlement terms prohibiting investigation and publication); retaliation against a witness in violation of 18 U.S.C. §~1513(e) (termination of Relator two weeks after the whistleblower notice; the manufactured criminal referral; the SLAPP lawsuit targeting Relator and every person who submitted supporting evidence); wire fraud in violation of 18 U.S.C. §~1343 (Bromfield's false representations to Wells Fargo; Hearn's perjured affidavit of service transmitted by mail; the fraudulent default judgment and its renewal); and obstruction of justice in violation of 18

⁷⁷Form 10-QSB, Davi Skin Inc. (CIK 0001059577), for the Quarter Ended June 30, 2007 (filed Aug. 20, 2007), Accession No. 0001144204-07-045234.

⁷⁸*Id.* (fabricated SEC and IRS complaints targeting Medley and Strand).

U.S.C. §~1503 (the coordinated criminal referral by four enterprise-affiliated attorneys designed to convert the whistleblower into a criminal defendant; the suppression of the AnythingBox License Agreement from the grand jury).

FCA Anti-Retaliation Elements

163. Relator’s claims under 31 U.S.C. §~3730(h) satisfy each required element. First, Relator engaged in protected activity: he filed whistleblower disclosures with the SEC, IRS, and DOJ on December 15, 2009, followed by IRS Form 211 applications, and this *qui tam* action. Second, the enterprise had knowledge of the protected activity: Buckley’s January 7, 2010 letter expressly acknowledged receipt of the whistleblower materials and dismissed them. Third, the enterprise took adverse action: Relator was terminated on December 30, 2009; subjected to a manufactured criminal prosecution; targeted by a SLAPP lawsuit; subjected to death and rape threats through Hearn; burdened with a \$4,888,924.78 fraudulent default judgment; and subjected to an extortive settlement executed while in federal custody on January 25, 2011, requiring surrender of all patents, intellectual property, equity interests, and contractual rights as detailed in para. 235(r), with a confidentiality clause restricting disclosure of non-public MOD information to two narrow exceptions, effectively prohibiting voluntary cooperation with federal investigators. Fourth, the causal connection is established by temporal proximity—fifteen days between the whistleblower notice and termination—and by direct evidence: the WordPress publications explicitly demanded that Relator cease filing “government complaints.” The pre-amendment version of 31 U.S.C. §~3730(h) governs the December 2009 termination; the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203, §~1079A (July 21, 2010), expanded the provision’s protections to cover contractors and agents, and the amended version governs all subsequent adverse actions.

Quantification of Retaliation Damages

164. As a direct and proximate result of the enterprise's retaliation against Relator personally, Relator has suffered the following categories of damage—distinct from and in addition to any damages sustained by the United States—each documented by contracts, third-party valuations, or investment records in Relator's possession. Relator reserves the right to establish the precise amount of damages in each category at trial through expert testimony and documentary evidence:
- a. *Lost compensation including authorized salary and contractual licensing income*: Unpaid salary, contractual separation benefits owed under Relator's Employment Agreement, and unpaid royalties under the AnythingBox License Agreement.
 - b. *MOD Systems equity*: Relator's majority ownership in MOD Systems, diluted to nothing through the enterprise's unauthorized share issuances and the Finkle arbitration.
 - c. *Property seizure and business destruction*: The enterprise destroyed Relator's concurrent ventures Banana Corporation and A DOT Corporation, seized his intellectual property, equipment, and personal property, and converted his technology to enterprise control.
 - d. *Fraudulent default judgment*: Liability arising from Hearn's perjured affidavit of service, renewed by Cane in 2023.
 - e. *Framing and imprisonment*: Three years of lost liberty resulting from the enterprise's manufactured criminal prosecution, personal bankruptcy, loss of homes, and destruction of professional reputation.
 - f. *Litigation expenses*: Criminal defense costs, SLAPP suit defense, judgment-related litigation, and related legal expenses incurred as a direct result of the enterprise's retaliation.
165. The concealment and retaliation that pervade this complaint are not incidental to the enterprise's fraud—they are central to it. The enterprise's non-stop campaign to silence Relator—from the coordinated criminal referral through incarceration, death threats, fraudulent judgments, and witness tampering—demonstrates the lengths to which the enterprise went to prevent a whistleblower capable of reverse-engineering their frauds

from exposing the scheme. Relator seeks all damages recoverable under 31 U.S.C. §~3730(h) and 18 U.S.C. §~1964(c), including but not limited to compensatory damages, treble damages, attorneys’ fees, costs, and consequential damages.

166. The factual allegations in this complaint rest on documentary evidence—SEC EDGAR filings, bankruptcy court records, Pacific Stock Transfer shareholder reports, contemporaneous emails (including Wallace’s own communications), voicemails, and text messages recording the death threats described herein—supplemented by FBI 302 interview transcripts, patent and trademark records, and court filings across multiple jurisdictions. Relator’s private original source materials, including business records obtained directly from co-victims and enterprise participants, are independent of any public disclosure or prior government action. The forensic tracing of share transfers, CEDE & CO. certificate deposits, FBAR exposure calculations, and Medicare revenue extractions is independently verifiable by any forensic accountant with access to the underlying records. Relator’s federal conviction arose from the manufactured criminal referral described in para. 8—itself a predicate act of the enterprise’s retaliation.

L. Additional Theories for Government Investigation: CARES Act and Shell Trafficking (2020)

Galaxy Gaming Inc.

167. The corporate shell that the enterprise fraudulently seized, stripped, and sold is the same legal entity that subsequently received \$4,835,300 in government pandemic relief loans. Secured Diversified Investments Ltd. (CIK 0000013156)—the entity Cane and Wallace acquired through the asset stripping scheme set forth in Section VI.E, systematically looted, forced into bankruptcy, and sold through the February 2009 reverse merger—became Galaxy Gaming Inc. (“Galaxy Gaming”).⁷⁹ Galaxy Gaming continued

⁷⁹SEC EDGAR Database, CIK 0000013156 (registrant history: “SDI INDUSTRIES LTD” changed to “GALAXY GAMING INC” following February 2009 reverse merger; unbroken filing chronology from SDI through Galaxy Gaming under same CIK).

operating under CIK 0000013156, the same SEC registrant originally filed by SDI. The entity continuity is confirmed by SEC EDGAR records: the CIK number, the registrant history, and the filing chronology establish an unbroken chain of corporate identity from the SDI that Cane and Wallace defrauded through to the Galaxy Gaming that obtained government loans.

168. The February 2009 reverse merger exemplifies the enterprise’s core *modus operandi*: SDI issued 25,000,000 shares to Triangulum Partners LLC—a nominee entity managed by Robert Saucier, who simultaneously served as President and sole director of Galaxy Gaming—and 4,000,000 shares to creditors (including Cane Clark LLP, which received a \$125,000 promissory note for delivering the shell).⁸⁰ All pre-merger equity was extinguished, giving Saucier 58.34% control through a single nominee vehicle.⁸¹ This structure mirrors the identical pattern at Davi Skin (76.69% enterprise control via offshore nominees), LATI (85.7% via reverse stock split), and MW Medical (74.1% via secured claim conversion). Galaxy Gaming’s CARES Act loan applications’ failure to disclose this nominee structure—and that Cane Clark LLP (accession prefix 0001255294) was the filing agent—constitutes additional false statements material to false claims under 31 U.S.C. §~3729(a)(1)(A) and (B).
169. In 2020, Galaxy Gaming obtained two government-backed loans under pandemic relief programs:
- (a) A Paycheck Protection Program (“PPP”) loan of \$835,300 from Nevada State Bank on April 17, 2020⁸², guaranteed by the Small Business Administration under Section 7(a)

⁸⁰Form 8-K, Secured Diversified Investment, Ltd. (filed Feb. 13, 2009), Accession No. 0001255294-09-000047 (documenting Share Exchange Agreement: 25,000,000 shares issued to Triangulum Partners LLC; 4,000,000 shares to creditors; all pre-merger SDI equity extinguished; Saucier appointed President, CEO, CFO, and sole director); *see also* Shareholder Declaration at 2 (Sept. 24, 2009) (“25 million new shares would be issued and paid to Robert Saucier and a Saucier family trust, and creditors would receive 4 million, a 14 percent share”).

⁸¹Schedule 13D, Galaxy Gaming Inc. (filed Sept. 21, 2009), Accession No. 0001255294-09-000680 (Saucier reporting 24,750,000 shares beneficially owned through Triangulum Partners LLC, 58.34% of outstanding shares; Saucier as Manager of Triangulum Partners LLC exercising sole voting and investment control; address: 6980 O’Bannon Drive, Las Vegas, NV 89117, same as Galaxy Gaming corporate office).

⁸²Small Business Administration, Paycheck Protection Program FOIA Data (loan approved Apr. 17, 2020, Galaxy Gaming Inc., NAICS 713290, \$835,300, Nevada State Bank, SBA Loan No. on file); Federal Reserve

of the Small Business Act, as amended by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), Pub. L. 116-136; and

- (b) A Main Street Priority Loan of \$4,000,000 from Nevada State Bank on October 26, 2020, under the Main Street Lending Program established by the Board of Governors of the Federal Reserve System pursuant to Section 13(3) of the Federal Reserve Act, as authorized by the CARES Act.

The Enterprise Connection

170. The PPP and Main Street Lending Program applications required borrowers to make material certifications regarding, *inter alia*, the accuracy of financial statements, the absence of pending litigation that could materially affect the business, the truthfulness of information provided, and the eligibility of the borrower.
171. To the extent Galaxy Gaming’s loan applications failed to disclose the fraudulent provenance of the corporate shell—including that the entity was acquired through a collusive bankruptcy engineered by the enterprise’s own securities counsel filing an involuntary petition against her own client, that the pre-bankruptcy entity had been systematically stripped of \$9 million in real estate assets and \$47.2 million in shareholder value, that the reverse merger extinguished the interests of defrauded SDI shareholders, and that the entity’s SEC filing history under CIK 0000013156 contained contradictory and false disclosures regarding share issuances and beneficial ownership—each application constituted a false statement material to a false claim under 31 U.S.C. §~3729(a)(1)(A) and (B).
172. Relator acknowledges the connection between the enterprise’s SDI shell trafficking and Galaxy Gaming’s CARES Act applications is indirect—the enterprise did not itself apply for the loans. This section is presented as an additional theory for government investigation. On information and belief, offshore entities administered through LOM

Bank, Main Street Lending Program Transaction-Specific Disclosures (loan closed Oct. 26, 2020, Galaxy Gaming Inc., \$4,000,000, Nevada State Bank).

Securities—Arch Ltd., Hepburn Holdings Ltd., Sunshine Ltd., and Chloe Group—may still hold shares traceable to the fraudulent SDI reorganization. The government’s subpoena authority over LOM Securities, DTC participant records, and Galaxy Gaming’s transfer agent can establish whether these offshore positions remain open and whether Galaxy Gaming disclosed the entity’s fraudulent provenance. Whether Galaxy Gaming’s post-acquisition management knew of or disclosed the fraudulent origins is a factual question that only discovery can resolve.

M. Pattern of Racketeering Activity

173. Under 18 U.S.C. §1961(5), a “pattern of racketeering activity” requires at least two predicate acts within a ten-year period that are related to each other and to the enterprise, and that amount to or pose a threat of continued criminal activity. The Cane-Wallace enterprise satisfies both the relatedness and continuity requirements established in *H.J. Inc. v. Northwestern Bell Tel. Co.*, 492 U.S. 229, 235 (1989).
174. **Relatedness.** All predicate acts alleged herein are related to each other through common participants (Cane and Wallace in every scheme), common purpose (financial enrichment through fraud and concealment of obligations to the United States), common victims (investors, government agencies, business partners, and whistleblowers), common methods (shell entities, identity fraud, offshore accounts, fabricated documents, false SEC filings, witness intimidation), and common results (financial destruction of victims followed by evidence concealment and retaliation). The enterprise operates through a repeatable six-phase victim exploitation lifecycle documented across multiple schemes: (1) approach and infiltration; (2) exploitation of trust and extraction of value; (3) victim discovery of fraud; (4) framing campaign using false official reports; (5) obstruction and evidence destruction; (6) repeat with next victim. The predicate acts are not isolated incidents but components of a systematic criminal enterprise refined over four decades.

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175. **Closed-Ended Continuity.** The pattern satisfies the closed-ended continuity requirement through the duration of criminal activity. The first documented predicate act (Tele-Lawyer incorporation by Cane, May 1989) and the most recent predicate act (fraudulent judgment renewal by Cane, June 29, 2023) span 34 years—far exceeding the “substantial period of time” threshold required under federal law. The enterprise perpetrated at least twelve major schemes across this period: Genesis Medicare fraud (1994-2001), MW Medical/Burwell fraud (1999-2001), Dynamic Associates reverse merger fraud (2001), Thomas & Wong escrow fraud (2003-2008), Davi Skin pump-and-dump (2004-2008), SDI hostile takeover (2005-2009), Americash mortgage fraud (2006), MOD Systems destruction (2007-2011), Discala market manipulation (2012-2014), Super PAC fraud (2014-2015), ongoing retaliation against Phillips (2016-present), and CARES Act fraud (2020). There are no gaps exceeding two years between predicate acts during this 34-year period.
176. **Open-Ended Continuity.** The pattern independently satisfies the open-ended continuity requirement. The enterprise remains operationally active: Cane retains her active law licenses in Hawaii, California, Nevada, and Washington and continues practicing law; the June 29, 2023 judgment renewal constitutes ongoing use of the enterprise’s legal infrastructure. Three categories of continuing predicate acts establish the threat of future criminal activity: (1) each calendar year the offshore accounts remain unreported generates a new willful FBAR violation under 31 U.S.C. §~5314; (2) defamatory websites targeting Phillips remain online, each day constituting a continuing use of wire communications under 18 U.S.C. §~1343; and (3) the fraudulent \$4,888,924.78 default judgment remains enforceable, exerting coercive force and generating ongoing injury. The enterprise’s four-decade track record of escalating criminal conduct—from Medicare fraud in the 1990s to offshore securities manipulation in the 2000s to violent witness intimidation in the 2010s—establishes that the threat is historically validated, not speculative. The enterprise has never voluntarily ceased operations; every scheme

continued until external intervention forced temporary dormancy, followed by resumption.

Structural Compulsion to Conceal

177. The enterprise's threat of continued criminal activity is independently established by its self-perpetuating concealment architecture. Every member retains proceeds traceable to the enterprise's fraud, has made documented false statements to federal authorities or under oath, and faces criminal exposure that makes continued concealment the rational course. The enterprise does not require affirmative direction from Cane to continue operating; its concealment function is structural. *See United States v. Turkette*, 452 U.S. 576, 583 (1981).
178. **Retained Proceeds as Concealment Incentive.** Each enterprise member retains property or benefits derived from the enterprise's fraud: Cane retains her active law licenses in four states (never disciplined despite four decades of documented fraud), proceeds from the Thomas & Wong escrow fraud (paras. 125–129), and \$4,500-per-quarter DRC compensation without board authorization (para. 139). Wallace retains proceeds from her 77.4% equity ownership of SDI—including the \$9 million Cannery West sale that Johal could not account for at the 341 meeting (paras. 92, 98)—and proceeds from the offshore LOM Securities accounts she denied under oath (paras. 71–74, 82). Bay ordered the fraudulent recharacterization of Phillips's authorized transactions as embezzlement and expanded his shares from 2,500,000 to 6,500,000 at the Finkle arbitration while Relator was incarcerated (para. 142). De Haan expanded Arnold's shares from 875,000 to 12,000,000 at the same arbitration (para. 142). Johal received 750,000 derivative SDI shares (para. 99). Sim converted \$313,173 in unpaid salary into 95% ownership of the MW Asia/NW Asia shell (para. 30). Lakha orchestrated the \$2.2 million fraudulent convertible note for his own benefit (para. 21). Douglass knew that the transactions the DRC characterized as embezzlement were Phillips's autho-

rized salary—his own PricewaterhouseCoopers due diligence had raised no issues—yet reversed those characterizations to support the falsified accounting, concealing the truth about Phillips’s compensation (para. 22). Each retained benefit is traceable to the enterprise’s fraud, and truthful disclosure to investigators would require explaining its provenance.

179. **Cane and Wallace: Acts Compelling Continued Concealment.** Cane directed the Davi Skin stock fraud, personally executed the CEDE & CO. deposit scheme through which 2,871,051 shares were deposited into the Depository Trust Company under the name “Michael A. Cane” (para. 75), and framed both Relator and MOD COO Kenn Gordon as purported beneficial owners of offshore Davi Skin stock—using Relator’s personal information for the Hepburn Holdings account and proposing to assign 573,847 shares to Gordon to implicate him in the offshore scheme (paras. 13, 78, Table 11). Cane filed a false report to the SEC backdating her identity change to June 28, 2001, severing the EDGAR cross-referencing trail across thirteen filings signed as “Michael A. Cane” (para. 41), and issued Rule 144 opinion letters authorizing conversion of restricted shares to free-trading status without revealing she was the same person who accumulated the shares (para. 17). Cane has never disclosed to any investigator, regulator, or court her role in directing the Davi Skin stock fraud or the offshore nominee infrastructure. Wallace provided a stolen Social Security Number to FBI Special Agent Spencer Walker on April 1, 2010 (para. 42), denied the LOM Securities accounts to the FBI on February 13, 2011 (para. 79), and denied them again under oath at her November 4, 2013 bankruptcy examination (para. 80). Cane and Wallace cannot abandon the enterprise’s false narrative without simultaneously admitting to the offshore fraud, the identity fraud, and the framing of Relator that the narrative was designed to conceal.
180. The enterprise’s false narrative is the foundation of the \$4,888,924.78 fraudulent judgment. At its core, Cane’s September 9, 2016 defamation complaint alleges that statements identifying Cane as a transsexual, a money launderer, and a pump-and-dump

securities fraud attorney are false (paras. 199–209). Every statement Cane identified as defamatory is demonstrably true, supported by Cane’s own SEC filings, court records, and FBI reports. The judgment’s continued validity depends on the enterprise maintaining the fiction that these documented facts are fabrications. If any enterprise member admits the underlying fraud, the judgment collapses, Cane faces sanctions for fraud upon the court, and the defamation campaign is exposed as itself an instrumentality of the RICO enterprise.

181. MOD Systems Co-Conspirators and Demonstrated Pattern of Deception.

The enterprise’s MOD co-conspirators executed and benefited from the corporate takeover, manufactured criminal referral, and seizure of Relator’s money, equity, and intellectual property—and each made documented statements binding them to the enterprise’s false narrative. Bay served on the fraudulent DRC (para. 139), ratified \$1,295,864 in fabricated claims (para. 8), paid Wallace \$126,000 from MOD funds without authorization (para. 181), and coordinated the criminal referral (para. 148). De Bakker testified Relator’s salary was \$250,000—contradicted by Washington Employment Security records showing \$130,288.55 (para. 183) and the Employment Agreement specifying \$500,000 (para. 134). Douglass correctly represented MOD’s accounting to PricewaterhouseCoopers in June 2008 Toshiba due diligence (para. 181), then reversed those characterizations under the DRC (para. 183), recharacterizing authorized payments as embezzlement. Barber was present when Bay, De Bakker, and Barber discussed that MOD “no longer needs Phillips because it has taken his intellectual property” (paras. 33, 142). When confronted by federal authorities, enterprise members have consistently made false statements: Wallace lied to the FBI about offshore accounts (para. 79), provided a stolen SSN to an FBI Special Agent (para. 42), and denied the accounts under oath at her bankruptcy examination (para. 80); Cane filed five or more false police reports and fabricated a “rape for hire” allegation (para. 159); the enterprise collectively manufactured the criminal referral

from fabricated evidence (paras. 148–149). The inference that enterprise members would make false statements if investigated again is the documented response of every member who has previously faced federal inquiry. *See* Disclosure Statement Section II.I for detailed MOD co-conspirator analysis.

182. **Ongoing FBAR Violations and Active Witness Suppression.** Each calendar year the offshore accounts remain unreported to FinCEN generates a new federal violation under 31 U.S.C. §~5314 (para. 89). Every FBAR-obligated defendant identified in Table 8 (para. 83) is committing a new offense by failing to file; disclosure would require explaining twenty-four consecutive years of non-filing—an admission of willfulness maximizing penalty exposure (para. 86). On October 23, 2025—four months before this filing—Cane obtained contractual silencing of co-victim James Seyler, requiring him to cease all investigation and remove all public court records documenting the enterprise’s fraud from the internet, at zero monetary cost to Cane (para. 158). The enterprise’s concealment is not a historical artifact but a currently operating mechanism generating new federal violations each calendar year while actively suppressing witnesses and evidence.
183. **Documented Predicate Acts.** The following predicate acts, each constituting a separately chargeable federal offense under 18 U.S.C. §~1961(1), demonstrate the pattern:
- (a) **Wire Fraud** (18 U.S.C. §~1343): Interstate wire communications in furtherance of the Genesis Medicare fraud, MW Medical FDA fraud, Thomas & Wong escrow fraud, Davi Skin pump-and-dump, SDI hostile takeover, MOD Systems destruction, and retaliation campaign against Phillips—at least 960 documented interstate wire communications across seven scheme categories. Representative acts include Wallace’s March 6, 2003 wire transfer of \$275,000 from the Cane O’Neill escrow account without authorization; Wallace’s April 3, 2007 conversion of \$200,000 promissory note into 2,295,388 shares distributed to offshore nominees via interstate wire instructions; and Cane’s June 29, 2023 electronic filing of judgment renewal via Nevada court’s electronic filing system.

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- (b) **Mail Fraud** (18 U.S.C. §~1341): Use of U.S. mail and private interstate carriers to transmit false SEC filings (318+ acts), false police reports (5+ acts), fraudulent corporate documents (50+ acts), and false affidavits of service (3+ acts). Representative acts include Cane’s false report to the SEC backdating her identity change to June 28, 2001, transmitted via EDGAR filing system; Wallace’s false police report filed with Scottsdale Police Department falsely accusing Burwell of theft; and Hearn’s false affidavit of service filed in Nevada state court to obtain default judgment against Phillips.
- (c) **Money Laundering** (18 U.S.C. §§~1956, 1957): Transactions involving proceeds of wire fraud and securities fraud conducted through offshore accounts at LOM Securities (Bermuda), Bank of NT Butterfield (Bermuda), and Bank of Bermuda Limited (at least 200 documented transactions). Representative acts include Wallace’s wire transfers from JP Morgan Chase and HSBC Bank USA to LOM Securities accounts for nominee entity renewal fees; deposits of Davi Skin shares into the four offshore nominee accounts; and sale proceeds from offshore accounts reinvested in subsequent schemes.
- (d) **Wire Fraud in Connection with Securities Transactions** (18 U.S.C. §~1343): Material misrepresentations transmitted by wire in connection with offer, purchase, or sale of securities in MW Medical (25+ acts), Davi Skin (100+ acts), SDI (75+ acts), and entities controlled through Cane Clark LLP—at least 700 documented wire communications in connection with securities transactions. Representative acts include false representations regarding FDA approval of MW Medical device transmitted via EDGAR; false characterization of LOM nominee entities as “unrelated third parties” in Davi Skin SEC filings transmitted electronically; and contradictory SDI share issuance disclosures designed to conceal enterprise control, each transmitted through interstate wire communications.
- (e) **False Statements** (18 U.S.C. §~1001): Materially false statements to federal investigators and agencies including FBI interviews by Wallace (5+ acts), SEC filings containing false certifications (318+ acts), and false representations to federal prosecutors regard-

ing Phillips (10+ acts). Representative acts include Wallace’s April 1, 2010 provision of stolen SSN xxx-xx-7593 to FBI Special Agent Spencer Walker; Wallace’s false statements in February 13, 2011 FBI interview regarding offshore accounts; and Wallace’s subsequent denial under oath at November 4, 2013 bankruptcy examination that she ever had offshore accounts.

- (f) **Bankruptcy Fraud** (18 U.S.C. §§~152, 115): Concealment of assets, false oaths, and fraudulent schemes in MW Medical bankruptcy (10+ acts), Wallace’s personal bankruptcy (25+ acts), and SDI bankruptcy (15+ acts). Representative acts include Wallace’s false testimony regarding offshore accounts at creditor examination; concealment of Hepburn Holdings and other LOM nominee accounts from bankruptcy trustees; and fraudulent bankruptcy plan delivering SDI shell to Galaxy Gaming through collusive reorganization.
- (g) **Identity Theft** (18 U.S.C. §~1028): Wallace’s use of at least three fraudulent Social Security Numbers (xxx-xx-7593, xxx-xx-1149, xxx-xx-3083) across multiple decades in employment records, tax filings, SEC certifications, bank applications, and government benefit forms—at least 318 documented uses across SEC filings alone; Cane’s false report to the SEC backdating her identity change to conceal continuity of control (1 act); and theft of Phillips’s personal information to fabricate offshore account applications (5+ acts).
- (h) **Obstruction of Justice** (18 U.S.C. §~1503): False police reports (5+ acts), destruction of evidence (10+ acts), and witness intimidation (100+ acts) designed to prevent detection and prosecution of enterprise schemes. Representative acts include false “rape for hire” allegation against Phillips in April 2010; false defamation lawsuit filed September 9, 2016 while Cane was under federal supervision; and ongoing harassment campaign against Phillips (2016-present).
- (i) **Witness Tampering** (18 U.S.C. §~1512): Intimidation, harassment, and retaliation against Phillips and other witnesses designed to prevent testimony and cooperation with

law enforcement (at least 77 documented threatening contacts plus the manufactured prosecution). Representative acts include manufactured federal prosecution of Phillips resulting in 36 months imprisonment; hundreds of threatening calls and messages from Hearn and associates; and \$4,888,924.78 fraudulent judgment designed to financially destroy Phillips.

Table 15. Predicate Acts Timeline (1994–2025)

Date	Defendant(s)	Description / Statute	Amount
1994–2001	Cane, Wallace	Medicare fraud via Genesis Health / GCCA hospital units (§§ 1341, 1343, 1347)	\$50–80M
06/12/2001	Cane, Wallace, Sim	Fraudulent reverse merger; \$8.4M DAI debt-to-equity under Reg S (§§ 1341, 1343)	\$8.4M
2002–2004	Cane	False identity-change date reported to SEC (§ 1001); 6 false SOX certs concealing offshore accounts (§ 1350)	7 acts
2003–2009	Cane	Thomas & Wong escrow fraud (§§ 1341, 1343, 1956)	\$1.3M
2004–2008	Cane, Wallace, Sim	Davi Skin pump-and-dump via LOM nominees (§§ 1343, 1956)	\$6.39M
05/14/2007	Lakha	Fraudulent \$2.2M convertible note; Davi Skin director (§§ 1343, 1956)	\$2.2M
02/02/2006	Wallace, Johal	Fraudulent 15M SDI shares to Iomega Investments (§ 1343)	15M shares
2006	Wallace, Sim	Mortgage origination without AZ license (§§ 1014, 1343)	\$472,973+
06/16/2008	Cane	Involuntary bankruptcy against own client SDI (§ 157)	Shell value
2007–2011	All defendants	MOD Systems takeover; manufactured criminal referral (§§ 1341, 1343, 1512)	\$123M
2005–2025	Cane, Wallace, Johal, Sim, Lakha	21 consecutive years of FBAR non-filing (31 U.S.C. § 5322)	Penalty exposure
2012–2014	Cane	Discala \$300M market manipulation (§§ 1343, 1956)	\$3.1M
2014–2015	Cane	\$10,700 PAC loan to acquire CrossClick Media shell; 1,200% stock inflation (§§ 1343, 1956)	Shell control
09/09/2016	Cane, Hearn	Fraudulent defamation lawsuit; false affidavit of service (§§ 1341, 1343)	\$4.89M
2016–Present	Hearn, Cane	Hundreds of threatening contacts: voicemails, texts, spoofed calls, online posts with explicit death/rape threats (§§ 875, 1512, 1513)	Ongoing
2020	Enterprise successor	Galaxy Gaming PPP and Main Street loans (§§ 1341, 1343; 31 U.S.C. § 3729)	\$4,835,300
06/29/2023	Cane	Fraudulent judgment renewal via e-filing (§ 1343)	\$4.89M
10/23/2025	Cane	Extortive settlement from co-victim Seyler; concealment of litigation history (§§ 1343, 1951)	Concealment
Total documented		18 predicate act categories; 31+ year pattern (1994–2025)	> \$144M

184. The predicate acts satisfy the statutory requirement of at least two acts within ten

years. In fact, the enterprise committed hundreds of predicate acts within every ten-year period from 1989 through 2023. The most recent ten-year period (2014-2024) alone includes: Cane’s federal indictment and five-week jury trial in the Discala prosecution (2014-2018), Super PAC fraud (2014-2015), fraudulent Nevada lawsuit and default judgment (2016-2017), judgment renewal (2023), and ongoing harassment of Phillips (2016-present). These acts independently satisfy the pattern requirement and extend all RICO limitations periods.

185. The enterprise’s pattern of racketeering activity is directly related to the false claims alleged in Counts I through IV. The offshore accounts concealing FBAR obligations (Count I) were created and maintained to receive proceeds from the securities fraud schemes (predicate acts). The Medicare fraud (Count III) provided capital to fund the enterprise’s subsequent schemes. The false SEC filings concealed the beneficial ownership information that would have triggered FBAR detection. Each false claim is both a component of the racketeering pattern and a means of concealing other predicate acts. The enterprise’s criminal activity is not compartmentalized—it is a unified, continuous operation in which each scheme provides capital, cover, and capability for subsequent schemes.

VII. WHY THIS ACTION IS TIMELY

A. *FCA Statute of Limitations*

186. The False Claims Act provides that an action may be brought within the later of: (a) six years after the date on which the violation is committed, or (b) three years after the date when facts material to the right of action are known or reasonably should have been known by the official of the United States charged with responsibility to act in the circumstances, but in no event more than ten years after the date on which the violation is committed. 31 U.S.C. §3731(b). Both limitations prongs apply to *qui tam* actions initiated by private relators. *Cochise Consultancy, Inc. v. United States ex rel. Hunt*,

139 S. Ct. 1507, 1513 (2019).

187. The reverse false claims alleged herein—FBAR concealment (Count I) and bankruptcy asset concealment (Count II)—involve ongoing annual obligations that continue to the present day. Each unfiled FBAR constitutes a new and independent violation in the year it is due. The enterprise’s offshore accounts have remained unreported from at least 2005 through the present, generating new violations each calendar year. The 2025 FBAR (due April 15, 2026) is within the six-year limitations period standing alone.
188. The forward false claims alleged herein—Medicare fraud (Count III)—are brought within the statute of limitations as extended by: (a) the fraudulent concealment doctrine, based upon the enterprise’s active and ongoing concealment of the underlying fraud through offshore nominee structures, identity fraud, false bankruptcy testimony, and retaliation against the Relator; and (b) the continuing violation doctrine, based upon the enterprise’s most recent predicate acts that independently extend limitations.

B. RICO Statute of Limitations

189. Civil RICO claims must be brought within four years of when the plaintiff knew or should have known of the injury. *Rotella v. Wood*, 528 U.S. 549, 553 (2000). Equitable tolling is available upon showing that the defendant fraudulently concealed information needed to bring the claim and that the plaintiff could not have discovered those facts despite reasonable diligence. *Id.* at 560–61.
190. The enterprise’s most recent predicate acts independently bring all RICO claims within the four-year limitations period. On June 29, 2023, Cane personally renewed the fraudulent \$4,888,924.78 default judgment via electronic filing in the Nevada court’s system, committing a new act of wire fraud (18 U.S.C. §~1343) that extends RICO limitations through June 29, 2027. On October 23, 2025, the enterprise procured the Seyler settlement set forth in para. 158, constituting the conspiracy’s most recent overt act and extending RICO limitations through October 23, 2029. The ongoing campaign of

threats and harassment against the Relator constitutes additional predicate acts extending limitations.

C. Active Concealment by the Enterprise

191. The enterprise was designed from inception to conceal its activities from regulators, law enforcement, and victims. The specific concealment acts that prevented earlier discovery include: (a) **Identity fraud:** Cane’s identity concealment (para. 17) and the SEC’s retroactive CIK redesignation without public notice (para. 54) prevented regulators from connecting the architect of the Dynamic Associates/MW Medical/Thomas & Wong schemes with the individual directing ongoing operations under the new identity. (b) **Form 15 deregistration:** On August 30, 2006, the enterprise voluntarily deregistered LATI from SEC reporting, terminating oversight that might have detected the offshore nominee structure and FBAR violations. (c) **Offshore nominee structures:** The four LOM Securities accounts were each calibrated at precisely 3.97%—below the 5% Schedule 13D threshold—ensuring no SEC filing would reveal the enterprise’s coordinated control of 76.69% of Davi Skin’s free-trading stock (paras. 74, 102; Tables 7–8). (d) **Shell entity layering:** The enterprise operated through fifteen or more entities across three CIK numbers, three bankruptcy jurisdictions, and multiple states, requiring cross-referencing of SEC EDGAR filings, bankruptcy dockets, shareholder reports, and LOM Securities records to connect them. (e) **Destruction of records:** The enterprise destroyed MOD Systems’ records, excluded Relator from corporate governance beginning April 2009, and stripped him of access to evidence. (f) **Manufactured prosecution:** The enterprise manufactured a criminal referral resulting in Relator’s arrest, prosecution, and thirty-six months of federal imprisonment (2010–2013), physically removing him from the ability to investigate. (g) **Ongoing retaliation:** Post-conviction retaliation—including the fraudulent default judgment (2016–2017), hundreds of threatening contacts from Hearn (2016), defamatory websites, and the extortive Seyler settle-

ment (2025)—was designed to destroy Relator’s credibility. *See* Disclosure Statement Section II.J for extended concealment analysis.

192. While incarcerated, Relator was subjected to an extortive settlement purporting to release all claims against MOD Systems, procured under duress while incarcerated, locked out of corporate records, and facing the enterprise’s demonstrated capability to manufacture federal charges and fabricate evidence. The enterprise completed its extraction through the Finkle arbitration (para. 142), seizing \$38.9 million in equity—an additional predicate act of extortion under 18 U.S.C. §~1951. In any event, the settlement does not extend to the FCA claims alleged herein, which belong to the United States. A private release cannot extinguish the government’s *qui tam* claims. *See United States ex rel. Hall v. Tribal Dev. Corp.*, 45 F.3d 1208, 1213 (7th Cir. 1995); *United States ex rel. Green v. Northrop Corp.*, 62 F.3d 953, 963 (9th Cir. 1995).

D. The Discovery Rule – Recent Forensic Revelations

193. The material facts supporting this Complaint were not discoverable through reasonable diligence until 2025–2026. Relator filed the prior *qui tam* action on November 1, 2010, while imprisoned as a direct result of the enterprise’s manufactured prosecution. Upon release, Relator received substantial quantities of corporate records spanning the enterprise’s decades of activity. The volume and complexity of the evidence—235 SEC filings across seven CIK registrants, over 80,000 emails, shareholder registers from multiple transfer agents, bankruptcy dockets in three jurisdictions, and court records spanning four decades—required Relator to develop custom software tools employing vector space storage and contextual analysis algorithms. The enterprise’s fraud was deliberately structured so that no single document would reveal the full pattern; only systematic computational analysis of the entire corpus could reconstruct the four-decade scheme. Cane continues to cause Relator severe emotional distress and reasonable fear for the safety and lives of Relator and his family, further constraining investigation and

contributing to delay. This forensic analysis, completed in 2025–2026, revealed for the first time: (a) the CEDE & CO. certificate tracing (para. 75), requiring forensic analysis of Pacific Stock Transfer shareholder reports not in Relator’s possession until 2025, cross-referenced against 318 SEC EDGAR filings; (b) the 85.7% Cane family control bloc (para. 38, Table 3), reconstructed from SEC filings, skip trace data, and obituary records; (c) the LOM Securities nominee deposit-and-withdrawal timeline, revealed by forensic comparison of the March 10, 2006 and July 13, 2007 Pacific Stock Transfer reports, establishing the deliberate 3.97% calibration to evade the 5% SEC reporting threshold; (d) the MW Medical-to-Davi Skin shell trafficking pipeline (paras. 40–51), requiring cross-referencing of bankruptcy dockets in three jurisdictions against SEC filing chronologies across two CIK numbers; and (e) the SDI-to-Galaxy Gaming-to-CARES Act chain, tracing the unbroken CIK registrant history through involuntary bankruptcy and reverse merger to the 2020 pandemic relief loans.

E. Original Source Status

194. Relator Mark Phillips is an original source of the allegations in this Complaint within the meaning of 31 U.S.C. §~3730(e)(4)(B). These allegations are not based upon publicly disclosed information. Relator has direct and independent knowledge of the information underlying the allegations and has voluntarily provided this information to the Government prior to filing this action, in accordance with 31 U.S.C. §~3730(b)(2). Specifically:
- (a) Relator founded MOD Systems, Inc. and personally witnessed the enterprise’s infiltration, takeover, and destruction of the company from 2007 through 2012.
 - (b) Relator was personally targeted by the enterprise’s retaliation schemes and has first-hand knowledge of the threats, harassment, fraudulent litigation, and witness intimidation described herein.
 - (c) The forensic shareholder analysis, SEC filing cross-referencing, email archive review, and bankruptcy docket analysis that reconstructed the enterprise’s four-decade fraud

were conducted by Relator personally using custom software tools and primary source documents.

- (d) The offshore nominee structure (paras. 71–76), CEDE & CO. certificate trails (para. 75), Cane family control bloc (paras. 38–46), and shell trafficking pipeline (paras. 40–51) were not publicly disclosed—Relator reconstructed them from shareholder registers, SEC filings, FBI 302 interview transcripts, and bankruptcy examination transcripts in his possession.
- (e) Relator filed IRS Form 211 whistleblower applications on June 10, 2010 and December 22, 2011, identifying the enterprise’s offshore account infrastructure and FBAR violations, demonstrating good faith and ongoing diligence—not delay.

F. First-to-File Bar Inapplicability

195. The first-to-file bar of 31 U.S.C. §~3730(b)(5) does not preclude this action. Relator’s prior *qui tam* action (*Phillips v. Cane*, No. 10-cv-6399, W.D. Wash., filed November 1, 2010) was dismissed without prejudice. Once a prior action has been dismissed, the first-to-file bar is no longer operative. *See United States ex rel. Shea v. Cellco Partnership*, 748 F.3d 338, 344 (D.C. Cir. 2014). This Complaint alleges materially different and substantially broader false claims as set forth in the table below:

Table 16. Prior Action vs. Current Action: New Claims

Claim Category	Prior Action (10-cv-6399)	Current Action
FBAR / Reverse False Claims	Not alleged	\$72M+ penalties; 21 years non-filing
RICO (civil)	Not alleged	18+ predicate act categories; four-decade pattern
Shell Trafficking (6 CIKs)	Not alleged	Dynamic, MW Medical, LATI, Davi Skin, SDI, LVGI
Identity Fraud Infrastructure	Not alleged	False SSNs, immigration fraud, alias “Joan Reardon”
CEDE & CO. Certificate Tracing	Not alleged	Offshore nominee beneficial ownership chain
Post-2010 Retaliation	Not possible (pre-dated)	Death threats, default judgment fraud, settlement extortion
MOD Scheme (\$35M+)	Not alleged	Five-step fraud sequence; manufactured prosecution
CARES Act (Galaxy Gaming)	Not possible (pre-dated)	\$4.8M government loans through tainted shell
Medicare (Spertell/Hunter)	Mortgage fraud only	OIG-excluded employees; \$49.3M cost-plus billings

G. Consequences of Enterprise Retaliation

196. As a direct result of the enterprise’s retaliation campaign, multiple financial institutions terminated banking relationships with Relator. Professional contacts severed relationships after the enterprise filed retaliatory lawsuits against Relator’s attorneys (Harmeet K. Dhillon) and expert witnesses (Charles R. T. O’Kelley, Dennis Mandell). Prior attempts to bring claims were dismissed on procedural grounds. The enterprise’s coordinated attacks across legal, financial, and personal domains over a period exceeding fifteen years had the cumulative effect of isolating Relator from the institutional support necessary to pursue this action until the forensic evidence documented herein was assembled.

VIII. CLAIMS FOR RELIEF

COUNT I: Reverse False Claims – FBAR Violations

Violation of 31 U.S.C. §~3729(a)(1)(G)

197. Relator re-alleges and incorporates by reference all preceding paragraphs.

198. As set forth in paras. 71–89, *supra*, Defendants Cane, Wallace, Johal, Sim, and Lakha maintained financial interests in, or signature authority over, foreign financial accounts at LOM Securities (Bermuda), Bank of NT Butterfield (Bermuda), and Bank of Bermuda Limited—held through the nominee entities Hepburn Holdings Ltd., Arch Ltd., Sunshine Ltd., Chloe Group, and Aberdeen Holdings Ltd. Inc.—that triggered annual FBAR filing obligations under the Bank Secrecy Act, 31 U.S.C. §~5314, and 21 C.F.R. §~1010.350. These BSA obligations are codified in Title 31, not the Internal Revenue Code (Title 26), and are therefore not subject to the limitation in 31 U.S.C. §~3729(d). *See* para. 70, *supra*; *Jenner v. Commissioner*, 195 T.C. No. 7 (2024); *Mendu v. United States*, 184 Fed. Cl. 357 (2021).

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199. Defendants knowingly concealed and improperly avoided these obligations by failing to file FBARs for each year from 2005 through the present—twenty-one consecutive years of non-filing. Each Defendant’s FBAR obligation, the foreign accounts triggering that obligation, and the willfulness indicators establishing knowing non-compliance are set forth in paras. 83–113 and Table 8, *supra*.
200. Defendants further concealed these BSA obligations by making and using false records and statements material to their FBAR reporting obligations, including false statements to the FBI denying offshore accounts (paras. 78–80), false bankruptcy schedules omitting all offshore interests (paras. 90–92), false SEC filings describing nominee entities as “unrelated third parties” (para. 78), fraudulent Social Security Numbers preventing IRS cross-referencing (paras. 42, 157), and a false report to the SEC backdating Cane’s identity change to June 28, 2001 to sever the EDGAR cross-referencing trail connecting the offshore structures to a single controlling individual (para. 41).
201. The offshore accounts were funded by the proceeds of at least seven distinct racketeering schemes detailed in Section VI, *supra*, including the Davi Skin pump-and-dump (\$6.39M), SDI asset stripping (\$47.2M), Thomas & Wong escrow fraud (\$1.3M), the MW Medical/Dynamic Associates bankruptcy pipeline, the Genesis/PHMC Medicare billing fraud (\$49.3–39.3M cumulative), the Discala market manipulation (\$300M+ artificial capitalization), and the Super PAC fraud. Each scheme constituted a predicate fraud that generated assets subsequently concealed in foreign accounts in violation of FBAR requirements.
202. Each calendar year in which the offshore accounts were maintained without FBAR filing constitutes a separate violation of 31 U.S.C. §5314. For willful violations, the civil penalty is the greater of \$100,000 or 50% of the account balance per violation per year. 31 U.S.C. §5321(a)(5)(C). The total estimated FBAR penalty exposure is \$72,298,873 (Table 9).
203. By reason of the foregoing, Defendants are liable to the United States for treble damages

and civil penalties under 31 U.S.C. §~3729(a).

COUNT II: Reverse False Claims – Bankruptcy Concealment

Violation of 31 U.S.C. §~3729(a)(1)(G)

204. Relator re-alleges and incorporates by reference all preceding paragraphs.
205. Defendant Wallace knowingly concealed assets in her Chapter 7 bankruptcy proceedings that, if disclosed, would have been available to satisfy obligations owed to the United States, including FBAR penalties under the Bank Secrecy Act, potential Medicare overpayment obligations, and other non-tax federal obligations.
206. Specifically, Wallace concealed: her beneficial interests in Hepburn Holdings Ltd., Arch Ltd., Sunshine Ltd., Chloe Group, and related offshore accounts; her 77.4% equity ownership of SDI (which had sold the Cannery West Shopping Center for \$9 million); her beneficial ownership interests in enterprise-controlled shell entities; and income exceeding \$500,000 to \$1,000,000 annually from her roles as CEO of multiple public companies and from securities trading through offshore accounts.
207. The bankruptcy court found fraud under 11 U.S.C. §§~523(a)(2)(A) and 523(a)(4), declaring \$799,960 nondischargeable. These judicial findings establish, as a matter of law, that Wallace’s bankruptcy representations were fraudulent.
208. Each false statement in Wallace’s bankruptcy schedules that omitted offshore accounts or enterprise interests constitutes a separate reverse false claim.
209. By reason of the foregoing, Defendant Wallace is liable to the United States for treble damages and civil penalties under 31 U.S.C. §~3729(a).

COUNT III: False Claims – Medicare Fraud

Violation of 31 U.S.C. §~3729(a)(1)(A) and (B)

210. Relator re-alleges and incorporates by reference all preceding paragraphs.
211. Defendants Wallace, Cane, and Sim knowingly presented, or caused to be presented,

false or fraudulent claims for payment to the Medicare program through the Genesis Health Management, GCCA, and PHMC billing operations, and knowingly made, used, or caused to be made or used, false records or statements material to false or fraudulent claims.

212. The false claims included: (a) cost-plus billings that allocated enterprise overhead costs to the Medicare program; (b) claims submitted through officers who were simultaneously engaged in securities fraud, money laundering, and identity theft; (c) officer certifications in the 2001 merger proxy regarding Medicare/Medicaid compliance that were material to continued program participation; (d) claims submitted under the PPS exemption by entities whose true purpose was to generate revenue for the enterprise's racketeering activities; and (e) claims submitted during the period April 1996 through August 1999, when the enterprise simultaneously employed Robert B. Spertell, M.D.—an individual excluded from all federal healthcare programs by the HHS Office of Inspector General since October 9, 1991—as COO and Chief Scientist of MW Medical's subsidiary MMC, a sibling entity under common control with Genesis Health Management within the Dynamic Associates corporate structure, in violation of 42 U.S.C. §~1320a-7(a) and 42 CFR §~413.17;⁸³ and (f) claims submitted by an entity whose co-founder, David Hunter, was under active federal indictment for nineteen counts of Medicaid fraud at the time he co-acquired Dynamic Associates on August 30, 1995, and was subsequently convicted and excluded from all federal healthcare programs by OIG on October 29, 1996, under 42 U.S.C. §~1320a-7(a)(1)—a criminal history the enterprise concealed from all SEC filings while billing Medicare through Genesis for the next five years.⁸⁴
213. The knowing employment of an OIG-excluded individual by any entity under common control with a Medicare-billing entity establishes per se false claim liability under the implied certification theory recognized in *Universal Health Services, Inc. v. United States*

⁸³See *supra* note regarding Spertell OIG exclusion (42 U.S.C. §~1320a-7(b)(4); excluded Oct. 9, 1991; employed by MW Medical subsidiary April 1996 through August 1999).

⁸⁴See *supra* note regarding Hunter Medicaid fraud conviction (19 counts, 42 U.S.C. §~1320a-7b(a); indicted Sept. 20, 1995; OIG-excluded Oct. 29, 1996).

ex rel. Escobar, 579 U.S. 176 (2016). The enterprise’s certification in the October 2001 Asset Purchase Agreement that no officer or director had been “barred from participation under either of the Medicare or Medicaid programs” was materially false, because the enterprise had employed Spertell—an individual excluded from all federal health-care programs—for three years within the commonly controlled corporate group, and because the enterprise’s co-founder David Hunter had been convicted of nineteen counts of Medicaid fraud and excluded by OIG under 42 U.S.C. §~1320a-7(a)(1), a criminal history known to but concealed by the enterprise. This representation induced Horizon Mental Health Management to pay \$2,900,000 for the enterprise’s hospital management subsidiary.⁷

214. The Medicare fraud is foundational to the entire enterprise. The enterprise’s corporate structure was itself the fraud mechanism: a racketeering organization operating through SEC-registered shells—controlled by an attorney simultaneously committing securities fraud under a false identity and an unauthorized alien CEO using stolen Social Security Numbers—submitted claims to the Medicare program while its officers were actively engaged in money laundering, offshore account concealment, and identity theft. The Medicare revenue served as the enterprise’s primary capitalization source. The approximately \$49.3 million in Medicare-derived revenue funded the officer extractions, the offshore Regulation S distributions, and the equity positions that were later deposited into the LOM Securities nominee accounts—connecting every subsequent scheme directly to the government funds that launched the enterprise.
215. The enterprise’s cost-plus Medicare reimbursement methodology creates an independent materiality theory. Under 42 C.F.R. §~413.17, costs must be allocated on a reasonable basis to ensure that Medicare does not subsidize non-Medicare activities. The enterprise allocated officer compensation, legal fees, and corporate overhead—including Cane’s and Wallace’s compensation, the offshore nominee account infrastructure, and the costs of managing securities fraud operations—to the same corporate entities that billed Medi-

care through cost-plus reimbursement. Every dollar of enterprise overhead allocated to the Medicare cost base inflated the government’s reimbursement obligation, making each cost report a false statement material to a false claim under *Escobar*.

216. FBI agents confirmed in 2010–2011 interviews that Wallace—the CEO who oversaw Medicare billing operations—was a Canadian citizen operating on a B-2 visitor visa incompatible with any employment, let alone serving as the chief executive of a Medicare-billing entity.
217. Every Medicare claim submitted under Wallace’s authority constituted an implied false certification that the billing entity was operated by individuals legally authorized to work in the United States and not simultaneously engaged in federal criminal activity.
218. The cumulative value of Medicare claims submitted through the enterprise’s hospital management subsidiaries totaled approximately \$49.3 million based on SEC-reported management fee revenue for fiscal years 1996 through 2001, or \$55.3 million including 1995 pro forma figures. CMS billing records—within the government’s exclusive control—may establish a higher total.
219. Specific Medicare claim forms are within the exclusive custody and control of the Centers for Medicare and Medicaid Services. The following reliable indicia establish a strong inference that false claims were submitted to the Medicare program: (a) the billing entity (Genesis Health Management Corporation and Geriatric Care Centers of America, operating as subsidiaries of Dynamic Associates Inc., CIK 0000878146); (b) the billing mechanism (PPS-exempt cost-plus reimbursement for geropsychiatric hospital management units); (c) the time period (1994 through 2001); (d) the geographic scope (26 management contracts across four states (Louisiana, Arkansas, Mississippi, and Tennessee)); (e) the approximate billing volume (management fees “derived from the Medicare programs” averaging approximately \$1 million per month at peak operations); and (f) the per se implied certification violation arising from the knowing employment of Robert B. Spertell, M.D.—an individual excluded from all federal healthcare programs by the

HHS Office of Inspector General since October 9, 1991—as COO and Chief Scientist of a commonly controlled subsidiary from April 1996 through August 1999, compounded by the enterprise’s co-founder David Hunter having been convicted of nineteen counts of Medicaid fraud and excluded by OIG under 42 U.S.C. §~1320a-7(a)(1) while serving as Dynamic Associates Director and Secretary. *See United States ex rel. Grubbs v. Kan-neganti*, 565 F.3d 180, 186 (5th Cir. 2009) (holding that Rule 9(b) is satisfied in FCA cases when the complaint provides “particular details of a scheme to submit false claims paired with reliable indicia that lead to a strong inference that claims were actually submitted”). The specific claim forms, CMS-1450 (UB-04) institutional billing records, Medicare Administrative Contractor processing records, and cost reports filed by the participating hospitals are maintained by CMS and its fiscal intermediaries and are obtainable through government subpoena or discovery. The \$49.3 million figure alleged herein derives from audited management fee revenue reported in Dynamic Associates’ SEC annual and quarterly filings (CIK 0000878146) for fiscal years 1996 through 2001, signed and certified by Wallace as CEO and Sim as CFO, and filed with the Securities and Exchange Commission under penalty of perjury.

220. By reason of the foregoing, Defendants are liable to the United States for treble damages and civil penalties under 31 U.S.C. §~3729(a).

COUNT IV: FCA Conspiracy

Violation of 31 U.S.C. §~3729(a)(1)(C)

221. Relator re-alleges and incorporates by reference all preceding paragraphs.
222. From at least 1994 to the present, Defendants conspired among themselves and with the identified co-conspirators (paras. 22–45, *supra*) to commit violations of the False Claims Act, 31 U.S.C. §~3729(a)(1)(A), (B), and (G), including: (a) presenting false claims for Medicare reimbursement through the Genesis/GCCA hospital management operations (Count III); (b) knowingly concealing obligations owed to the United States by failing to

file FBARs disclosing offshore accounts funded by enterprise proceeds (Count I); and (c) concealing assets in bankruptcy proceedings that would have been available to satisfy federal obligations (Count II).

223. The conspiracy is evidenced by: the enterprise’s hierarchical structure with defined operational roles (paras. 16–31, *supra*); the consistent deployment of a common *modus operandi* across seven corporate victims spanning four decades (paras. 35–43, *supra*); the coordinated use of offshore nominee accounts at LOM Securities to receive and conceal proceeds (paras. 71–76, *supra*); the systematic identity fraud designed to prevent regulatory detection of the enterprise’s continuity (paras. 17, 103, *supra*); and each Defendant’s knowing participation in multiple schemes as set forth in paras. 83–113 and Tables 6–7, *supra*.
224. In furtherance of the conspiracy, Defendants committed the overt acts described in Section VI, *supra*, including but not limited to: filing false SEC reports under a false identity; establishing and maintaining offshore nominee accounts at LOM Securities (Bermuda); executing the June 12, 2001 reverse merger to consolidate control of the enterprise; originating mortgage loans without required state licenses; submitting Medicare claims through entities employing OIG-excluded individuals; filing false bankruptcy schedules omitting offshore interests; and conducting wire transfers through HSBC Bank USA, N.A. (452 Fifth Avenue, New York, NY) to conceal the proceeds of each scheme in foreign accounts.
225. By reason of the foregoing, Defendants are liable to the United States for treble damages and civil penalties under 31 U.S.C. §~3729(a).

COUNT V: RICO (18 U.S.C. §~1962(c))

Violation of 18 U.S.C. §~1962(c)

226. Relator re-alleges and incorporates by reference all preceding paragraphs.
227. The Cane-Wallace Enterprise constitutes an “enterprise” within the meaning of 18 U.S.C.

§~1961(4), engaged in and affecting interstate and foreign commerce. The enterprise is an association-in-fact of the named Defendants and identified co-conspirators, organized in a hierarchical structure with distinct operational roles as described in paras. 16–31. Each Defendant is a “person” distinct from the Enterprise within the meaning of 18 U.S.C. §~1962(c). *See Cedric Kushner Promotions, Ltd. v. King*, 533 U.S. 158, 159 (2001).

228. Defendant Cane is the enterprise’s legal architect and principal. Cane devised the fraudulent schemes, structured the corporate transactions, drafted deceptive SEC filings, created the offshore nominee infrastructure, used the legal system against victims and whistleblowers, and directed the enterprise’s overall strategy across four decades. Cane’s legal expertise in corporate and securities law was the indispensable enabling mechanism for every scheme alleged herein.
229. Defendant Wallace is the enterprise’s primary operator. Wallace served as the front-facing CEO and signatory officer of every entity the enterprise infiltrated—Dynamic Associates, MW Medical, Davi Skin, SDI, Secured Lending—executing Cane’s designs by signing false SEC filings, directing corporate finances, controlling Medicare billing operations, originating mortgage loans, managing offshore wire transfers, and recruiting and directing subordinate co-conspirators including Sim, Johal, and Lakha.
230. Defendant Johal is the enterprise’s financial officer. Johal co-signed false Sarbanes-Oxley certifications with Wallace at SDI and Davi Skin, provided evasive testimony regarding the disposition of \$9 million in Cannery West proceeds during the SDI 341 meeting, received 750,000 derivative shares of SDI for his participation in the bankruptcy scheme, and pre-positioned himself as an accrued-salary creditor. His sister, co-conspirator Devi Johal, managed the offshore nominee entity Arch Ltd. through LOM Securities in Bermuda.
231. Defendant Sim is the enterprise’s corporate formation and financial control specialist. Sim served as CFO and Director of Dynamic Associates and MW Medical; accrued

\$313,173 in unpaid salary that was converted into 95% ownership of the MW Asia/NW Asia bankruptcy shell; incorporated Western Investment Partners on behalf of Cane on July 15, 2005; co-formed Secure Diversified Lending with Wallace and Cane on May 5, 2006; and was placed by Wallace as financial control person within Secured Lending's mortgage banking operations.

232. Defendant Lakha is the enterprise's capital contributor and multi-scheme operative. Lakha participated in the MW Medical scheme through Lakha Investments, LLC (with his wife Afshan Lakha); served as a Director of Davi Skin from May 2006; orchestrated the \$2.2 million fraudulent convertible promissory note transaction on May 14, 2007; served as a silent capital contributor to Secure Diversified Lending and undisclosed member of Western Investment Partners in the SDI scheme; As one of Cane's principal lieutenants, Lakha—together with Wallace—constitutes the core operational triad of the Cane Enterprise.
233. Defendant Hearn is the enterprise's enforcer. Hearn, a convicted felon (Cause No. 07-1-03575-5, felony forgery, Washington State, 2008), was recruited by Cane to execute perjured service documents and conduct a sustained campaign of threats and intimidation against the Relator. Hearn executed the false affidavit of service that produced the \$4,888,924.78 default judgment, delivered hundreds of threatening contacts including death and rape threats from March through October 2016, and co-authored defamatory websites coordinated with Cane's litigation strategy.
234. Defendants, being persons employed by or associated with the enterprise, did knowingly and unlawfully conduct and participate, directly and indirectly, in the conduct of the enterprise's affairs through a pattern of racketeering activity consisting of the following predicate acts:
- Wire Fraud (18 U.S.C. §~1343)
 - Mail Fraud (18 U.S.C. §~1341)
 - Money Laundering (18 U.S.C. §~1956)

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- Extortion (18 U.S.C. §~1951)
 - Bankruptcy Fraud (18 U.S.C. §~157)
 - False Statements in Mortgage Applications (18 U.S.C. §~1014)
 - Obstruction of Justice (18 U.S.C. §~1503)
 - Witness Tampering (18 U.S.C. §~1512)
 - Making False Statements (18 U.S.C. §~1001)
 - Computer Fraud (18 U.S.C. §~1030)
 - Access Device Fraud (18 U.S.C. §~1029)
 - Aggravated Identity Theft (18 U.S.C. §~1028A)
 - Interstate Communication of Threats (18 U.S.C. §~875)
 - Monetary Transactions in Criminally Derived Property (18 U.S.C. §~1957)

235. The specific predicate acts constituting the pattern of racketeering activity include, but are not limited to:

- (a) **1994–2001:** Submission of false Medicare claims through Genesis Health Management and GCCA hospital management units, generating \$50–68 million in fraudulent billings (18 U.S.C. §§~1341, 1343, 1347);
- (b) **June 12, 2001:** Fraudulent reverse merger converting \$8.4 million in Dynamic Associates debt to equity under Regulation S, structured to permit offshore distribution (18 U.S.C. §§~1341, 1343);
- (c) **December 2002 – July 2004:** Six false SOX certifications concealing undisclosed offshore accounts (18 U.S.C. §~1350) and false report to the SEC backdating Cane’s identity change to June 28, 2001 to sever the EDGAR cross-referencing trail (18 U.S.C. §~1001);
- (d) **2003–2009:** Thomas & Wong escrow fraud stealing \$1.3 million through attorney trust account (18 U.S.C. §§~1341, 1343, 1956);
- (e) **2004–2008:** Davi Skin pump-and-dump generating \$6.39 million through offshore nominee concealment at LOM Securities (18 U.S.C. §§~1343, 1956);

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- (f) **February 2, 2006:** Fraudulent issuance of 15,000,000 SDI shares to Iomega Investments LLC without shareholder approval (18 U.S.C. §~1343);
 - (g) **2006:** Mortgage origination through Americash/Secured Lending without required Arizona Mortgage Banking license (18 U.S.C. §§~1014, 1343);
 - (h) **June 16, 2008:** Involuntary bankruptcy filed by Cane Clark LLP against its own client SDI (18 U.S.C. §~157);
 - (i) **2007–2012:** MOD Systems corporate takeover, manufactured criminal referral, and coordinated perjured testimony resulting in Relator’s wrongful conviction (18 U.S.C. §§~1341, 1343, 1512, 1513, 1621);
 - (j) **2005–2025:** Twenty-one consecutive years of FBAR non-filing concealing foreign accounts at LOM Securities, Bank of NT Butterfield, and Bank of Bermuda (31 U.S.C. §~5322);
 - (k) **2012–2014:** Participation in \$300 million Discala market manipulation through same offshore nominee infrastructure (18 U.S.C. §§~1343, 1956);
 - (l) **2014–2015:** Super PAC securities manipulation (\$10,700 loan to “Voters for Hillary” PAC used to inflate CrossClick Media stock 1,200%) while under federal indictment on \$1,000,000 bond (18 U.S.C. §§~1343, 1956);
 - (m) **September 9, 2016:** Filing fraudulent defamation lawsuit with false affidavit of service (18 U.S.C. §§~1341, 1343);
 - (n) **2016–Present:** Campaign of hundreds of threatening contacts including death and rape threats (18 U.S.C. §§~875, 1512, 1513);
 - (o) **2020:** Galaxy Gaming Inc.—the successor entity operating under the SDI corporate shell (CIK 0000013156) that the enterprise fraudulently seized, stripped, and sold—obtained \$4,835,300 in government pandemic relief loans (PPP and Main Street Priority Loan) under a corporate identity tainted by the enterprise’s prior fraud (18 U.S.C. §§~1341, 1343; 31 U.S.C. §~3729(a)(1)(A));
 - (p) **June 29, 2023:** Renewal of fraudulent \$4,888,924.78 default judgment via electronic

filing (18 U.S.C. §~1343);

(q) **October 23, 2025:** Extortive settlement from co-victim James Seyler as set forth in para. 158 (18 U.S.C. §§~1343, 1951); and

(r) **January 25, 2011:** Extortive settlement executed while Relator was in federal custody, extracting one issued U.S. patent (No. 7,779,064), two pending patent applications (Nos. 11/683,765 and 12/906,941), one registered copyright (TXU001302005), all equity interests, warrants, and options, and imposing a confidentiality clause prohibiting disclosure of non-public MOD information except for criminal defense or compulsory civil process—effectively barring voluntary cooperation with federal investigators—the culmination of a coercive sequence that began with death threats (March 2009 voting trust), continued through manufactured prosecution (March 2010 criminal referral), and concluded with the extraction of all remaining property while the victim was incarcerated by the enterprise’s own fraud (18 U.S.C. §§~1341, 1343, 1951, 1512).

236. With respect to predicate act (k), Cane was acquitted on all three criminal counts in *United States v. Discala*, No. 1:14-cr-00399-ENV (E.D.N.Y. May 7, 2018). The acquittal does not preclude civil RICO liability. Civil RICO claims are governed by the preponderance of the evidence standard, not proof beyond a reasonable doubt. *Sedima, S.P.R.L. v. Imrex Co.*, 473 U.S. 479, 491 (1985). Cane’s participation in the Discala scheme is independently documented through SEC filings, LOM Securities account records, and the same offshore nominee infrastructure used across the enterprise’s other schemes. The Discala predicate is alleged as one of eighteen categories of racketeering activity; it is not essential to the pattern.

237. The pattern of racketeering activity spans from 1989 to the present, comprising at least eighteen categories of predicate acts across four decades. The last predicate acts include the October 2025 Seyler settlement, the 2023 renewal of the fraudulent default judgment, the ongoing campaign of retaliation and harassment against the Relator, and continuing FBAR violations for each year offshore accounts remain unreported.

238. As a direct and proximate result of Defendants’ racketeering activities, the United States and the Relator have been injured in their business and property, including: (a) the destruction of MOD Systems, Inc., an enterprise valued at approximately \$123 million—comprising the \$88 million enterprise valuation established at the October 17, 2008 Series A closing with Toshiba, NCR Corporation, and Deluxe Entertainment Services Group (para. 134), plus the independently appraised patent portfolio and the destroyed value of Relator’s concurrent venture Banana Corporation whose grantback license depended on the MOD License Agreement (para. 143)—through the coordinated corporate takeover, manufactured criminal referral, and extortive settlement; (b) thirty-six months of federal imprisonment resulting from the enterprise’s manufactured prosecution, with attendant loss of liberty, income, professional reputation, and business relationships; (c) exposure to a \$4,888,924.78 fraudulent default judgment obtained through perjured service and actively enforced by the enterprise; (d) lost compensation, equity, and employment benefits from MOD Systems; (e) destruction of banking relationships, professional associations, and personal credit through the enterprise’s systematic retaliation campaign; and (f) the United States’ inability to collect FBAR penalties, recover Medicare overpayments, and enforce tax obligations due to the enterprise’s offshore concealment of assets and identity fraud infrastructure.

COUNT VI: RICO Conspiracy

Violation of 18 U.S.C. §~1962(d)

239. Relator re-alleges and incorporates by reference all preceding paragraphs.

240. Defendants agreed to conduct and participate in the affairs of the enterprise through a pattern of racketeering activity. Their agreement is demonstrated by their coordinated actions across multiple corporate victims spanning four decades, the consistent deployment of the enterprise’s modus operandi, and their complementary roles as described in paras. 228–233.

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241. The following identified co-conspirators, while not named as Defendants, agreed to and did participate in the enterprise's pattern of racketeering activity: (a) Devi Johal (Munjit Johal's sister), who managed the offshore nominee entity Arch Ltd. through LOM Securities; (b) Afshan Lakha (Amin Lakha's wife), who co-directed Lakha Investments, LLC and participated in the MW Medical scheme; (c) Patrick McNevin, who served as a covert enterprise agent on the SDI board of directors while secretly a member of Western Investment Partners; (d) Jay Kister, who architected the \$250,000 circular audit fraud transaction and co-operated the Secured Lending mortgage scheme through Infinity Lending Services; (e) Kevin Gunther, who administered the enterprise's offshore nominee accounts through LOM Securities in Bermuda, used Phillips's personal information to create false appearance of ownership of Hepburn Holdings, and facilitated wire transfers; (f) Claire Ambrosio (also known as Claire Ambrosio), who served as director of Davi Skin with signatory authority over corporate bank accounts, approved offshore wire transfers, and signed false SEC filings; (g) Dean Drummond, who received 95% of the MW Europe bankruptcy shell entity as satisfaction of wage claims manufactured by the enterprise; and (h) Michael Towers, who served on the unauthorized MOD Systems board and participated in the December 30, 2009 termination of Phillips and the January 2010 attempted \$5 million unauthorized transfer.
242. Each Defendant agreed to commit at least two predicate acts in furtherance of the conspiracy.
243. The United States and the Relator have been injured as a direct and proximate result of Defendants' conspiracy.

COUNT VII: FCA Retaliation

Violation of 31 U.S.C. §~3730(h)

244. Relator re-alleges and incorporates by reference all preceding paragraphs.
245. Relator engaged in protected activity under the FCA by: (a) filing the prior *qui tam*

action on November 1, 2010 (*Phillips v. Cane*, No. 10-cv-6399, W.D. Wash.); (b) filing IRS Form 211 whistleblower applications on June 10, 2010 and December 22, 2011, identifying the enterprise's offshore account infrastructure and FBAR violations; (c) cooperating with the FBI, including providing sworn testimony at the Discala trial; and (d) conducting the forensic investigation documented in nineteen Forensic Briefs identifying over \$72 million in concealed FBAR obligations.

246. Defendants, individually and through the enterprise, took the following adverse actions against Relator because of his protected activity: (a) on or about March 15, 2016, Defendant Hearn—acting at Cane's direction—initiated a campaign of hundreds of threatening contacts including death and rape threats against the Relator and his family; (b) on September 9, 2016, Cane filed a fraudulent defamation lawsuit in Clark County, Nevada, while on pre-trial release on \$1,000,000 bond in the Discala prosecution, concealing the federal indictment from the Nevada court; (c) on June 22, 2017, Cane procured a \$4,888,924.78 default judgment through Hearn's false affidavit of service, the judgment ordering removal and de-indexing of websites documenting the enterprise's fraud; (d) on June 29, 2023, Cane renewed the fraudulent judgment via electronic filing; and (e) on October 23, 2025, the enterprise procured a settlement from co-victim James Seyler requiring cessation of all investigation and removal of public court records—at zero monetary cost to Cane. Each adverse action post-dates Relator's protected activity and was motivated by a desire to silence the Relator and prevent government recovery of the concealed FBAR obligations.
247. By reason of the foregoing, Defendants are liable to Relator for all relief necessary to make him whole, including reinstatement, double back pay with interest, litigation costs, and reasonable attorneys' fees, pursuant to 31 U.S.C. §~3730(h).

Additional Theories for Government Investigation

248. The factual allegations set forth in Section VI establish additional government program fraud theories that the United States may elect to investigate and, if warranted, add to this action upon intervention. These include: (a) false claims through the Secured Lending / Americash mortgage origination operation, including loans originated through channels approved for sale to Fannie Mae while operating without the required Arizona Mortgage Banking license (Section VI.B); (b) reverse false claims arising from the SDI pre-petition asset stripping scheme that rendered SDI unable to satisfy government obligations (Section VI.E); and (c) false claims arising from Galaxy Gaming Inc.'s \$4,835,300 in CARES Act pandemic relief loans obtained under a corporate identity (CIK 0000013156) whose SEC filing history and bankruptcy record were tainted by the enterprise's prior fraud (Section VI.L). The factual basis for each theory is fully documented in the sealed Forensic Briefs filed with the Written Disclosure. Relator respectfully notes that the government possesses investigative tools—including grand jury subpoena authority, CMS billing records, SBA loan applications, and Fannie Mae origination records—that are beyond the Relator's reach and that may confirm or expand these theories.

IX. PRAYER FOR RELIEF

WHEREFORE, Plaintiff-Relator, on behalf of the United States of America and on his own behalf, respectfully requests that this Court enter judgment against Defendants, jointly and severally, as follows:

A. On Count I (FBAR Concealment), for treble damages sustained by the United States as a result of Defendants' willful FBAR violations across 21 years of knowing non-compliance with 31 U.S.C. § 5314, plus civil penalties of not less than \$11,665 and not more than \$23,331 for each unfiled FBAR constituting a separate false claim, as adjusted for inflation;

B. On Counts II through IV, for treble damages sustained by the United States as a

result of Defendants' additional violations of the False Claims Act, 31 U.S.C. §~3729(a), plus civil penalties of not less than \$11,665 and not more than \$23,331 for each false claim, as adjusted for inflation;

C. On Count V, for treble damages sustained by the United States and the Relator as a result of Defendants' violations of 18 U.S.C. §~1962(c), plus the costs of this action including reasonable attorneys' fees;

D. On Count VI, for treble damages sustained by the United States and the Relator as a result of Defendants' conspiracy in violation of 18 U.S.C. §~1962(d);

E. On Count VII, for all relief necessary to make Relator whole, including double back pay with interest, special damages, litigation costs, and reasonable attorneys' fees pursuant to 31 U.S.C. §~3730(h);

F. For the Relator's share of any recovery, as provided by 31 U.S.C. §~3730(d);

G. For an order declaring the default judgment in *Cane v. Phillips*, Case No. A-16-743194-C (Eighth Judicial District Court of Nevada), null and void as a product of fraud;

H. For disgorgement of all ill-gotten gains obtained by Defendants through the enterprise's racketeering activities, including all proceeds from the Davi Skin pump-and-dump, SDI asset stripping, Thomas & Wong escrow fraud, MW Medical investor fraud, Genesis/PHMC Medicare billing, Discala market manipulation, and Super PAC securities manipulation that were deposited in or routed through foreign financial accounts;

I. For an order requiring Defendants to provide a full accounting of all foreign financial accounts maintained from 2001 to the present, including accounts at LOM Securities (Bermuda), Bank of NT Butterfield (Bermuda), Bank of Bermuda Limited, and any other foreign financial institution;

J. For pre-judgment and post-judgment interest;

K. For costs of this action;

L. For a judgment of civil forfeiture pursuant to 18 U.S.C. §~1963(a) of all property owned, maintained, or acquired by Defendants through the racketeering enterprise, includ-

ing but not limited to all real property, personal property, financial accounts, securities, intellectual property rights, and all proceeds traceable to the pattern of racketeering activity;

M. For a judgment of civil forfeiture pursuant to 31 U.S.C. §~5317 of all property involved in or traceable to violations of the Bank Secrecy Act, including all offshore financial accounts, funds derived from undisclosed foreign financial accounts in Bermuda, the Cayman Islands, and other foreign jurisdictions, and all proceeds of racketeering activity concealed in such accounts; and

N. For such other and further relief as this Court deems just and proper.

X. JURY DEMAND

Plaintiff-Relator hereby demands a trial by jury on all issues so triable.

VERIFICATION

I, Mark Phillips, declare under penalty of perjury pursuant to 28 U.S.C. §~1746 that the foregoing Complaint is based on my personal knowledge and information, that the factual allegations set forth herein are true and correct to the best of my knowledge, information, and belief, and that I am the original source of the information upon which this action is based.

Dated: March 27, 2026

Respectfully submitted,

/s/ Mark Phillips
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