Forensic Brief 04: MW Medical / Burwell Fraud (1997–2004)

The First Shell Company Spinout and Victim Framing Template

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MW Medical, Inc.: The First Shell Spinout and Victim Framing Template (1997–2004)

The Cane-Wallace Enterprise's First Subsidiary Operation: Securities Fraud, Wage Theft, and the Development of the Victim Framing Methodology

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1. EXECUTIVE SUMMARY

Dynamic Associates, Inc. (CIK 0000878146) was designed to obfuscate Michael A. Cane's beneficial ownership of securities. By the mid-1990s, Cane and Wallace controlled Dynamic through a combination of direct holdings and family-bloc positions—Cane at 46.9%, with parents Herb and Shirley Cane (5.35%), the Mekelburg Family Trust (9.88%, executor: Stuart H. Cane, Kyleen's brother, DOB December 3, 1956; deceased July 28, 2016), and Brian and Nancy Mekelburg (5.35% each), yielding 74.6% aggregate family control.[1] All five family-bloc Schedule 13G filings were submitted on the same date (June 29, 2001) with identical share counts of 312,500, and Nancy Mekelburg's filing listed Cane & Company's office phone (702-312-6255) as her business contact—establishing that the Mekelburg holdings were coordinated through Cane's law office, not independent investments. Shirley Cane later signed Cane's federal release bond as surety in *United States v. Discala*, 14-cr-00399-ENV (E.D.N.Y.), alongside ex-wife Susan Cane Eiselman (DOB March 18, 1966), who continues to reside at Cane's properties. MW Medical, Inc. (CIK 0001059577) was the **first subsidiary** spun out of this structure—the enterprise's inaugural shell-trafficking operation.[2]

On December 4, 1997, MW Medical became a subsidiary of Dynamic Associates through a transaction in which MW issued 14,223,929 shares of common stock to Dynamic in exchange for all of Dynamic's operating assets, $200,000 in agreed funding, and the assumption of Dynamic's liabilities.[3] Dynamic then distributed all MW Medical shares pro rata to its own shareholders on March 11, 1998, completing the spin-off.[4] Because the Cane family bloc controlled 74.6% of Dynamic's outstanding shares, the pro rata distribution guaranteed that MW Medical was controlled from its first day of trading.

This brief documents the MW Medical operation from formation through Chapter 11 bankruptcy, focusing on three interconnected frauds: (1) the securities fraud conducted through the publicly-traded shell, including false claims of FDA approval and fabricated Mayo Clinic studies used to inflate the stock price from approximately $1.00 to $9.50;[5] (2) the systematic wage theft and framing of National Sales Manager Clement L. Burwell III between April 1999 and November 2001;[6] and (3) the Chapter 11 bankruptcy filing on January 22, 2002 (Case No. 02-01090-PHX-RTB, Bankr. D. Ariz.), which Wallace used to consolidate control over the shell for later resale as Davi Skin, Inc.[7]

MW Medical is significant not merely as a fraud vehicle but as the **template** for the enterprise's future operations. The tactics deployed against Burwell—fraudulent inducement through false representations, exploitation of labor, deliberate stock manipulation to destroy option value, preemptive defamation through SEC filings and false police reports, and weaponization of regulatory channels—would be refined and deployed with increasing sophistication against Parrish Medley at Davi Skin (2006), the Strand family at SDI (2005–2009), and Mark Phillips at MOD Systems (2007–2011).[8]

Total Quantified Financial Harm to Burwell: $93,608.39 (unpaid wages $8,609.39 + blocked stock option value $84,999.00).[8]

Possible Criminal Violations: Wire fraud (18 U.S.C. §~1343), mail fraud (18 U.S.C. §~1341), securities fraud (15 U.S.C. §~78j(b)), false statements (18 U.S.C. §~1001), conspiracy (18 U.S.C. §~371), money laundering (18 U.S.C. §§~1956, 1957), RICO (18 U.S.C. §§~1961–1968).

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[1] SC 13D, Dynamic Associates, Inc. (Sept. 2002), Accession No. 0001075793-02-000372 (Mekelburg Family Trust, 600,000 shares, 9.88%; executor Stuart Cane); SC 13D, Dynamic Associates, Inc. (Sept. 2001), Accession No. 0001075793-01-500095 (Cane 46.9% beneficial ownership).

[2] Amended Compl., *Burwell v. MW Medical, Inc., et al.*, No. CV2000-007658 (Ariz. Super. Ct. Maricopa Cty. May 25, 2000), IPFS.

[3] 10-K/A, MW Medical, Inc. (FY 1999), Accession No. 0001075793-01-500105.

[4] *Id.* at 17 (describing Dynamic Associates share distribution to MW Medical shareholders).

[5] Compl. ¶¶~4–5, *Burwell v. Wallace*, No. CV2001-019191 (Ariz. Super. Ct. Nov. 2, 2001), IPFS.

[6] Compl. ¶¶~4–12, *Burwell v. Wallace*, No. CV2001-019191 (Ariz. Super. Ct. Nov. 2, 2001).[8]

[7] 10-QSB, MW Medical, Inc. (June 30, 2002), Accession No. 0001075793-02-000353; *In re MW Medical, Inc.*, No. 02-01090-PHX-RTB (Bankr. D. Ariz. Jan. 22, 2002).

[8] Compl. ¶~26, *Burwell v. MW Medical*, No. CV2000-007658 (unpaid wages $7,083.33); ¶~27 (unpaid expenses $1,526.06).[1]

2. THE DYNAMIC ASSOCIATES SPINOUT

A. MW Medical as the Enterprise's First Subsidiary

MW Medical was not an independent company—it was a controlled subsidiary spun out of Dynamic Associates, the corporate vehicle through which Cane (then operating as Michael A. Cane) and Wallace had operated since at least April 1996, when Wallace was "employed by Dynamic."[2] Dynamic Associates served a single purpose: to obscure Cane's beneficial ownership of securities behind layers of family trusts, offshore nominees, and controlled insiders. By spinning off MW Medical as a separately traded entity in 1997, the enterprise created its first independent shell company—the prototype for a pattern it would repeat with Legal Access Technologies, Davi Skin, and SDI Industries.

The MW Medical 10-K for fiscal year 1999 disclosed the relationship directly:

> "MW Medical, Inc. was incorporated in the State of Nevada in November 1997 as a wholly-owned subsidiary of Dynamic Associates, Inc. on December 4, 1997. [Dynamic] transferred all shares of MW to the shareholders of Dynamic through a distribution completed on March 11, 1998. Each shareholder of Dynamic received one common share of MW for each common share of Dynamic held by such shareholder."

This pro rata distribution ensured that Cane's control position in Dynamic flowed directly into MW Medical. Wallace—who had been "employed by Dynamic since April 1996" and served as "a director and the President of Dynamic"—was installed as MW Medical's Chairman, Director, President, and CEO.[2]

B. Wallace's Control and Compensation

MW Medical's SEC filings reveal Wallace's compensation and the degree to which the company was a personal vehicle:

Table 1. Executive Compensation – MW Medical, Inc. (CIK 0001059577)

Name	Title	Year	Salary	Stock Options
Jan Wallace	Chairman, Director	1999	$180,000	400,000
Jan Wallace	Chairman, Director	1998	$150,000[1]	0
Grace Sim	Director, Secretary/Treasurer	1999	$96,000	200,000
Grace Sim	Director, Secretary/Treasurer	1998	$80,000[2]	0
Paul E. Banko	President, CEO	1999	$87,096[3]	200,000
Paul E. Banko	President, CEO	1998	$36,000[4]	0
FY 2001 – FY 2002 (Bankruptcy Period)				
Jan Wallace	President, CEO, Director	2001	$212,850[5]	—
Grace Sim	Acting CFO	2001	$80,853[6]	—
Jan Wallace	President, CEO, Director	2002	$219,450[7]	—
Grace Sim	Acting CFO	2002	$116,160[7]	—
Promissory Notes (March 15, 2003)				
Jan Wallace	Accrued wages settlement	2003	$248,325	—
Grace Sim	Accrued wages settlement	2003	$94,329	—

[1] Includes $86,393 accrued. [2] Includes $45,569 accrued.
[3] Resigned July 9, 1999. [4] Oct. 1998 – Dec. 1998 only.
[5] $166,550 deferred. [6] $53,353 deferred. [7] 100% deferred—"company had no funds."
Sources: Acc. 0001075793-01-500105; Acc. 0001075793-02-000209; Acc. 0001075793-03-000317.

Wallace's salary of $180,000 in 1999—at a company with revenue below $50,000—demonstrates that MW Medical functioned as a personal compensation vehicle.[2] When combined with Grace Sim's $96,000, officer compensation consumed over $276,000 annually from a company that generated virtually no revenue from actual medical device sales. The original 10-K further disclosed that Robert B. Spertell, M.D.—whose medical license had been revoked and who was **excluded from all federal healthcare programs by the HHS Office of Inspector General on October 9, 1991** under 42 U.S.C. §~1320a-7(b)(4)—was paid $110,000 in 1998 as COO/Chief Scientist of MMC, the MW Medical subsidiary, bringing total officer compensation to $386,000 in that year alone.[9]

As MW Medical's cash dwindled, Wallace and Sim did not reduce their nominal salaries—they simply deferred them, creating an ever-growing liability. The 10-KSB for fiscal year 2001 disclosed that Wallace's salary was $212,850 (of which $166,550 was deferred), and Sim's was $80,853 (of which $53,353 was deferred).[10] By 2002, both officers deferred their entire salaries—Wallace at $219,450, Sim at $116,160—while "the company did not have the funds to pay."[11] This mechanism transformed officer salaries into secured debt: the longer the company operated without revenue, the larger Wallace's creditor claim became.

MW Medical's principal office was Wallace's personal residence at 6929 E. Cheney Drive, Paradise Valley, Arizona.[12] The company paid no rent for this arrangement. This practice—operating a publicly-traded company from Wallace's home address while paying Wallace a six-figure salary—would be repeated at Davi Skin and other enterprise vehicles, ensuring that Wallace extracted maximum personal benefit from every entity she controlled.

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[9] 10-K, MW Medical, Inc. (FY 1998), CIK 0001059577 (Summary Compensation Table: Wallace $200,000, Banko $144,000, Spertell $110,000, Sim $96,000; note: the 10-K/A amended Wallace's salary to $150,000).

[10] 10-KSB, MW Medical, Inc. (FY 2001), Accession No. 0001075793-02-000209 (Wizona Partnership reorganization shares; shell-trafficking admission: "seek business opportunities for a reverse merger'').

[11] 10-KSB, MW Medical, Inc. (FY 2002), Accession No. 0001075793-03-000317 (Wallace deferred salary $219,450; Sim deferred salary $116,160; `the company did not have the funds to pay her salary at that time''; Wallace`has loaned us in excess of one million dollars and has obtained a security interest in all our assets'').

[12] 10-K/A, MW Medical, Inc. (FY 1999), Accession No. 0001075793-01-500105[2] (principal office address: 6929 E. Cheney Drive, Suite 1, Paradise Valley, Arizona 85253).

C. Cane's Concealed Role

Cane does not appear in MW Medical's SEC filings as an officer, director, or beneficial owner. This absence is itself an act of concealment. Although the Dynamic Associates pro rata distribution gave the Cane family bloc a proportional position in MW Medical, the Chapter 11 reorganization reduced Cane's direct equity interest to a minimal CEDE & Co. position.[13] This apparent dilution was strategic, not accidental: Cane retained millions of shares in Dynamic Associates—shares staged for placement into the shell once MW Medical completed its first reverse merger. The offshore nominee entities through LOM Securities in Bermuda (Arch Ltd., Hepburn Holdings Ltd., Sunshine Ltd., The Chloe Group) that would later hold Davi Skin stock were not established until after mid-2007; at the MW Medical stage, Cane's control operated through the family bloc and through Cane Clark, LLP's role as corporate and securities counsel.[14]

Cane Clark, LLP—Cane's own law firm—served as MW Medical's corporate and securities counsel, collecting legal fees from the very entity Cane directed through Wallace.[114] Every SEC filing was prepared using **EDGARIZER**, "Licensed to: Cane & Associates, LLP"—meaning Cane's firm created every document filed with the SEC on MW Medical's behalf.[114] This arrangement gave Cane access to every corporate decision, every SEC filing, and every shareholder communication while shielding that access behind attorney-client privilege. The dual role of undisclosed controller and retained legal counsel—with fees flowing from the controlled entity to Cane's firm—constitutes a conflict of interest that Cane never disclosed in any SEC filing.

The degree of Cane's control is confirmed by the SEC filings themselves. The S-8 registration statement filed on July 22, 2004 (Accession No. 0001255294-04-000267) disclosed a consulting agreement between Davi Skin and **Kyleen E. Cane** personally, dated July 2, 2004, for "legal and business consultation and advisory services relating to the Company's corporate and securities filings."[114] Cane's compensation: 50,000 freely tradable shares, options to purchase 250,000 additional shares at $0.50/share (five-year exercise period), and $10,000 in cash. The S-8 further disclosed that all SEC filings were created using **EDGARIZER**, "Licensed to: Cane & Associates, LLP"—meaning Cane's firm prepared every SEC document filed by the entity Cane controlled through Wallace.[114] At the same time, the consulting agreement explicitly stated that services "shall not include legal services relating to the Company's contemplated merger or its contemplated Securities Act filings"—a carve-out that purported to limit Cane's role while Cane in fact controlled the entire operation.[114]

The modus operandi was already established: Wallace served as the public face—the officer, director, and CEO visible in SEC filings—while Cane operated behind layers of nominee entities and attorney-client privilege, directing the scheme without creating a paper trail linking Cane to MW Medical's governance. This same concealment structure would persist across every subsequent enterprise vehicle for the next twenty years.

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3. THE FRAUDULENT INDUCEMENT OF CLEMENT BURWELL

A. False Representations to Induce Employment

In April 1999, Wallace recruited Clement L. Burwell III as MW Medical's National Sales Manager through a series of material misrepresentations designed to induce his employment and, critically, his willingness to accept stock options as the primary component of compensation.[15]

Wallace represented to Burwell that:[10]

1. MW Medical's microwave catheter product had received FDA approval—it had not.
2. A Mayo Clinic study validated the device's efficacy—no such study existed.
3. Robert B. Spertell, M.D., was "in charge of the scientific studies and research efforts"—Spertell's medical license had been revoked for "egregious sexual misconduct with patients," and he had been **excluded from all federal healthcare programs** by the HHS-OIG since October 9, 1991.[16]
4. MW Medical had secured major institutional partnerships and sales channels—it had not.
5. Stock options valued at over $92,000 would constitute Burwell's primary compensation—these options were systematically rendered worthless.[10]

Burwell accepted the position, relocating to Arizona and committing full-time efforts to MW Medical from April 1999 through January 31, 2000.[9]

B. The Pump-and-Dump Cycle

The false claims about FDA approval and the Mayo Clinic study served a dual purpose: they induced Burwell's employment, and they artificially inflated MW Medical's stock price. During the period of Burwell's employment, the stock price rose from approximately $1.00 to a peak of $9.50—an increase driven entirely by false representations to investors and the market.[8] The Burwell complaint alleges that Wallace and her associates used these false claims to conduct a "pump and dump" securities fraud, selling shares at artificially inflated prices while Burwell—who held 10,000 options with a $1.00 strike price—was blocked from exercising or selling his options.[17]

[13] 10-QSB, MW Medical, Inc. (March 31, 2003), Accession No. 0001075793-03-000332 (Ch.~11 plan of reorganization confirmed; seven classes of claims; IRS withdrew objection at confirmation; general unsecured claims $512,160 discharged for $23,050; Wallace secured claim $1,139,939.70; Wallace converted $375,000 into 74,000,000 shares at $0.005/share; remaining asset: $907 cash).

[14] S-8, Davi Skin, Inc. (July 22, 2004), Accession No. 0001255294-04-000267 (Cane consulting agreement: 50,000 shares, 250,000 options at $0.50, $10,000 cash; EDGARIZER `Licensed to: Cane \& Associates, LLP''; carve-out:`shall not include legal services relating to the Company's contemplated merger'').

[15] Compl. ¶~3, *Burwell v. MW Medical*, No. CV2000-007658 (Ariz. Super. Ct. May 25, 2000).[1]

[16] *Id.* at ¶~12 (describing Spertell's medical license revocation for "egregious sexual misconduct with patients'').

[17] Compl. ¶~17, *Burwell v. Wallace*, No. CV2001-019191 (stock option manipulation, blocked sale).[8]

When Burwell discovered the fraud and resigned on January 31, 2000, the stock price collapsed to $0.01, destroying the value of his options entirely.[18]

C. Wage Theft

MW Medical paid Burwell regularly from April through December 1999, establishing both the employment relationship and the company's ability to pay.[69] In January 2000—the month Burwell discovered the fraud and resigned—MW Medical withheld his final month's salary ($7,083.33) and unreimbursed business expenses ($1,526.06), a total of $8,609.39.[69][19]

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4. THE VICTIM FRAMING CAMPAIGN

A. Wallace's Preemptive Attack

When Burwell discovered the fraud and threatened exposure, Wallace did not attempt to conceal the scheme or negotiate a settlement. Instead, she launched a preemptive multi-channel attack designed to destroy Burwell's credibility before he could be heard. The speed and coordination of this response—within fifty days of Burwell's resignation—demonstrates that victim framing was not reactive but planned.

False police report (April 20, 2000): Wallace filed a report with the Scottsdale Police Department falsely accusing Burwell and MW Medical Vice President of Marketing Mitch DeShon of breaking and entering MW Medical's offices and stealing files.[20] The Scottsdale Police declined to pursue the matter, recognizing the allegations as false.

SEC filing defamation (May 2, 2000): Wallace published false allegations against Burwell in MW Medical's Form 10-KSB Annual Report, filed with the Securities and Exchange Commission.[86] By embedding defamation in a federal securities filing—a permanent public record—Wallace transformed a regulatory document into a weapon of character assassination, ensuring that any investor, employer, or business partner who researched Burwell would find false criminal allegations in an official SEC filing.

Investor relations campaign: Simultaneously, Wallace disseminated slanderous statements about Burwell and DeShon to investor relations firms, poisoning their professional reputations across the industry.[86]

B. The Pattern: Accuse the Victim of the Perpetrator's Crimes

The framing methodology deployed against Burwell follows a signature pattern: **the perpetrator accuses the victim of the very crimes the perpetrator is committing.** Burwell was accused of "theft" and "dishonesty" by Wallace—who was simultaneously stealing his wages, manipulating his stock options, and filing false statements with the SEC. This inversion serves dual purposes: it preemptively discredits the victim's eventual allegations, and it creates a counter-narrative that confuses investigators and courts.

This exact methodology would be deployed against Parrish Medley at Davi Skin in 2006, when Wallace wrote: "I state clearly, in the 2 and half years I have known Parish, I find him to be a liar, a cheat, self-serving and of low moral character."[21] The same pattern reached its full expression in the MOD Systems scheme against Mark Phillips (2008–2011), where Wallace and Cane filed false police reports, fabricated evidence, and used the criminal justice system as a weapon of retaliation.[103]

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5. THE BURWELL LITIGATION

A. Two Civil Complaints

Burwell filed two civil lawsuits seeking recovery:

Burwell v. MW Medical, Inc., et al., No. CV2000-007658 (Ariz. Super. Ct. Maricopa Cty., filed May 25, 2000).[1] This complaint alleged wage theft, defamation, harassment, false police reports, and securities fraud. The complaint is preserved on IPFS.[1]

Burwell v. Jan Wallace, No. CV2001-019191 (Ariz. Super. Ct. Maricopa Cty., filed November 2, 2001).[8] This second complaint added causes of action for securities fraud, negligent misrepresentation, and alter ego liability, seeking to pierce the corporate veil to reach Wallace personally. It detailed the false representations regarding FDA approval, the Mayo Clinic study, and the deliberate stock manipulation. This complaint is preserved on IPFS.[8]

A parallel federal action proceeded as *Burwell v. Wallace*, No. 2:01-cv-02353-SMM (D. Ariz.), before Judge Stephen M. McNamee.

B. Key Deposition and Trial Evidence

The Burwell complaints contain detailed factual allegations that established critical facts for the broader enterprise investigation. The second complaint alleged Wallace's alter ego control:

> "MW Medical, Inc. was incorporated in the State of Nevada in November 1997. [It] was thinly capitalized at its inception [and] was financed by defendant with defendant's personal funds."
>
> — Compl. ¶ 34, *Burwell v. Wallace*, No. CV2001-019191‘[42]‘=latex

[18] *Id.* at ¶¶~18–19 (stock price collapse from $9.50 to $0.01, total option loss of $84,999).
[19] *Id.* at ¶~27 (unreimbursed business expenses).
[20] Amended Compl. ¶¶~20–22, *Burwell v. MW Medical*, No. CV2000-007658 (false police report, SEC filing defamation, investor relations campaign).[1]
[21] Written statement by Jan Wallace regarding Parrish Medley, reproduced in Compl. ¶~14, *Medley v. Wallace*, No. BC351142 (L.A. Super. Ct. Apr. 21, 2006).

The "thin capitalization" and personal financing by Wallace—a structure designed to maximize her control while minimizing outside oversight—is the same structure Wallace deployed at every subsequent scheme vehicle: Davi Skin, SDI, and the entities used in the Thomas & Wong escrow fraud.

The securities fraud allegations were equally specific. Burwell alleged that Wallace and her associates conducted a classic pump-and-dump:

> "Between approximately April 1999 and January 2000, during the time plaintiff was employed by MW Medical, the price of [MW Medical] common stock rose from approximately $1 per share to approximately $9.50 per share … defendant and MW Medical insiders dumped their stock on the public at artificially high prices while withholding material adverse information."
>
> — Compl. ¶¶ 4–5, *Burwell v. Wallace*, No. CV2001-019191‘[8]‘=latex

Burwell further alleged that Wallace deliberately blocked his exercise of stock options while insiders sold at inflated prices, then allowed the stock to collapse once the pump-and-dump was complete.[81] This is the identical mechanism deployed in the Davi Skin scheme (Forensic Brief 07) and the CodeSmart/Cubed manipulation (Forensic Brief 08).

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6. MW MEDICAL CHAPTER 11 BANKRUPTCY

A. Filing and Circumstances

On January 22, 2002, MW Medical filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court, District of Arizona, Case No. 02-01090-PHX-RTB.[15] The 10-QSB for the period ending June 30, 2002 (Accession No. 0001075793-02-000353) disclosed:

> "An automatic stay is now in place. We will use this bankruptcy to protect the business from our creditors while we reorganize and seek business opportunities for a reverse merger."

The phrase "seek business opportunities for a reverse merger" is the operative admission. MW Medical's Chapter 11 was not a genuine reorganization—it was a mechanism to clear the company's liabilities while preserving the publicly-traded shell for Wallace and Cane to resell. This is shell trafficking: using bankruptcy to cleanse a public shell of its obligations so it can be recycled for the next fraud.

B. Wallace's Secured Creditor Position

Wallace's promissory notes to MW Medical gave her a secured creditor position of at least $615,871, secured by all of MW Medical's assets:[15]

Table 2. Wallace Promissory Notes – MW Medical, Inc.

Note Type	Amount	Security	Source
Convertible promissory note	$570,000	Convertible to equity	SEC filings
Wages owed (accrued salary)	$248,325	Unsecured	10-K compensation table
Secured debt (all assets)	$615,871+	All MW Medical assets	Ch. 11 disclosure

Source: MW Medical Ch. 11 disclosure statement and SEC filings, CIK 0001059577.

C. The Reorganization Plan: Seven Classes of Self-Dealing

The Chapter 11 plan of reorganization, filed May 29, 2002, and confirmed by final decree on November 19, 2002, divided creditor claims into seven classes—each structured to ensure Wallace retained control:[115]

- **Class 1 (Administrative expenses):** Attorney fees paid via stock in MW Medical affiliates—not cash.
- **Class 2 (Priority tax claims):** The Internal Revenue Service—the sole objecting creditor—withdrew its claim at the confirmation hearing. No priority tax claims remained.[115]
- **Class 3 (Priority wage claims):** Dean Drummond, Grace Sim ($174,568), and Tyler Brown each received 95% of stock in MW Europe, MW Asia, and MW South America respectively—paper entities with no operations or value. Sim's wage claim alone exceeded the entire cash fund offered to general unsecured creditors.
- **Class 4 (General unsecured creditors):** Total claims of $512,160 were discharged for approximately $23,050—4.5 cents on the dollar—through a $10,000 fund advanced by Wallace and a pool of 4,500,000 shares. "Most creditors took the pro rata portion of the $10,000 as a settlement."[115] The Wizona Partnership, with a disputed claim, settled for 1,305,000 shares—shares whose value depended entirely on the reverse merger Wallace was engineering.[110]
- **Class 5 (Wallace unsecured, $50,000):** Wallace received 95% of Microwave Medical Corporation shares and 95% of MW Fitness shares—affiliated entities controlled by Wallace.
- **Class 6 (Wallace secured, $1,139,939.70):** Wallace received a new promissory note for the full amount, payable by September 30, 2002.
- **Class 7 (Equity interests):** Existing shareholders retained their equity plus pro rata 5% of affiliate shares.

The structure is transparent: every class either paid Wallace (Classes 5, 6), paid in Wallace-controlled stock (Classes 1, 3, 4), or cost Wallace nothing (Classes 2, 7). The $10,000 fund for general unsecured creditors—advanced by Wallace herself—was trivial relative to Wallace's $1.14 million secured claim. The plan confirmed on November 19, 2002 was a bankruptcy proceeding in which the sole secured creditor wrote the plan, funded the plan, and received virtually all value under the plan.

By March 2003, Wallace's total claims against MW Medical had grown to $1,272,672.30 (principal plus accrued interest).[22] On

[22] Form 8-K, MW Medical, Inc. (March 23, 2003), Accession No. 0001075793-03-000161 (total Wallace claims: $1,272,672.30 including principal and accrued interest).

March 15, 2003, MW Medical issued a consolidated promissory note to Wallace for $248,325 (accrued wages) and a separate note to Grace Sim for $94,328.50 (accrued wages)—each signed by the other in a circular exercise of self-dealing.[23] Wallace then transferred $326,897 in MW Medical assets (patents, intellectual property, inventory, and equipment) to herself, reducing the outstanding note balance to $945,775.30.[24] Wallace subsequently converted $375,000 of the remaining note balance into 74,000,000 shares at a conversion rate well below market, further reducing the note to $570,775.30.[115]

After these extractions, MW Medical's sole remaining asset was $907 in cash.[115] This structure—Wallace lending personal funds to a company she controlled, then claiming secured creditor status in bankruptcy, writing her own reorganization plan, discharging $512,160 in third-party claims for $23,050, and extracting all remaining value through asset transfers and below-market share conversions—ensured that Wallace retained control of an empty but publicly-traded shell, ready for the reverse merger she had announced in SEC filings.

C. Shell Trafficking: MW Medical to Davi Skin

On June 21, 2004, MW Medical completed its transformation into Davi Skin, Inc., issuing 9,745,634 shares in the process.[15] Wallace and Grace Sim resigned from Davi Skin at the time of the merger. Cane then introduced Parrish Medley to Wallace as a purchaser for the shell—without disclosing that the transaction was part of an ongoing fraud scheme. At the June 24, 2004 closing at Cane Clark's offices in Las Vegas, Medley acquired the Davi Skin shell.[25] Wallace did transfer control to Medley, but she and Cane subsequently manufactured the existence of a promissory note to use as leverage to displace Medley when he was no longer useful.[117]

The sale process itself served the enterprise's broader objectives. Under the guise of issuing Davi Skin stock to incoming officers and directors, Wallace and Cane obtained the social security numbers, contact information, and personal identifying information of every participant—data that could be weaponized in future framing operations, identity fraud, and coerced cooperation. The simultaneous sale of MW Asia and MW Medical were acts in furtherance of the RICO enterprise, transforming ostensibly legitimate corporate transactions into mechanisms for information harvesting and victim recruitment. Amin and Afshan Lakha participated in these transactions as the enterprise's "rich investors," lending the operations a veneer of legitimate outside capital.[26]

The shell had been successfully trafficked: cleared of liabilities through bankruptcy, renamed, and positioned for the next pump-and-dump scheme documented in Forensic Brief 07.

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7. TRANSACTION FLOWS AND WIRE FRAUD PREDICATE ACTS

The following table documents the verifiable financial flows through MW Medical that constitute wire fraud predicate acts. Unlike speculative estimates, these figures are drawn from SEC filings, court complaints, and bankruptcy records.

Table 3. Documented Financial Flows – MW Medical

Date	Description	Amount	Source/Destination
	Compensation Outflows		
1998	Wallace salary (includes $86K accrued)	$150,000	MW Medical to Wallace
1999	Wallace salary	$180,000	MW Medical to Wallace
1998	Grace Sim salary (includes $46K accrued)	$80,000	MW Medical to Sim
1999	Grace Sim salary	$96,000	MW Medical to Sim
	Wallace "Loans" to MW Medical		
Various	Convertible promissory note	$570,000	Wallace to MW Medical
Mar. 2003	Promissory note (wages owed)	$248,325	Accrued compensation
Various	Secured debt (all assets)	$615,871+	Wallace to MW Medical
	Dynamic Associates Relationship		
Dec. 1997	Dynamic spin-off (14.2M shares)	—	Dynamic to MW Medical
1999	Dynamic funding obligation	$50,000	Dynamic to MW Medical
	Wage Theft		
Jan. 2000	Burwell salary withheld	$7,083	Unpaid
Jan. 2000	Burwell expenses withheld	$1,526	Unpaid

Sources: 10-K/A Accession 0001075793-01-500105; Burwell complaints; Ch. 11 disclosure.

A. Cane/Wallace Total Extraction from MW Medical

The following table consolidates all documented compensation, loans, and asset transfers extracted by Cane and Wallace from MW Medical:

[23] Wallace Promissory Note, MW Medical, Inc. (March 15, 2003), Accession No. 0001075793-03-000161 ($248,325 wages owed to Wallace; $94,328.50 wages owed to Grace Sim).

[24] *Id.* (asset transfer of $326,897 in patents, IP, inventory, and equipment to Wallace; revised note balance $945,775.30).

[25] Videotaped Deposition of Jan M. Wallace (Dec. 20, 2006), *Medley v. Wallace*, No. CV 06-3370 R (SSx) (C.D. Cal.), at offices of Gutman; Wallace represented by Claire C. Ambrosio. Exhibits included: Stock Purchase and Note Assignment Agreement (Ex.~2), Promissory Note (Ex.~3), Notice of Partial Cancellation (Ex.~4), Loan Extensions (Exs.~6–7), Assignments of Promissory Notes (Exs.~8–10). Wallace confirmed maiden name Jan Mary Jardine, DOB July 2, 1955, Canadian citizen, resident of Arizona since approximately 1997.

[26] SEC Correspondence, Davi Skin, Inc. (2008), Accession No. 0001137091-08-000714 (Lakha notes payable modification, $23,000 cash payment, warrant replacement).

Table 4. Cane/Wallace Total Extraction – MW Medical

Recipient	Category	Amount	Source
	Wallace Direct Compensation		
Wallace	1998 salary (incl. $86K accrued)	$150,000	10-K/A[2]
Wallace	1999 salary	$180,000	10-K/A[2]
Wallace	2001 salary ($167K deferred)	$212,850	10-KSB[110]
Wallace	2002 salary (all deferred)	$219,450	10-KSB[113]
Wallace	Accrued wages promissory note	$248,325	8-K (Mar. 2003)[107]
Wallace	Asset transfer (patents, IP, equip.)	$326,897	8-K (Mar. 2003)[109]
Wallace	Stock options (400,000 shares)	—	10-K/A[2]
	Wallace Secured Creditor Claims		
Wallace	Convertible promissory note	$570,000	SEC filings
Wallace	All-asset secured debt	$615,871+	Ch. 11 disclosure[15]
Wallace	Total claims (principal + interest)	$1,272,672	8-K (Mar. 2003)[107]
	Grace Sim Compensation		
Sim	1998 salary (incl. $46K accrued)	$80,000	10-K/A[2]
Sim	1999 salary	$96,000	10-K/A[2]
Sim	2001 salary ($53K deferred)	$80,853	10-KSB[110]
Sim	2002 salary (all deferred)	$116,160	10-KSB[113]
Sim	Accrued wages promissory note	$94,329	8-K (Mar. 2003)[108]
Sim	Stock options (200,000 shares)	—	10-K/A[2]
	Cane / Cane Clark, LLP		
Cane Clark	Corporate/securities legal fees	Undisclosed	[54]
Cane	Offshore nominee administration	Undisclosed	LOM Securities[47]

Wallace nominal salary: $762K (1998–2002). Total creditor claims: $1,272,672. Asset transfer: $327K.
Sim nominal salary: $373K (1998–2002). Cane Clark legal fees undisclosed in SEC filings.

Wallace's total documented extraction from MW Medical exceeds $1.9 million—from a company that never generated meaningful revenue from its purported medical device business. The disparity between extraction and revenue confirms that MW Medical existed to enrich its operators, not to conduct legitimate business.

B. MW Medical Timeline

The following table documents key events in the MW Medical scheme chronologically:

Table 3A. MW Medical Timeline (1997–2004)

Date	Event	Source
	Formation and Spinout	
Nov. 1997	MW Medical incorporated (Nevada)	10-K/A[2]
Dec. 4, 1997	MW Medical becomes Dynamic subsidiary (14.2M shares issued)	10-K/A[2]
Mar. 11, 1998	Dynamic distributes all MW Medical shares pro rata to shareholders	10-K/A[2]
	Burwell Employment and Fraud	
Apr. 1996	Robert Spertell employed as COO/Chief Scientist ($110K salary)	10-K[112]
Apr. 1996	Spertell OIG exclusion (effective Oct 9, 1991) not disclosed	LEIE[119]
Apr. 1999	Wallace recruits Burwell with false FDA/Mayo Clinic claims	Compl.[10]
Apr.–Dec. 1999	Stock price rises from $1.00 to $9.50 (pump-and-dump)	Compl.[8]
Aug. 31, 1999	Spertell resigns, retained as consultant	10-K/A[112]
Jan. 2000	MW Medical withholds Burwell's final salary ($7,083) and expenses ($1,526)	Compl.[1,69]
Jan. 31, 2000	Burwell resigns after discovering fraud	Compl.[9]
	Victim Framing Campaign	
Apr. 20, 2000	Wallace files false police report (Scottsdale PD) accusing Burwell of B&E	Compl.[86]
May 2, 2000	Wallace publishes false allegations against Burwell in 10-KSB SEC filing	Compl.[86]
May 2, 2000	Wallace disseminates slanderous statements to investor relations firms	Compl.[86]
	Burwell Litigation	
May 25, 2000	Burwell files *Burwell v. MW Medical*, CV2000-007658 (Maricopa)	IPFS[1]
Nov. 2, 2001	Burwell files *Burwell v. Wallace*, CV2001-019191 (Maricopa)	IPFS[8]
2001–2003	Parallel federal action: *Burwell v. Wallace*, 2:01-cv-02353-SMM (D. Ariz.)	Docket
	Bankruptcy and Shell Trafficking	
Jan. 22, 2002	MW Medical files Chapter 11, Case 02-01090-PHX-RTB (Bankr. D. Ariz.)	10-QSB[15]
Jan. 22, 2002	Bankruptcy disclosure: "seek business opportunities for a reverse merger"	10-QSB[15]
May 29, 2002	Chapter 11 plan of reorganization filed (7 classes)	Ch. 11 records
Nov. 19, 2002	Reorganization plan confirmed; IRS withdraws objection	10-KSB[115]
Mar. 15, 2003	Wallace issues promissory notes to self ($248K) and Sim ($94K) for wages	8-K[107,108]
Mar. 2003	Wallace transfers $327K in MW assets to herself (patents, IP, equipment)	8-K[109]
Mar. 2003	Wallace converts $375K note into 74M shares at $0.005/share	10-QSB[115]
Mar. 2003	MW Medical sole remaining asset: $907 cash	10-QSB[115]
	Transformation to Davi Skin	
Jun. 21, 2004	MW Medical completes reverse merger, becomes Davi Skin (9.7M shares issued)	10-QSB[15]
Jun. 24, 2004	Closing at Cane Clark offices (Las Vegas); Medley acquires shell	Depo.[117]
Jul. 2, 2004	Cane consulting agreement (50K shares + 250K options + $10K cash)	S-8[114]
Jul. 22, 2004	S-8 filing discloses EDGARIZER "Licensed to: Cane & Associates, LLP"	S-8[114]

FY = fiscal year. All amounts rounded. Superscripts refer to footnotes at end of brief.

8. CO-CONSPIRATORS AND THEIR SEC FILINGS

A. Amin and Afshan Lakha

Amin S. Lakha and Afshan Lakha served as the enterprise's "rich investors"—outside capital sources whose participation lent a veneer of legitimacy to the Davi Skin scheme. Amin Lakha appears in the Davi Skin/MW Medical SEC filing record in connection with notes payable modifications. The SEC correspondence filing (Accession No. 0001137091-08-000714) discloses that Davi Skin paid Lakha $23,000 in cash and issued replacement warrants as part of a loan modification.[57] The Lakhas operated through Lakha Investments, LLC and participated in the financial infrastructure of the scheme, providing capital that Wallace and Cane used to maintain the appearance of legitimate business operations while extracting value from the shell.[57]

B. Robert B. Saucier

Saucier managed Carpathia Associates, LLC, Trifalger Investments, and Galaxy Gaming, Inc.[27] In April 2006, Cane transferred 1,400,000 Davi Skin shares (the renamed MW Medical) from Legal Access Technologies to Saucier and Carpathia Associates—shares that originated from the MW Medical stock pool.[28] Saucier's repeated involvement across multiple Cane Group vehicles (MW Medical/Davi Skin, SDI, Galaxy Gaming) establishes his role as a nominee distributor within the enterprise.[29]

C. Robert B. Spertell, M.D. – OIG-Excluded Officer

Wallace presented Spertell to Burwell as "a medical doctor in charge of the scientific studies and research efforts behind the medical device."[30] In reality, Spertell's medical license had been **revoked** for "egregious sexual misconduct with patients."[21] No legitimate medical device company would employ a delicensed physician as its research director. Wallace either knew Spertell was delicensed—constituting intentional fraud—or failed to perform basic due diligence on a credential that is publicly searchable through state medical boards, constituting willful blindness sufficient for wire fraud prosecution.

The significance of Spertell extends beyond his misrepresentation to Burwell. A search of the HHS Office of Inspector General List of Excluded Individuals/Entities (LEIE) confirmed that **Robert B. Spertell, M.D.** (DOB 04/18/1949, UPIN A47027, General Medical Practice, 801 Brewster Ave. #240, Redwood City, CA) was **excluded from all federal healthcare programs effective October 9, 1991**, under 42 U.S.C. §~1320a-7(b)(4) (license revocation/suspension/surrender).[31]

Spertell's OIG exclusion predated his employment by MW Medical by approximately five years. 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.[112] He appears in 16 SEC filings across CIK 0001059577 (MW Medical) and CIK 0000878146 (Dynamic Associates), including the Dynamic Associates Form 8-K dated March 2, 1998 (Accession No. 0001023856-98-000005).[32] Spertell resigned effective August 31, 1999, but was retained as a consultant.[112]

This finding has direct False Claims Act implications. During Spertell's tenure at MW Medical (1996–1999), the commonly controlled sibling entity within Dynamic Associates—Genesis Health Management Corp.—was submitting Medicare reimbursement claims. Under 42 U.S.C. §~1320a-7(a) and 42 CFR §~413.17 (related organization cost principles), the 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* Forensic Brief 03 (Genesis Medicare Fraud) for the complete FCA analysis.

9. RELATED LITIGATION

MW Medical generated significant litigation beyond the Burwell complaints, further demonstrating the entity's role as a fraud vehicle:

Table 5. MW Medical–Related Litigation

Case	Court / No.	Claims
Burwell v. MW Medical	CV2000-007658 (Maricopa AZ)	Wage theft, defamation
Burwell v. Wallace	CV2001-019191 (Maricopa AZ)	Securities fraud, alter ego
Burwell v. Wallace	2:01-cv-02353-SMM (D. Ariz.)	Federal claims
In re MW Medical	02-01090-PHX-RTB (Bankr. D. Ariz.)	Chapter 11
Wizona v. MW Medical	CV2001-022155 (Maricopa AZ)	Contract/fraud
In re Microwave Medical	02-01298-GBN (Bankr. D. Ariz.)	Separate entity

[27] *See* Forensic Brief 06 (SDI Industries/Galaxy Gaming) (Saucier as manager of Carpathia Associates, LLC, Trifalger Investments, and Galaxy Gaming, Inc.; nominee share distribution across multiple enterprise vehicles).

[28] SC 13D, Zenith Capital, Inc. (March 24, 2010), Accession No. 0001144204-10-018550[118] (documenting 1,400,000 shares transferred from Legal Access Technologies to Saucier and Carpathia Associates, April 2006); *see also* Forensic Brief 07 (Davi Skin share distribution analysis).

[29] *See* Forensic Brief 07 (Davi Skin) and Forensic Brief 06 (SDI/Galaxy Gaming) (documenting Saucier's repeated involvement as nominee distributor across Davi Skin, SDI Industries, and Galaxy Gaming).

[30] Compl. ¶~12, *Burwell v. Wallace*, No. CV2001-019191.[8]

[31] HHS 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. *See also Universal Health Servs., Inc. v. United States ex rel. Escobar*, 579 U.S. 176 (2016) (implied false certification theory: claims submitted while material regulatory conditions are violated are actionable under the FCA).

[32] Form 8-K, Dynamic Associates, Inc. (March 2, 1998), Accession No. 0001023856-98-000005 (listing Robert B. Spertell, M.D. as officer of MW Medical subsidiary; *see also* 10-K/A, MW Medical (FY 1999), Accession No. 0001075793-01-500105[2] (Spertell as COO/Chief Scientist, MMC, $110,000 salary, 1998); Spertell appears in 16 SEC filings across CIK 0001059577 and CIK 0000878146, April 1996 through August 1999).

Case	Court / No.	Claims
US v. Means	(D. Ariz. 1993)	Director guilty plea
Medley v. Wallace	BC351142 (L.A. Super. Ct. 2006)	Pattern evidence

The *US v. Means* case is particularly significant: William H. Means was a Director of MW Medical when he pled guilty to a two-count Bill of Information on January 15, 1993 (18 U.S.C. §~215(a)(2), bank bribery).[15] A search of the HHS-OIG LEIE for Means returned no exclusion record—bank bribery does not trigger mandatory OIG exclusion under 42 U.S.C. §~1320a-7(a).[119]

D. David Hunter – Convicted Medicaid Fraud Felon and Dynamic Associates Co-Founder

David Hunter co-acquired controlling interest in Dynamic Associates Inc. with Harry Moll and Wallace on August 30, 1995, serving as Director and Secretary at $45,500/year with 0% beneficial ownership.[33] No biographical section was ever disclosed for Hunter in any SEC filing. Twenty-one days after co-acquiring Dynamic, Hunter was indicted on nineteen counts of Medicaid fraud in *United States v. Hunter*, No. 5:95-cr-00020-DCB (S.D. Miss., filed September 20, 1995), for violation of 42 U.S.C. §~1320a(f)—"Payment to Non-Licensed Physician"—in Wilkinson County, Mississippi.[34] Hunter entered a guilty plea on January 22, 1996, and resigned from Dynamic ten days later on February 1, 1996, with no reason disclosed. The OIG excluded Hunter from all federal healthcare programs effective October 29, 1996, under 42 U.S.C. §~1320a-7(a)(1) (program-related conviction); his address at exclusion was FCI Texarkana (BOP Register No. 04178-043).[35]

The pattern is now three federally convicted or excluded individuals within the commonly controlled enterprise group: Means (bank bribery, 1993), Spertell (OIG-excluded, 1991), and Hunter (Medicaid fraud, 1995/OIG-excluded 1996). That the enterprise recruited and installed a person under active federal healthcare fraud indictment to co-acquire the parent company of what would become a $49.3 million Medicare billing operation—then concealed his criminal history and the true reason for his resignation from all SEC filings—underscores the enterprise's systematic recruitment of compromised individuals who could not credibly object to the ongoing fraud. *See* Forensic Brief 03 (Genesis Medicare Fraud) for the complete FCA analysis of the Hunter finding.

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10. PATTERN EVIDENCE: THE VICTIM FRAMING METHODOLOGY

The tactics deployed against Burwell at MW Medical (1999–2001) constitute the **template** for the Cane-Wallace enterprise's victim framing methodology. The following comparison demonstrates that identical techniques were deployed against successive victims with increasing sophistication:

Table 6. Victim Framing Pattern Across Schemes

Tactic	Burwell (1999)	Medley (2006)	T&W (2003)	Phillips (2008)
False inducement				
Stock options as bait			—	
Exploit victim's labor				
Withhold compensation			—	
False police report		—	—	
Defamation via SEC filing		—	—	—
Written character attack			—	
Cane as hidden orchestrator				
Offshore asset concealment			—	
Bankruptcy to evade judgment		—	—	—
Accuse victim of own crimes			—	
Use institutional channels			—	

T&W = Thomas & Wong.   = documented; — = not documented.

The pattern is unmistakable. Eleven of twelve tactics used against Burwell in 1999 were deployed again against Phillips in 2008–2011. The escalation is in scale (MW Medical: $93,608 harm; MOD Systems: $88 million+ harm) and sophistication (SEC filing defamation evolved into manufactured criminal prosecution), not in methodology.

B. Enterprise Operational Pattern

Beyond victim framing, MW Medical established the **operational template** replicated across subsequent shell-trafficking schemes. The following table maps common enterprise elements across four shell-based pump-and-dump operations (MOD Systems excluded—MOD was a direct theft of an existing valuable company, not a shell-trafficking/pump-and-dump scheme):[36]

Table 7. Shell-Trafficking Operational Pattern (Four Pump-and-Dump Schemes)

Element	MW Medical (1997)	T&W (2003)	Davi Skin (2004)	SDI (2005)
Wallace as public operator	CEO	Agent	CEO	President
Cane as hidden legal architect	SEC counsel	Escrow agent	SEC counsel	SEC counsel

[33] Form 10-KSB, Dynamic Associates Inc. (CIK 878146), filed Nov. 18, 1996, Accession No. 0001016295-96-000070 (identifying Hunter as co-acquirer with Moll and Wallace).

[34] Docket Sheet, *United States v. Hunter*, No. 5:95-cr-00020-DCB (S.D. Miss.) (PACER) (19 counts, 42 U.S.C. §~1320a(f); Plea Agreement Jan. 22, 1996; Judgment Apr. 24, 1996).

[35] 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). Exclusion date: Oct. 29, 1996. Address: P.O. Box 9500, #04178-043, Texarkana, TX 75501 (FCI Texarkana). Not reinstated.

[36] MOD Systems represents a different enterprise pattern: theft of existing technology company with real intellectual property and revenue. Wallace positioned herself as "whistleblower" while Cane and co-conspirators systematically looted the company. No false product claims or pump-and-dump cycle—just direct asset theft and IP appropriation. *See* Forensic Brief 08 (MOD Systems).

Element	MW Medical (1997)	T&W (2003)	Davi Skin (2004)	SDI (2005)
Shell/entity trafficking	Ch. 11 shell	—	MW shell	Reverse split
Offshore nominee structures	LOM/Bermuda	Implied	LOM/Bermuda	Bermuda
False product/value claims	FDA/Mayo	Gold doré	Skin product	Mining claims
Pump-and-dump cycle	$1→$9.50	—	Documented	Documented
Victim recruited then framed	Burwell	Tarapaski	Medley	Strand
Wage/compensation theft	$8,609	—	Documented	—
Self-dealing compensation	$276K/yr	—	Similar	Similar
Company at Wallace residence	Cheney Dr.	—	Cheney Dr.	—
Bankruptcy/judgment evasion	Ch. 11	—	—	—

T&W = Thomas & Wong. = documented; — = not documented or not applicable.

The consistency across four shell-trafficking schemes spanning eight years (1997–2005)—same actors, same roles, same methods, same offshore infrastructure—establishes the pattern of racketeering activity required under 18 U.S.C. §~1962(c).

C. The Medley Depositions: Cane and Wallace Under Oath

The December 2006 depositions in *Medley v. Wallace*, No. CV 06-3370 R (SSx) (C.D. Cal.), provide sworn testimony confirming the enterprise's operational structure. On December 18, 2006, Cane testified by telephone that Cane was licensed to practice law in California (1979), Hawaii (1978), Nevada (1996), and Washington (1996), and had served as President and CEO of Legal Access Technology from approximately 2000 through 2003/04.[37] Cane denied ever representing Wallace or Medley individually—a denial contradicted by the S-8 filing disclosing a personal consulting agreement between Cane and Davi Skin.[114]

Two days later, on December 20, 2006, Wallace testified on videotape at the offices of Alan S. Gutman. Wallace confirmed her maiden name as Jan Mary Jardine, her date of birth as July 2, 1955, her Canadian citizenship, and her Arizona residency since approximately 1997.[117] The deposition exhibits included the Stock Purchase and Note Assignment Agreement, the Promissory Note, the Notice of Partial Cancellation, and multiple Assignments of Promissory Notes—the same documents that trace the MW Medical shell-trafficking chain from bankruptcy through Davi Skin merger.

Wallace's opposition brief in the Medley litigation further documented the Davi Skin scheme. On June 24, 2004, the MW Medical/Davi Skin merger closed at Cane Clark's offices in Las Vegas. Wallace's remaining note balance of approximately $600,000 was partially forgiven: she forgave approximately $300,000, leaving $301,719.90, which was further reduced to a $200,000 note (10% interest, convertible to 1,000,000 shares at $0.20/share). After signing, Medley asked Cane to leave the room, then asked Wallace for a blank assignment of the $200,000 note.[117] In September 2005, Medley paid Wallace $10,000 cash—not a corporate check—at a Carl's Jr. restaurant in Irvine for a third loan extension.[117] When Medley later attempted to convert the assignment through an associate named Kagel, Wallace wrote to auditors: "I have never met or even know of a Mr. Kagel and never gave my note to him on April 6, 2006."[117]

The Medley scheme is significant because it demonstrates the MW Medical template in action at the next-generation entity. The same players (Cane as attorney/architect, Wallace as operator), the same venue (Cane Clark offices), and the same mechanism (promissory note manipulation, blank assignments, nominee transfers) were deployed against the next victim.

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11. FALSE CLAIMS ACT AND FEDERAL FRAUD NEXUS

A. MW Medical: No Direct Medicare Billing

MW Medical marketed a microwave catheter device for hair removal—a medical device, not a healthcare service.[10] Wallace represented to Burwell that the device had FDA approval and that a Mayo Clinic study validated its efficacy; both statements were false.[10] However, SEC filings for MW Medical (CIK 0001059577) disclose no Medicare, Medicaid, or federal healthcare program reimbursement claims. MW Medical's fraud was securities-based (pump-and-dump, false SEC filings) rather than healthcare-billing-based.

B. The Genesis Health Management Connection

The enterprise's direct False Claims Act exposure arises not from MW Medical but from its sibling subsidiary within Dynamic Associates: **Genesis Health Management Corp.**, acquired by Dynamic in August 1996 for $12 million plus 3 million shares.[38] Genesis operated Medicare billing infrastructure—the precise type of entity that generates FCA liability through false claims submitted to federal healthcare programs. The Genesis scheme is analyzed in Forensic Brief 03. MW Medical's significance to the FCA analysis is structural: it demonstrates the enterprise's method of spinning out controlled subsidiaries from Dynamic Associates for separate fraud operations, with Genesis as the healthcare fraud vehicle and MW Medical as the securities fraud vehicle, operating concurrently under the same enterprise leadership.

The confirmed OIG exclusion of Robert B. Spertell, M.D., strengthens this structural argument. MW Medical and Genesis Health Management were sibling subsidiaries under common control of Dynamic Associates and the Cane family bloc. Spertell served as COO/Chief Scientist of MMC (the MW Medical subsidiary) from April 1996 through August 1999—precisely overlapping the period when Genesis was billing Medicare. Under 42 U.S.C. §~1320a-7(a) and the common control doctrine (42 CFR §~413.17), the knowing employment of an OIG-excluded individual by any entity under common control with a Medicare-billing entity taints every claim submitted during that period. The enterprise employed Spertell at $110,000 per year[112] while simultaneously billing

[37] Telephonic Deposition of Kyleen Cane (Dec. 18, 2006), *Kagel v. Wallace / Medley v. Wallace*, Nos. CV 06-3357 R, CV 06-3370 R (C.D. Cal.); deposition taken by Alan S. Gutman. Cane confirmed: licensed to practice law in California (1979), Hawaii (1978), Nevada (1996), Washington (1996); President/CEO of Legal Access Technology from approximately 2000–2003/04; denied ever representing Wallace or Medley individually.

[38] 10-K, Dynamic Associates, Inc. (FY 1998), Accession No. 0001023856-98-000020 (Genesis Health Management Corp. acquisition: $12 million plus 3 million shares, August 1996). *See* Forensic Brief 03 (Genesis Medicare Fraud) for full FCA analysis.

Medicare through Genesis—an arrangement that transforms every Genesis Medicare claim from April 1996 through August 1999 into a per se false claim under *Universal Health Services, Inc. v. United States ex rel. Escobar*, 579 U.S. 176 (2016) (implied certification theory).[119]

C. Securities Fraud as Federal Program Fraud

While MW Medical's fraud was not healthcare-related, several elements implicate federal interests under the False Claims Act's anti-retaliation and conspiracy provisions:

1. **False statements in SEC filings** (10-KSB, 10-QSB, correspondence filings) constitute fraud on a federal agency.
2. **False police reports** used to obstruct Burwell's civil complaints constitute obstruction of justice proceedings.
3. **Bankruptcy fraud**—Wallace's self-dealing secured creditor claims in a federal bankruptcy proceeding (Case 02-01090-PHX-RTB)—constitutes fraud on the bankruptcy court.

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12. APPENDIX A: DOCUMENTARY EVIDENCE

A. Primary Court Filings

Table 8. Key Evidence – MW Medical

Date	Document	IPFS / Source
	Burwell Litigation	
May 25, 2000	*Burwell v. MW Medical, Inc., et al.*, CV2000-007658 (Maricopa) Complaint: wage theft, defamation, false police reports, harassment	IPFS[1]
Nov. 2, 2001	*Burwell v. Wallace*, CV2001-019191 (Maricopa) Complaint: securities fraud, alter ego, negligent misrepresentation	IPFS[8]
2001–2003	*Burwell v. Wallace*, 2:01-cv-02353-SMM (D. Ariz.) Parallel federal action before Judge Stephen M. McNamee	Federal docket
	Bankruptcy Proceedings	
Jan. 22, 2002	*In re MW Medical, Inc.*, 02-01090-PHX-RTB (Bankr. D. Ariz.) Chapter 11 petition, disclosure statement, schedules	Docket
Jan. 22, 2002	Ch. 11 disclosure statement (original)	Bankr. D. Ariz.
Feb. 4, 2002	Amended Ch. 11 disclosure statement	Bankr. D. Ariz.
May 29, 2002	Plan of reorganization (7 classes)	Bankr. D. Ariz.
Nov. 19, 2002	Order confirming reorganization plan	Bankr. D. Ariz.
Feb. 23, 2003	Ch. 11 motion (asset transfer)	Bankr. D. Ariz.
Feb. 23, 2003	*In re Microwave Medical Corp.*, 02-01298-GBN (Bankr. D. Ariz.) Separate bankruptcy for MW subsidiary	Docket
	Related Litigation	
2001–2003	*Wizona Partnership v. MW Medical*, CV2001-022155 (Maricopa) Contract/fraud claims; creditor dispute	Docket
Apr. 21, 2006	*Medley v. Wallace*, BC351142 (L.A. Super. Ct.) Davi Skin fraud, pattern evidence, note manipulation	Complaint
2006	*Kagel v. Wallace / Medley v. Wallace*, CV 06-3357/3370 R (C.D. Cal.) Federal removal, consolidated cases	Docket
	Depositions	
Dec. 18, 2006	Telephonic deposition of Kyleen Cane[116] *Kagel/Medley v. Wallace*, CV 06-3357/3370 R (C.D. Cal.) Deponent represented by self; examined by Alan S. Gutman	Transcript
Dec. 20, 2006	Videotaped deposition of Jan M. Wallace[117] *Medley v. Wallace*, CV 06-3370 R (SSx) (C.D. Cal.) Deponent represented by Claire C. Ambrosio; examined by Gutman Exhibits: Stock Purchase Agreement, Promissory Notes, Assignments	Transcript
	Criminal Records	
Jan. 15, 1993	*United States v. William H. Means* (D. Ariz.) Guilty plea (2-count Bill of Information, 18 USC § 215(a)(2)) Means served as Director of MW Medical	Judgment
Oct. 9, 1991	HHS-OIG exclusion: Robert B. Spertell, M.D.[119] 42 USC § 1320a-7(b)(4) (license revocation) General Medical Practice, UPIN A47027, DOB 04/18/1949	LEIE

B. SEC Filings (CIK 0001059577) – Complete Index

Table 8A. SEC Filings – MW Medical / Davi Skin (CIK 0001059577)

Date	Form	Key Content / Evidentiary Value
Formation Period (1998–2000)		
1998	10-K 0001075793-01-500105	Wallace/Sim/Spertell compensation; Spertell $110K salary; officer table
2000	10-KSB 0001075793-01-500160	Defamatory allegations against Burwell in SEC filing False statements re: theft, misconduct (victim framing)
Amended Financials (1999)		
2001	10-K/A 0001075793-01-500105	Executive compensation table (Wallace $180K, Sim $96K) Dynamic spinout details, pro rata distribution Wallace/Sim 400K/200K stock options
Bankruptcy Period (2001–2003)		
2002	10-KSB (FY 2001) 0001075793-02-000209	Bankruptcy filing details, $615,871 secured debt Wallace sole secured creditor; Wizona settlement shares
Jun. 30, 2002	10-QSB 0001075793-02-000353	"seek business opportunities for a reverse merger" Shell-trafficking admission in bankruptcy filing
2003	10-KSB (FY 2002) 0001075793-03-000317	7-class creditor structure; Wallace $1.14M secured claim Deferred compensation: Wallace $219K, Sim $116K (all deferred) "company did not have the funds to pay"
Mar. 23, 2003	8-K 0001075793-03-000161	$1,272,672.30 total Wallace claims (principal + interest) Asset transfer $326,897 (patents, IP, equipment) to Wallace
Mar. 15, 2003	8-K (exhibit) 0001075793-03-000161	Promissory notes: Wallace $248,325, Sim $94,329 Circular self-dealing (each signs other's note)
Mar. 31, 2003	10-QSB 0001075793-03-000332	Wallace conversion: $375K note into 74M shares at $0.005/share Sole remaining asset: $907 cash Ch. 11 plan confirmed; IRS withdrew objection
Davi Skin Transition (2004)		
Jun. 21, 2004	8-K (various)	MW Medical reverse merger into Davi Skin (9.7M shares issued) Wallace/Sim resign; Medley acquires shell
Jul. 22, 2004	S-8 0001255294-04-000267	Cane consulting agreement (50K shares + 250K options + $10K) EDGARIZER "Licensed to: Cane & Associates, LLP" Carve-out: "shall not include legal services re: merger"
Davi Skin Operations (2005–2008)		
2008	Corresp. 0001137091-08-000714	Lakha notes payable, $23K cash payment, warrant replacement Brinkaus loan modification; offshore creditor administration
Post-Scheme Litigation		
Mar. 24, 2010	SC 13D 0001144204-10-018550	Zenith Capital complaint vs. Davi Skin and Jan Wallace Case A-10-612571-B (Clark Cty. NV); entity status: REVOKED Failed to file SEC reports since Q3 2008

C. Related CIK Filings

Table 8B. Related SEC Filings – Dynamic Associates (CIK 0000878146)

Date	Form / Accession	Key Content / Evidentiary Value
Aug. 1996	10-K	Genesis Health Management Corp. acquisition $12M + 3M shares; Medicare billing infrastructure
Mar. 2, 1998	8-K 0001023856-98-000005	Robert B. Spertell listed as MW Medical officer Spertell appears in 16 filings across both CIKs (1996–1999)
Jun. 26, 2001	SC 13D 0001075793-01-500095	Michael A. Cane 2,871,051 shares (48.7% beneficial ownership) Original issuance to Michael Cane (pre-name change)
Jun. 29, 2001	SC 13G (5 filings) (various)	Family bloc: Herb/Shirley Cane, Mekelburg Trust, Brian/Nancy All 312,500 shares each; same date; Nancy's phone = Cane office
Sept. 2002	SC 13D 0001075793-02-000372	Mekelburg Family Trust, 600K shares (9.88%); executor Stuart Cane DOB 12/03/1956; deceased 07/28/2016

D. Supporting Documentary Evidence

Table 8C. Additional Documentary Evidence

Category	Description / Source
Law Enforcement and Regulatory	
False police report	Scottsdale Police Department report (Apr. 20, 2000) Wallace allegations against Burwell: B&E, file theft (police declined to pursue)
HHS-OIG exclusion	LEIE record: Robert B. Spertell, M.D. (effective Oct. 9, 1991) Exclusion type: 42 USC § 1320a-7(b)(4) (license revocation/suspension) Search performed: https://exclusions.oig.hhs.gov
Corporate Records	
Promissory notes	Wallace note ($248,325); Sim note ($94,329); Mar. 15, 2003 Circular signing: each officer signs the other's note
Stock assignments	Blank assignment of $200K note from Wallace to Medley (Jun. 24, 2004) Wallace later denies knowledge of Kagel assignment (Apr. 6, 2006)
Consulting agreement	Cane & Associates agreement with Davi Skin (Jul. 2, 2004) Compensation: 50K shares + 250K options at $0.50 + $10K cash
Financial Records	
Wire transfers	Wallace wired funds to LOM Securities (Bermuda) and Cayman Islands Offshore nominee administration for Arch, Hepburn, Sunshine, Chloe Group Pattern: conceal assets and profits from illegal schemes (RICO Compl. ¶¶ 35–41)
Compensation records	Wallace: $762K nominal salary (1998–2002); $1.27M total claims (2003) Sim: $373K nominal salary (1998–2002); $94K accrued wages Spertell: $110K (1998); Banko: $144K (1998)
Pattern Evidence (Cross-Scheme)	
Davi Skin shareholder lists	2006–2007 lists documenting offshore LOM Securities accounts Arch Ltd., Hepburn Holdings Ltd., Sunshine Ltd., The Chloe Group 4 x 573,847 shares = 2,295,388 shares (15.9% of Davi Skin)
SDI Industries filings	Robert Saucier: 1.4M shares transferred from Legal Access Technologies Same nominee distribution pattern across MW/Davi/SDI/Galaxy Gaming

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13. POSSIBLE CRIMINAL VIOLATIONS

A. Wire Fraud (18 U.S.C. §~1343)

Wallace transmitted material misrepresentations via interstate communications (telephone, email) regarding FDA approval, Mayo Clinic studies, product efficacy, stock option value, and sales projections to induce Burwell's employment and to inflate MW Medical's stock price. Each interstate communication constitutes a separate count. Minimum counts: 5. Maximum statutory penalty: 20 years per count.

B. Mail Fraud (18 U.S.C. §~1341)

The mailing of employment documents, stock option agreements, the Form 10-KSB containing false allegations against Burwell, and investor materials through the U.S. Postal Service furthered the scheme to defraud. Minimum counts: 3. Maximum statutory penalty: 20 years per count.

C. Securities Fraud (15 U.S.C. §~78j(b); 17 C.F.R. §~240.10b-5)

False statements in SEC filings regarding FDA approval, clinical studies, and product efficacy constitute violations of Section 10(b) and Rule 10b-5. The artificial inflation of stock price from $1.00 to $9.50 through false representations, followed by insider sales at inflated prices, constitutes a pump-and-dump scheme. Failure to disclose beneficial ownership through nominee entities violates Section 13(d) reporting requirements.

D. False Statements (18 U.S.C. §~1001)

False allegations against Burwell published in SEC Form 10-KSB—a filing within SEC jurisdiction—constitute false statements to a federal agency. The false police report to Scottsdale Police Department, while a state filing, demonstrates the pattern of false official statements.

E. Conspiracy (18 U.S.C. §~371)

The coordinated conduct of Wallace, Cane, the Lakhas, and Saucier in forming MW Medical, establishing offshore accounts, issuing shares to nominees, and conducting the pump-and-dump scheme constitutes conspiracy to commit wire fraud, mail fraud, and securities fraud.

F. Money Laundering (18 U.S.C. §§~1956, 1957)

Wallace "routinely wired funds to LOM Securities in Bermuda, and also to the Cayman Islands" for administration of offshore entities holding MW Medical stock.[39] She also wired funds "from various U.S. banks to offshore bank accounts to conceal assets and profits from her illegal schemes."[40] Each such wire transfer constitutes a separate money laundering count.

[39] Amended RICO Complaint ¶¶~35–38 (Wallace wired funds to LOM Securities in Bermuda and to Cayman Islands accounts for administration of offshore nominee entities); *see also* Davi Skin shareholder lists (2006–2007) documenting Arch Ltd., Hepburn Holdings Ltd., Sunshine Ltd., and The Chloe Group as LOM Securities-administered accounts.

[40] *Id.* at ¶¶~39–41 (wire transfers from U.S. banks to offshore bank accounts to conceal assets and profits from illegal schemes).

G. RICO (18 U.S.C. §§~1961–1968)

The MW Medical scheme, combined with the concurrent and subsequent schemes operated through the same enterprise (Dynamic Associates, Davi Skin, SDI, Thomas & Wong, MOD Systems, CodeSmart/Cubed), establishes the pattern of racketeering activity required under RICO. The predicate acts include wire fraud, mail fraud, securities fraud, and money laundering, committed by the same enterprise members over a period exceeding twenty years.

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14. CONCLUSION

MW Medical was the Cane-Wallace enterprise's first independent shell company operation after the Dynamic Associates spin-off. It established the operational template that would be repeated with increasing scale across every subsequent scheme: Wallace as the visible operator extracting compensation and controlling the public entity; Cane as the concealed architect directing operations through nominees, offshore entities, and attorney-client privilege; victims identified, exploited, and then preemptively framed when they discovered the fraud.

The Burwell scheme demonstrates that the enterprise's victim framing methodology was systematic, not reactive. The speed of Wallace's pivot from exploitation to attack—false police report within fifty days, SEC filing defamation within ninety days, coordinated investor relations campaign simultaneously—establishes premeditation. The identical deployment of these tactics against four subsequent victims over the next twelve years establishes pattern.

MW Medical's Chapter 11 bankruptcy and subsequent transformation into Davi Skin completed the shell-trafficking cycle: form a shell, inflate through fraud, extract value, bankrupt to clear liabilities, rename, and repeat. The same publicly-traded Nevada corporation (CIK 0001059577) that was MW Medical became Davi Skin—the vehicle for the pump-and-dump scheme documented in Forensic Brief 07.

FOOTNOTES