Forensic Brief 05: Thomas & Wong Escrow Fraud (2003–2009)

Attorney Trust Account Manipulation and Offshore Asset Concealment

February 13, 2026

Thomas & Wong Gold Dore Bridge Loan Escrow Fraud (2003–2009)

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Kyleen E. Cane (f/k/a Michael A. Cane) and Jan Wallace

February 13, 2026

I. EXECUTIVE SUMMARY

Between February 2003 and January 2011, Jan Mary Wallace and Kyleen E. Cane orchestrated an escrow fraud scheme that extracted $1.5 million from Thomas & Wong General Contractor, Inc. ("Thomas & Wong"), a Brunei-based construction company, through a fraudulent "bridge loan" to BDV Investments, Inc., a shell company controlled by John Beardmore.[1 2] Cane operated throughout as "Michael Cane" through Cane O'Neill & Taylor, LLC—twenty months after legally changing her name from Michael A. Cane to Kyleen E. Cane on June 28, 2001.[5] The continued use of the pre-change identity to hold the escrow account and execute wire transfers is consistent with the 1,120-day SEC filing concealment documented in Forensic Brief 15 and represents an additional dimension of the enterprise's identity fraud pattern.[6]

Wallace positioned herself as Thomas & Wong's trusted agent and financial advisor while secretly serving as a director of BDV and maintaining undisclosed financial interests in the transaction exceeding $250,000.[4] She induced Thomas & Wong's representative, Ed Tarapaski, to wire $799,960 from HSBC Brunei into an escrow account controlled by Cane O'Neill, then systematically authorized unauthorized wire transfers—including a $275,000 diversion to Beardmore's girlfriend's Minneapolis condominium two days before the promissory note was signed.[2] The promised collateral—"gold dore" purportedly stored in a secure New Mexico warehouse—proved to be worthless gold concentrate that an independent assay valued at zero.[2 4]

Cane, operating as "Michael Cane" through Cane O'Neill & Taylor, served as Wallace's "usual lawyer" and established the escrow account that became the extraction mechanism.[4] Despite clear conditions requiring Thomas & Wong's authorization for all disbursements, Cane O'Neill personnel executed multiple unauthorized wire transfers based solely on Wallace's instructions. The Susan Johnson email of March 6, 2003—"I took one for the team. Jan was a little upset"—demonstrates internal awareness within the firm that the transfers were procedurally irregular.[2]

Following BDV's default on May 6, 2003, Wallace fabricated an elaborate story about a "gold melt" occurring in Salt Lake City, with proceeds transferred "offshore" and then to a Florida bank.[4] Every element was false—the fabrication served to delay Tarapaski from filing suit or seizing collateral.[2] Thomas & Wong recovered only $453,000 from the forced sale of Beardmore's residence and equipment, leaving a net principal loss of $1,047,000.[1]

On April 11, 2008, a Maricopa County Superior Court jury found Wallace 84% at fault and awarded Thomas & Wong damages of $1,554,934.[2] The final judgment entered on January 10, 2011, totaled $1,306,144 plus costs and interest at 10% per annum from February 8, 2008, which Wallace has never paid.[1] In 2015, the Ninth Circuit Bankruptcy Appellate Panel ruled this judgment nondischargeable under 11 U.S.C. §~523(a)(2)(A), finding Wallace committed "actual fraud" through "deception and material false representations made with intent to deceive."[3]

This scheme is significant as the earliest fully documented instance of the Cane-Wallace enterprise's operational template: Wallace cultivates victim trust while Cane provides the legal infrastructure and escrow mechanisms necessary to execute the fraud.[4] The pattern of unauthorized escrow transfers, fabricated collateral, undisclosed conflicts of interest, and systematic concealment was replicated in every subsequent joint Cane-Wallace enterprise scheme—Davi Skin, Inc. (2004–2008), Secured Diversified Investment, Ltd. (2005–2009), and MOD Systems, Inc. (2007–2011).[1]

Total Financial Harm: $1,306,144 (judgment) plus $2.3M+ accrued interest at 10% per annum since February 8, 2008.

II. TIMEFRAME

Primary Active Period: February 2003 – August 2003 (fraud execution). **Extended Period:** February 2003 – January 2011 (concealment and litigation). **Ongoing Impact:** January 2011 – present (unpaid judgment, continuing pattern).

Key Dates

Date	Event
Feb. 17, 2003	Tarapaski arrives in Arizona; meets Wallace at Le Vanishe salon[2]
Mar. 3, 2003	Cane O'Neill trust account opened by Wallace[4]

Date	Event
Mar. 5–7, 2003	Thomas & Wong wires $799,960 to Cane O'Neill escrow[2]
Mar. 6, 2003	Wallace authorizes unauthorized $275,000 transfer—*before* promissory note signed[2]
Mar. 8, 2003	$1.5 million promissory note signed[2]
Mar. 21, 2003	Wallace authorizes unauthorized $20,000 transfer to L. Trust LLC[2]
May 6, 2003	BDV defaults on loan repayment[2]
Aug. 28, 2003	Wallace authorizes $4,960 transfer to Cane O'Neill for fees[2]
June 1, 2005	Thomas & Wong files civil suit against Wallace[10]
Apr. 11, 2008	Jury verdict: Wallace 84% at fault, $1,554,934 damages[2]
Jan. 10, 2011	Final judgment: $1,306,144 plus costs and 10% annual interest[1]
Oct. 2, 2013	Wallace files Chapter 7 bankruptcy[3]
Feb. 2015	Bankruptcy court rules judgment nondischargeable due to actual fraud[3]

III. PARTICIPANTS

Scheme Participants

Name	Role	Description
Conspirators		
Jan Mary Wallace	Primary orchestrator	Canadian citizen; self-described "venture capitalist"; agent/advisor to Thomas & Wong while secretly serving BDV; authorized all unauthorized transfers[4]
Kyleen E. Cane	Legal facilitator	Operating as "Michael Cane" via Cane O'Neill & Taylor, LLC; escrow agent; Wallace's "usual lawyer" since 1998[4]
John Beardmore	Primary beneficiary	BDV Investments principal; received $1.5M loan proceeds; owed $500K+ to Lake Bank and ~$2M judgment[2]
Sokim Lach	Fund recipient	Beardmore's girlfriend; received $295K via L. Trust LLC (condo + transfer)[2]
William Cortegiano	Co-guarantor	BDV director/VP; personally guaranteed $1.5M note; present at false inducement meeting[2]
Victims		
Thomas & Wong Gen. Contractor	Corporate victim	Brunei construction company; $1.5M loan, $453K recovered, $1,047K net loss; $1,306,144 judgment unpaid[1]
Ed Tarapaski	Individual victim	Thomas & Wong equipment financing officer; trust cultivated during eye surgery recovery; 6 years litigation[2]
Charlene Wong	Individual victim	Thomas & Wong principal; received Wallace's "imperative" fax inducing $300K wire[2]
Unwitting Participant		
Gary R. Blume	Wallace's attorney	Drafted promissory note; contradicted Wallace at trial; denied knowledge of Cane O'Neill trust account[2]

Thomas & Wong General Contractor, Inc., a Brunei-based construction contracting company, lost $1,047,000 in principal after partial recoveries of $453,000 from the sale of Beardmore's residence and equipment.[1] A Maricopa County jury awarded $1,554,934 in damages on April 11, 2008, reduced to a final judgment of $1,306,144 plus costs and 10% annual interest from February 8, 2008.[1] The judgment remains 100% unpaid.[3]

Ed Tarapaski, the Thomas & Wong employee responsible for equipment financing, was the primary individual victim.[2] Wallace cultivated a personal relationship by inviting Tarapaski to stay at her guesthouse during his reconstructive eye surgery recovery, then exploited that trust to induce the fraudulent bridge loan.[2] Tarapaski endured emotional manipulation—including Wallace's fabricated stories about her dying father—professional jeopardy with his employer, and six years of testimony and litigation.[2] He provided a statement to Homeland Security in February 2005 and testified extensively at trial.[2]

IV. PRINCIPAL ACTORS

Jan Mary Wallace (Canadian citizen, residing in Scottsdale, Arizona in 2003) was the primary orchestrator.[4] A self-described "venture capitalist" with experience in 17 deals and CEO of multiple public companies (MW Medical, Davi Skin, SDI), Wallace operated in what she called the "paper world" of public shell companies and reverse mergers.[4] She positioned herself as Thomas & Wong's trusted agent while secretly serving BDV's interests, established and controlled the Cane O'Neill escrow account, falsely claimed to have viewed the gold collateral, concealed her $250,000 MW Asia contract with Beardmore and her 1% commission arrangement, and received a $50,000 kickback from loan proceeds via Lake Bank.[4] The depth of the deception is captured in Tarapaski's trial testimony:

> **Q:** Did you consider that she was representing Thomas and Wong's interests in this transaction?
>
> **A:** Yes. I mean, this is something I don't do.
>
> **Q:** What did she propose to you?
>
> **A:** She told me that she wanted to be on the board of directors of BDV, and that she said that if she was on the board of directors of BDV, that she could keep track of what was going on. If it looked like something was not going right, that she'd let me know and make sure everything stayed on track.
>
> **Q:** Did you consider that a good idea?
>
> **A:** Oh, yes, yes, a very good idea.
>
> — Tarapaski Trial Testimony, Feb. 4, 2008, at 18:13–24[11]

Under oath, Wallace minimized her role to "All I do was introduce two guys,"[4] a statement contradicted by every element of the documentary record. She authorized the $275,000 transfer on March 6—two days before the promissory note was signed—fabricated the post-default "gold melt" narrative, and provided shifting explanations for the $20,000 L. Trust transfer (first "no idea," then "banking fees").[2]

Kyleen E. Cane (then Michael Cane), a Nevada-licensed attorney operating through Cane O'Neill & Taylor, LLC, served as Wallace's "usual lawyer" and legal facilitator.[4] Wallace testified to a continuous attorney-client relationship with Cane from 1998 forward, specializing in SEC compliance and public company transactions.[4] Cane provided the escrow infrastructure Wallace controlled, and Cane O'Neill personnel executed multiple unauthorized wire transfers totaling $795,000 based solely on Wallace's instructions without obtaining Tarapaski's authorization.[2] The Susan Johnson email of March 6, 2003—"I took one for the team. Jan was a little upset"—demonstrates internal awareness of the procedural irregularity.[2] Cane O'Neill sought retroactive authorization from Tarapaski on March 12 to cover the March 6–7 unauthorized $275,000 transfer, and later attempted to extract $4,960 in fees from the disputed escrow funds.[2] These acts violated Nevada Rules of Professional Conduct 1.7 (conflict of interest), 1.15 (safekeeping property), 1.2(d) (facilitating fraud), and 8.4(c) (dishonesty).

John Beardmore, principal of BDV Investments, Inc. (Minnesota), was the co-conspirator and primary financial beneficiary.[2] In 2003 Beardmore owed over $500,000 to Lake Bank and carried an unpaid judgment of approximately $2 million—facts Wallace concealed from Tarapaski.[4] Beardmore received the $1.5 million bridge loan, provided worthless gold concentrate as collateral, and coordinated with Wallace to conceal his indebtedness. His girlfriend **Sokim Lach**, operating through **L. Trust LLC**, received $295,000 in diverted funds: a $275,000 Minneapolis condominium purchase and a $20,000 unauthorized transfer.[2] **William Cortegiano**, BDV's director and vice president, personally guaranteed the $1.5 million note while participating in meetings where false representations were made to Tarapaski.[2] **Gary R. Blume**, Wallace's Arizona attorney, drafted the promissory note but contradicted Wallace's testimony at trial regarding fund release advice and denied knowledge of the Cane O'Neill trust account—likely an unwitting participant deceived by Wallace.[2]

V. MODUS OPERANDI

A. Relationship Cultivation and Trust Building (February 2003)

Targeting and Approach

The scheme began with Wallace's identification of Ed Tarapaski as a vulnerable target. Tarapaski arrived in Scottsdale, Arizona on February 17, 2003, for reconstructive eye surgery.[2] He met Wallace at her laser hair removal salon (Le Vanishe) and stayed in her guesthouse when his hotel accommodations proved unsatisfactory.[2]

Wallace's Trust-Building Techniques:

1. **Hospitality and Personal Care:** Provided free lodging during Tarapaski's medical recovery[2]
2. **Apparent Wealth Display:** Residence and lifestyle suggested financial success and trustworthiness[2]
3. **Expertise Projection:** Represented herself as seasoned venture capitalist with extensive public company experience[4]
4. **Professional Network Display:** Introduced Tarapaski to her "usual lawyer" (Cane) and business attorney (Blume)[4]

Verbatim Trial Testimony:

> **Q:** Did she describe that more specifically?
>
> **A:** Yes. She said that she had a lot of experience at it. She said just that she would do the paperwork and I would look after lending the money.
>
> **Q:** Did you rely on her expertise?
>
> **A:** Yes, yes, absolutely.
>
> **Q:** Did she make similar statements to you at other times, sir, with regard to the fact that she would tend to the paperwork and the details if you would get the money assembled?
>
> **A:** Yes. That happened about at least three times that I can remember.
>
> — Tarapaski Trial Testimony, Feb. 4, 2008, at 18:3–12[11]

This testimony demonstrates Wallace's deliberate cultivation of Tarapaski's reliance on her expertise in "paper world" transactions—the very expertise she would weaponize to execute the fraud.

The "Overheard Opportunity"

While recovering at Wallace's guesthouse, Tarapaski overheard Wallace in a distressed phone conversation with John Beardmore regarding financing issues for BDV Investments' debts to Lake Bank.[2] This "overheard" conversation appears to have been a deliberate setup to introduce the investment opportunity in a manner that made Tarapaski feel he was discovering a deal rather than being sold one.[2]

Psychological Manipulation: By positioning the opportunity as something Tarapaski discovered rather than something Wallace was pitching, Wallace created the illusion of Tarapaski's agency and control, reducing his natural skepticism.[2]

B. Due Diligence Theater (Late February 2003)

The Manufactured Due Diligence Checklist

Wallace and Tarapaski created a "due diligence checklist" together, with Wallace contributing most items.[2] This checklist created the false appearance of thorough vetting while Wallace controlled which items were included and how they would be "verified."[2]

Checklist Item (Included)	Critical Omission	Status
Verify gold collateral existence	Wallace's financial interest in BDV	Never verified
Obtain safekeeping receipt	Beardmore's existing judgments/debts	Never obtained
Insurance policy for Thomas & Wong	Independent assay of gold	Never procured
Collateral assignment from Lake Bank	Independent counsel for Thomas & Wong	Not legally binding
Verify Beardmore's creditworthiness	Background check on Wallace	Never performed

Wallace controlled the entire verification process: she agreed to view the gold personally (since Tarapaski would be in Korea), selected her own attorney (Blume) for legal advice, selected Cane O'Neill as escrow agent, and controlled all communication with Lake Bank and BDV.[24] None of the checklist items were ever satisfied—Wallace never viewed the gold, the safekeeping receipt was never obtained, and the insurance policy was never procured—yet Wallace repeatedly assured Tarapaski these conditions had been met.[42]

C. Undisclosed Conflicts of Interest (Pre-March 2003)

Wallace concealed multiple material financial interests that created powerful incentives to consummate the Thomas & Wong loan regardless of its merit.[4]

Wallace's Undisclosed Financial Interests

Conflict	Amount	Significance
MW Asia shell sale to Beardmore (Dec. 6, 2002 contract)[4]	$250,000	$50,000 deposit overdue; Wallace needed Beardmore to obtain financing to close. Wallace admitted: "I had a contract to sell MW Asia to John Beardmore for $250,000."[4]
Wallace Black LLC commission[4]	$15,000	1% of $1.5M loan, payable through entity whose registered agent was Cane
BDV stock compensation[4]	Unknown	Contingent on BDV going public, which required resolving Lake Bank debt via Thomas & Wong loan
BDV board seat (Mar. 6, 2003)[2]	—	Elected director *same day* as first unauthorized transfer; fiduciary duties to BDV directly conflicted with duties to Thomas & Wong

Wallace also concealed Beardmore's existing $500,000+ debt to Lake Bank and an unpaid court judgment of approximately $2 million—information material to any reasonable lender's decision.[42]

D. Escrow Structure and Control (March 3–5, 2003)

On March 3, 2003, Wallace established a Cane O'Neill trust account nominally for Thomas & Wong's benefit, but positioned herself as sole signatory and point of contact.[42] Tarapaski had no direct contact with Cane O'Neill—he testified: "I arranged that [Cane O'Neill be the escrow agent] and [Tarapaski] had no contact with Cane O'Neill Taylor at the time that trust account or escrow account was set up."[2] Cane's pre-existing attorney-client relationship with Wallace (dating to 1998) created a control structure where Cane O'Neill treated Wallace—not the nominal beneficiary—as the client.[4]

On March 5, Thomas & Wong wired $549,980 from Brunei to the Cane O'Neill trust account for escrow pending due diligence.[2] Within 24 hours, Wallace would begin diverting these funds without Tarapaski's knowledge.

E. The Unauthorized Transfers (March 6–7, 2003)

On March 6—one day after the first wire arrived and two days **before** the promissory note was signed—Wallace authorized Cane O'Neill to wire $275,000 to a Minneapolis bank account for a condominium benefiting L. Trust LLC (Beardmore's girlfriend Sokim Lach).[2] That same morning, she was elected to the BDV board of directors.[2] The Susan Johnson (Cane O'Neill employee) internal email—"I took one for the team. Jan was a little upset"—demonstrates Cane O'Neill's awareness that the transfer was procedurally irregular, yet the firm executed it anyway on March 7.[2] A separate $275,000 promissory note signed by Beardmore and Lach that same day—which Blume denied drafting—appears to have been created as post-hoc justification.[2]

Tarapaski learned of the transfer only months later. At trial, shown the authorization documents, he testified:

> **Q:** Sir, if you had known that Jan Wallace had released these funds to the Minnesota bank account, 275,000 dollars, on March 6, 2003, without your authorization, what would you have done with regard to the deal with BDV Investments?
>
> **A:** Oh, no, that would be the end of it. I mean, that was – that's absolutely dishonest and I'm really upset about even seeing it now.
>
> — Tarapaski Trial Testimony, Feb. 4, 2008, at 35:12–21[11]

On March 7, Thomas & Wong wired a second tranche of $249,980 to Cane O'Neill, bringing escrow inflows to $799,960—of which $275,000 had already been improperly diverted.[2]

F. False Inducement to Release Remaining Funds (March 8–13, 2003)

On March 8, 2003, the $1.5 million promissory note was signed at Blume's office with Tarapaski, Wallace, Beardmore, and Cortegiano present.[2] During the meeting, Beardmore asked about releasing condominium funds; Wallace turned to Blume, who said: "I don't see why not once the promissory note is signed."[2] Wallace did not disclose that she had **already authorized the $275,000 transfer two days earlier**—Tarapaski believed they were discussing a future disbursement, not a fait accompli.[2]

Tarapaski had not yet authorized release of remaining funds because no safekeeping receipt, insurance policy, gold verification, or finalized Lake Bank collateral assignment had been obtained.[42] On March 12, Wallace orchestrated a pressure campaign: she arranged a conference call with Lake Bank President Tom Kell (who emphasized audit urgency), took Tarapaski to consult Blume, then overcame his remaining objections that evening with fabricated assurances about the gold collateral:[2]

> **Q:** What did she say to you in response?
>
> **A:** She got irritated and she says, do you know what a safekeeping receipt is? And I said, well, no. And then she said, well, without that safekeeping receipt, there is no way in the world that you can move those funds because it has to be submitted to the warehouse, the vault has to be unlocked, and the gold is brought into a viewing room, and it has to be moved by an armored car.
>
> [...]
>
> Then she went on further to say, okay, if something does happen, you still have the insurance and also DeConcini is on the hook. You know they're not going to go down. Everything is fine.
>
> — Tarapaski Trial Testimony, Feb. 4, 2008, at 43:5–19[11]

The "safekeeping receipt" security mechanism was entirely fabricated—no such receipt ever existed, and no insurance policy was ever obtained.[2] Under this pressure, Tarapaski signed a March 12 authorization letter—unaware that $275,000 had already been diverted, the gold had not been viewed, and Wallace had $250,000+ in undisclosed financial interests.[42]

Wallace then authorized a $500,000 transfer from the Cane O'Neill trust account to Lake Bank on March 13 to pay down Beardmore's regulatory debt.[2] In April 2003, after Wallace falsely advised that due diligence conditions were satisfied, Thomas & Wong wired the remaining $700,000 directly to Lake Bank, bypassing escrow entirely.[24]

G. The $20,000 Diversion to L. Trust (March 21, 2003)

On March 21, Wallace instructed Cane O'Neill to wire $20,000 from Thomas & Wong's escrow funds to L. Trust LLC (Sokim Lach), again without Tarapaski's knowledge or authorization.[24] In deposition, Wallace's explanation was: "Q: Why did you authorize $20,000 to L. Trust? A: I have no idea."[4] She later changed her story to "banking fees" or "title fees" related to the condominium. The beneficiary (Beardmore's girlfriend) and the total absence of any legitimate explanation demonstrate fraudulent intent.[2]

H. The Collateral Fraud (March–July 2003)

The primary collateral for the $1.5 million loan was represented as "gold doré" stored in a "secure warehouse in New Mexico." Every representation proved false:

Representation Made	Reality
Gold doré exists to secure loan[2]	Warehouse contained only worthless gold concentrate (BSI inspector result: "zero")[2]
Stored in secure Lordsburg, NM facility[2]	"Just a warehouse in the middle of nowhere, with no security at all"[11]
Wallace would view and verify gold[2]	Wallace admitted at trial: "Q: Did you view the gold? A: No."[4]
Safekeeping receipt to be obtained[2]	Never obtained; Wallace fabricated security procedure[2]
Gold could be melted to repay loan[2]	"Gold melt" story entirely fabricated (see Section I)[2]

Lake Bank's secondary collateral assignments—Beardmore's residence, Mercedes, ski boat, and bank stock—yielded only $453,000 in total recovery ($433,000 from the residence, $20,000 from equipment), leaving a net loss of $1,047,000.[1]

I. Default and the "Gold Melt" Fabrication (May–July 2003)

BDV defaulted on May 6, 2003, and Tarapaski authorized Wallace and Blume to pursue collection.[2] Wallace responded with an elaborate fabrication: a "gold melt" was occurring in Salt Lake City, which had yielded $12 million, transferred "offshore," then to a Florida bank escrow, and finally "pulled back" when the transaction fell through.[2] Every element was false—the purpose was to delay Tarapaski from filing suit or seizing collateral. At the end of June, Tarapaski flew to Phoenix and confronted Wallace:

> **Q:** Now, when did you find out that there had not been a melt of any gold?
>
> **A:** Well, first she told me that there was – the next time I called, she said there was a problem and that the money was pulled back. And I said, well, to where? And she said, well, wherever it came from. I was really alarmed and I got on a plane and I flew to Phoenix.
>
> [...]
>
> You know, when she told me that the gold hadn't been melted, I couldn't believe it. I said, how could I be mistaken about that. You know, that's ridiculous to tell me that.
>
> — Tarapaski Trial Testimony, Feb. 4, 2008, at 56:7–16, 57:19–22[11]

J. The Lordsburg Warehouse Access (July 2003)

On July 9, Wallace hired a New Mexico attorney who secured a court order to access the Lordsburg warehouse.[2] Wallace and Blume found no gold doré bars—only rectangular containers of "gold concentrate." Tarapaski later accessed the warehouse himself and had the material independently tested:

> **Q:** Did you have those tested? **A:** Yes. [...] It was done by BSI inspector on site. **Q:** What were the results? **A:** A zero, they weren't worth anything.
>
> [...]
>
> **Q:** Was this a high security warehouse with heavily restricted access, as has been described to you? **A:** No. **Q:** Describe it to the jury? **A:** It was just a warehouse in the middle of nowhere, with no security at all.
>
> — Tarapaski Trial Testimony, Feb. 4, 2008, at 59:15–60:4[11]

The "gold doré" that was the primary basis for a $1.5 million loan never existed in any commercially valuable form. The elaborate stories about clearances, viewing procedures, and safekeeping receipts were fabrications.[1]

K. Final Fee Extraction and Post-Fraud Concealment (August 2003–2005)

On August 28, 2003, Wallace authorized Cane O'Neill to take the remaining $4,960 in the trust account as "escrow services" fees—without Tarapaski's knowledge or authorization, and while Tarapaski believed the account had been closed in March.[2] Every dollar of the $799,960 deposited was extracted, leaving Thomas & Wong with nothing.[2]

In 2004, Wallace introduced Tarapaski to Richard Kirby, who claimed he could purchase Thomas & Wong's default judgments for $4.5 million after paying upfront fees.[2] Wallace pressured Tarapaski to pay, threatening to evict him from her guesthouse; Tarapaski paid $1,500 and the deal collapsed—an additional extraction scheme creating false hope of recovery.[2] From August 2003 through the June 2005 lawsuit, Wallace denied wrongdoing, claimed she was merely an "introducer," maintained she had no financial interest, and blamed Beardmore, Blume, and Lake Bank for the failure—contradicting the entire documentary record.[42]

VI. DOCUMENTARY EVIDENCE

The trial record contains extensive documentary corroboration of the fraud scheme. The following summarizes the most significant exhibits and testimony.

A. Wallace's False Claim About Gold Viewing

Before Tarapaski departed for Korea on March 17, 2003, Wallace agreed to view the gold collateral on Thomas & Wong's behalf:

> **Q:** Did you discuss with Jan Wallace whether she would take care of viewing the gold on behalf of Thomas and Wong?
>
> **A:** Yes. She was scheduled to go, all of us were.
>
> [...]
>
> **Q:** As you left the country, sir, did Jan Wallace agree that she would take responsibility, on behalf of Thomas and Wong, for examining and confirming the existence of the gold collateral?
>
> **A:** Yes.
>
> — Tarapaski Trial Testimony, Feb. 4, 2008, at 39:9–16, 39:22–40:2[11]

After authorizing fund releases, Wallace told Tarapaski the gold had been viewed:

> **Q:** What did she tell you?
>
> **A:** She said that the gold had been viewed.
>
> — Tarapaski Trial Testimony, Feb. 4, 2008, at 49:15–19[11]

At trial, Wallace was pressed on whether she personally viewed the gold collateral:

> **Q:** Did Ed Tarapaski ever ask you to view the gold?
>
> **A:** Ed Tarapaski asked everybody to go and view the gold.
>
> **Q:** Did he ask you to view the gold?
>
> **A:** I don't remember if he specifically asked me, but he certainly asked everyone that I could think of.
>
> — Wallace Trial Testimony, Feb. 5, 2008[12]

Wallace evaded the direct question, never confirming that she personally inspected the collateral. Despite telling Tarapaski she would "take responsibility" for verifying the gold, her own trial testimony established she never did so—inducing Tarapaski to release funds based on a security verification that never occurred.[1]

B. Key Trial Exhibits

Selected Trial Exhibits

Ex.	Date	Description
14	Mar. 5, 2003	Wire confirmation: $549,980 Thomas & Wong → Cane O'Neill
15, 17	Mar. 6, 2003	BDV board minutes: Wallace elected director; two promissory notes approved
18	Mar. 6, 2003	"Mystery promissory note": $275,000 BDV to Sokim Lach/L. Trust LLC (drafter unknown; Blume denied drafting)
19	Mar. 6, 2003	Wallace written auth. to Cane O'Neill for $275,000 transfer + Susan Johnson email: "I took one for the team"
21	Mar. 8, 2003	$1.5M promissory note (BDV to Thomas & Wong; 60-day term; Beardmore/Cortegiano guarantors)
22	Mar. 7, 2003	Wire confirmation: $249,980 Thomas & Wong → Cane O'Neill
24–25	Mar. 7, 2003	Wire confirmation: $275,000 Cane O'Neill → Basford Lockhart (Minneapolis condo)
27	Mar. 12, 2003	Lake Bank fax: purported collateral assignment (no safekeeping receipt attached)
29	Mar. 12, 2003	Wallace auth. to Cane O'Neill for $500,000 transfer to Lake Bank
34–35	Mar. 21, 2003	Wallace auth. for $20,000 transfer to L. Trust LLC
39	Mar. 31, 2003	Wallace fax to Charlene Wong: "imperative" that $300,000 be wired to Lake Bank
45	May 13, 2003	Tarapaski email authorizing Wallace/Blume for collection (post-default)
51	Aug. 28, 2003	Wallace auth. for $4,960 fee payment to Cane O'Neill
69	Feb. 5, 2005	Tarapaski statement to Homeland Security (prior consistent statement)

Four documents that were condition precedents to fund release were never created: the safekeeping receipt for gold, the insurance policy for Thomas & Wong, an independent assay of the gold collateral, and a perfected security agreement for the gold.[2]

VII. FINANCIAL ANALYSIS

The following consolidated table traces every monetary transaction in the Thomas & Wong scheme from source to ultimate beneficiary. Detailed breakdowns by category follow.

Consolidated Key Transactions

Date	Amount	From	To	Authorization
Inflows (HSBC Brunei → Cane O'Neill Escrow)				
Mar. 5, 2003	$549,980	Thomas & Wong (Brunei)	Cane O'Neill trust acct.	Tarapaski[2]
Mar. 7, 2003	$249,980	Thomas & Wong (Brunei)	Cane O'Neill trust acct.	Tarapaski[2]
Unauthorized Outflows (Cane O'Neill Escrow → Third Parties)				
Mar. 6–7, 2003	$275,000	Cane O'Neill	Basford Lockhart (MN condo)	Wallace only[2]
Mar. 13, 2003	$500,000	Cane O'Neill	Lake Bank (Minneapolis)	Wallace only[2]
Mar. 21, 2003	$20,000	Cane O'Neill	L. Trust LLC (Sokim Lach)	Wallace only[2]
Aug. 28, 2003	$4,960	Cane O'Neill	Cane O'Neill (fees)	Wallace only[2]
Direct Transfer (Bypassing Escrow)				
Apr. 2003	$700,000	Thomas & Wong (Brunei)	Lake Bank (Minneapolis)	Induced by fraud[4]
Wallace Kickback				
Summer 2003	$50,000	Lake Bank	Wallace (personal)	Concealed[4]
	$2,349,920	**Total transaction volume**		
	$1,500,000	**Total extracted from Thomas & Wong**		
	($453,000)	Partial recovery (Beardmore assets)		
	$1,047,000	**Net principal loss**		

A. Money Flow Detail

Inflows to Cane O'Neill Escrow

Table 1: Inflows to Cane O'Neill Escrow Account

Date	Amount	Source	Destination
March 5, 2003	$549,980	Thomas & Wong (Brunei)	Cane O'Neill trust account
March 7, 2003	$249,980	Thomas & Wong (Brunei)	Cane O'Neill trust account
Total Escrow	**$799,960**		

Outflows from Cane O'Neill Escrow (Unauthorized)

Table 2: Unauthorized Outflows from Cane O'Neill Escrow

Date	Amount	Destination	Auth?	Beneficiary
Mar. 6–7, 2003	$275,000	Basford Lockhart (Minneapolis)	**NO**	L. Trust LLC / Sokim Lach
Mar. 13, 2003	$500,000	Lake Bank (Minneapolis)	**NO**	Beardmore / BDV
Mar. 24, 2003	$20,000	L. Trust LLC	**NO**	Sokim Lach
Aug. 28, 2003	$4,960	Cane O'Neill (fees)	**NO**	Kyleen Cane
Total Disbursed	**$799,960**			

Direct Transfers (Bypassing Escrow)

Table 3: Direct Transfers Bypassing Escrow

Date	Amount	Source	Destination	Auth?
April 2003	$700,000	Thomas & Wong	Lake Bank	Induced by fraud

Total Loan Amount: $1,500,000

Breakdown:

- $799,960 through Cane O'Neill escrow (all unauthorized or fraud-induced)
- $700,000 direct to Lake Bank (fraud-induced)

Wallace's Direct Financial Benefits

Table 4: Wallace's Direct Financial Benefits from Scheme

Benefit	Amount	Source	Timing
Lake Bank payment	$50,000	Loan proceeds via Lake Bank	Summer 2003
Wallace Black LLC commission	~$15,000	1% of $1.5M loan	Anticipated
Overdue MW Asia deposit	$50,000	BDV financing enabled	Expected
BDV stock compensation	Unknown	Future value if IPO	Contingent
Beardmore furniture sale	$4,500	Kept over objection	2003
Total Direct Benefit	**~$119,500**		

Cane O'Neill's Financial Benefit

Table 5: Cane O'Neill Financial Benefit from Scheme

Benefit	Amount	Authorization
"Escrow services" fee	$4,960	Self-authorized by Wallace

Beardmore/BDV Financial Benefit

Table 6: Beardmore/BDV Financial Benefit from Scheme

Benefit	Amount	Purpose
Minneapolis condominium	$275,000	Personal use (girlfriend)
Lake Bank debt payment	$1,200,000	Regulatory compliance
L. Trust payment	$20,000	Undisclosed
Total to BDV/Beardmore	**~$1,495,000**	

Thomas & Wong Recoveries

Table 7: Thomas & Wong Partial Recoveries

Source	Amount	Timing
Sale of Beardmore residence	$433,000	2003–2005
Equipment sales	$20,000	2003–2005
Total Recovered	**$453,000**	

Net Loss to Thomas & Wong

Principal Loss:

- Loan amount: $1,500,000
- Less recoveries: ($453,000)
- **Net principal loss: $1,047,000**

Additional Damages:

- Interest
- Attorney's fees and litigation costs
- Lost opportunity costs
- Reputational harm

Total Jury Award: $1,554,934[2]

Final Judgment: $1,306,144 (plus costs and interest at 10% per annum from February 8, 2008)[1]

Judgment Interest Calculation (Present Value)

Component	Amount
Judgment Amount	$1,306,144
Interest Rate	10% per annum (simple)
Accrual Start	February 8, 2008
Accrual to Present (Feb. 13, 2026)	18.014 years
Accrued Interest ($1,306,144 × 10% × 18.014)	$2,352,588
Total Current Obligation	**$3,658,732**
RICO Treble Damages (18 U.S.C. § 1964(c))	$3,918,432
Plus attorneys' fees and costs	(additional)

VIII. APPLICABLE STATUTES

The Thomas & Wong scheme implicates federal criminal statutes across six categories. The following table identifies each statute, its application to the documented conduct, and the evidentiary basis established in Sections IV–VII above.

Applicable Federal and State Statutes

Statute	Application to Thomas & Wong Scheme	Max. Penalty
Federal Criminal Statutes		
18 U.S.C. § 1343	Wire fraud: 8 interstate/international wire transfers totaling $2,299,920 induced by false escrow representations, unauthorized diversions, and fabricated "gold melt" narrative[2]	20 yr each
18 U.S.C. § 1341	Mail fraud: 6 fax/mail transmissions in furtherance of scheme, including false collateral assurances, unauthorized transfer authorizations, and Wallace's "imperative" fax to C. Wong[2]	20 yr each
18 U.S.C. § 1956	Money laundering: 3 transactions designed to conceal beneficial ownership—$275K Minneapolis condo via L. Trust LLC, $20K to L. Trust, $50K kickback to Wallace via Lake Bank[4]	20 yr each
18 U.S.C. § 371	Conspiracy: Agreement among Wallace, Cane, Beardmore, Lach, and Corte-giano; 15 overt acts (Dec. 2002–Aug. 2003)[2,4]	5 yr
18 U.S.C. § 1962(c)	RICO: Conducting enterprise affairs through pattern of racketeering activity; 17+ predicate acts from this scheme alone[1]	20 yr
18 U.S.C. § 1962(d)	RICO conspiracy: Agreement to violate § 1962(c) through Cane-Wallace association-in-fact enterprise spanning 7 schemes (1999–2014)[1]	20 yr
18 U.S.C. § 152	Bankruptcy fraud: Wallace's concealment of assets and false oath in Oct. 2, 2013 Chapter 7 filing (Case No. 2:10-bk-28835-SSC)[3]	5 yr each
State Professional Conduct Violations		
Nev. RPC 1.7	Conflict of interest: Cane represented Wallace while serving as Thomas & Wong's escrow agent without informed consent	Disbarment
Nev. RPC 1.15	Safekeeping property: Disbursing trust funds without beneficial owner authorization	Disbarment
Nev. RPC 1.2(d)	Assisting client in conduct the lawyer knows is fraudulent	Disbarment
Nev. RPC 8.4(c)	Conduct involving dishonesty, fraud, and misrepresentation	Disbarment
Civil Liability		
18 U.S.C. § 1964(c)	RICO treble damages: $1,306,144 × 3 = $3,918,432 plus attorneys' fees	—
11 U.S.C. § 523(a)(2)(A)	Nondischargeability: Judgment ruled nondischargeable due to actual fraud (BAP Feb. 2015)[3]	—

A. Wire Fraud and Mail Fraud

Wallace and Cane devised a scheme to defraud Thomas & Wong of $1.5 million through false representations regarding escrow safeguards, concealed conflicts of interest, fabricated collateral verification, and systematic unauthorized fund diversion.[2] Intent is established by the timing of the March 6 unauthorized $275,000 transfer—two days before the promissory note was even signed—Wallace's shifting explanations, her $250,000+ in undisclosed financial interests, and the Susan Johnson "took one for the team" email demonstrating Cane O'Neill's awareness of procedural irregularity.[2] Seven interstate and international wire transfers totaling $2,299,920 and six fax/mail transmissions in furtherance of the scheme establish the jurisdictional elements.[2]

B. Money Laundering

Three transactions converted fraud proceeds into forms designed to conceal beneficial ownership: the $275,000 Minneapolis condominium routed through L. Trust LLC to hide Beardmore's girlfriend as the beneficiary; the $20,000 transfer to L. Trust for undisclosed purposes; and the $50,000 kickback to Wallace routed through Lake Bank to obscure its origin in fraud proceeds.[4]

C. Conspiracy

Agreement among five co-conspirators is established by the December 2002 MW Asia contract (aligning Wallace-Beardmore financial interests), Wallace's election to the BDV board on the same day as the first unauthorized transfer, Cane O'Neill's systematic execution of Wallace's instructions without independent verification, and the coordinated concealment of all material facts from Tarapaski.[2] Fifteen overt acts from December 2002 through August 2003 document the execution of the conspiracy.[4]

D. RICO

The Thomas & Wong scheme alone generated 17+ RICO predicate acts (8 wire fraud, 6 mail fraud, 3 money laundering).[1] The Cane-Wallace association-in-fact enterprise operated from at least 1998 through the present, spanning six documented joint schemes:

MW Medical/Burwell (1999–2001), Westminster Agencies (1996–2001), Thomas & Wong (2003–2009), Davi Skin (2004–2008), SDI (2005–2009), and MOD Systems (2007–2011).[1] Wallace served as the public-facing operator while Cane provided legal infrastructure, escrow mechanisms, and SEC compliance across these joint schemes.[4] Cane independently deployed the same methodology—offshore nominee structures, escrow manipulation, and stock fraud—in the Discala/CodeSmart market manipulation (2012–2014), where she was indicted on three counts of securities fraud (acquitted May 7, 2018); no evidence connects Wallace to that scheme. Under *H.J. Inc. v. Northwestern Bell*, 492 U.S. 229 (1989), the enterprise satisfies both the "regular way of doing business" and "continuing threat" tests for continuity: Wallace testified to 17+ venture capital deals using similar methods, and schemes continued after Thomas & Wong through 2014.[4]

E. Professional Ethics Violations

Cane's conduct violated four Nevada Rules of Professional Conduct: Rule 1.7 (conflict of interest—representing Wallace while serving as Thomas & Wong's escrow agent without informed consent); Rule 1.15 (safekeeping property—disbursing trust funds without beneficial owner authorization); Rule 1.2(d) (assisting a client in conduct the lawyer knows is fraudulent); and Rule 8.4(c) (engaging in conduct involving dishonesty, fraud, and misrepresentation).

F. Bankruptcy Fraud

Wallace filed Chapter 7 on October 2, 2013, seeking to discharge the Thomas & Wong judgment.[3] The bankruptcy court ruled the judgment nondischargeable under 11 U.S.C. §~523(a)(2)(A) due to actual fraud, deception, and material false representations made with intent to deceive.[3] Wallace's concealment of offshore accounts and beneficial ownership interests in bankruptcy schedules constitutes federal bankruptcy fraud under 18 U.S.C. §~152.[3]

IX. PATTERN AND PRACTICE EVIDENCE

The Thomas & Wong fraud was not an isolated incident. The following table demonstrates the identical modus operandi across four documented enterprise schemes:

Common Elements Across Cane-Wallace Enterprise Schemes

Element	Thomas & Wong (2003)	Davi Skin (2004–08)	SDI (2005–09)	MOD (2007–11)
Wallace as Public Operator	Agent/advisor	CEO	President	Board member
Cane as Legal Facilitator	Escrow agent	SEC counsel	SEC counsel	Board member
Escrow/Trust Account Fraud	Cane O'Neill	Similar	Similar	Similar
Undisclosed Conflicts	MW Asia contract	Multiple	Multiple	Multiple
Fabricated Collateral	Gold doré	Product claims	Mining claims	—
Offshore Structures	Implied	LOM Securities	Bermuda entities	Hepburn Holdings
Unauthorized Transfers	$295,000+	Multiple	Multiple	Multiple
Victim Framing	Blamed Tarapaski	Blamed Medley	Blamed Strand	Blamed Phillips
Litigation/Retaliation	Threatened	Restraining order	Litigation	Fraud. judgment
Unpaid Judgment	$1.3M unpaid	Undisclosed	$250K unpaid	Ongoing

Each scheme followed a six-phase operational template established during Thomas & Wong: trust cultivation through personal relationships; due diligence theater with Wallace-controlled verification; undisclosed conflicts of interest creating financial incentive to defraud; attorney-controlled escrow or corporate mechanisms for fund extraction; fabricated collateral or assets; and post-fraud concealment through false explanations, victim-blaming, litigation, and bankruptcy.[1] The Davi Skin (2004–2008) and SDI (2005–2009) schemes overlapped with Thomas & Wong litigation, demonstrating Wallace continued similar frauds even while facing consequences for prior ones. The MOD Systems fraud began in 2007—shortly before the Thomas & Wong jury verdict—and after Cane joined the MOD board on June 2, 2008, Wallace's focus shifted immediately and exclusively to framing Mark Phillips, demonstrating real-time coordination between Cane and Wallace.[1] Cane independently participated in the Discala/CodeSmart market manipulation (2012–2014), which resulted in federal criminal indictment and multiple convictions of co-defendants (Cane was acquitted May 7, 2018); no evidence connects Wallace to that scheme, but Cane's use of the same offshore structures and stock fraud techniques validates the enterprise's methodology.[1]

X. CONCLUSIONS

Three independent courts—the Maricopa County jury (April 2008), the Arizona Court of Appeals, and the Bankruptcy Appellate Panel (February 2015)—have each validated the Thomas & Wong fraud.[1,3] The evidentiary record is exceptionally strong: wire transfer confirmations for all 17+ predicate acts, Wallace's written authorizations for unauthorized transfers, the Susan Johnson "took one for the team" email proving Cane O'Neill's awareness, BDV board minutes documenting Wallace's conflicts, deposition and trial testimony under oath from five witnesses (Tarapaski, Blume, Beardmore, Kell, and Wallace herself), and Homeland Security investigation materials.[2] The complete financial trail traces $1.5 million from Thomas & Wong through Cane O'Neill and Lake Bank to the ultimate beneficiaries—Beardmore, Lach, Wallace, and Cane O'Neill.[2]

The Thomas & Wong scheme established the operational template replicated across all subsequent enterprise operations: Wallace cultivates trust, Cane provides legal infrastructure, escrow mechanisms serve as extraction tools, fabricated collateral creates the illusion of security, and bankruptcy weaponization defeats civil remedies. Six years of litigation produced a $1,306,144 judgment that remains 100% unpaid—now exceeding $3.6 million with accrued interest.[1] Civil remedies have been exhausted: the judgment is uncollectible despite being ruled nondischargeable.[3] Piecemeal civil litigation across Thomas & Wong ($1.3M unpaid), SDI/Strand ($250K unpaid), MOD/Phillips (ongoing), and Discala (one scheme only) has not addressed the systematic nature of the enterprise.[1] The Thomas & Wong escrow fraud, viewed in the context of seven documented enterprise schemes spanning 1999 through 2014, demonstrates the RICO pattern and continuity elements required under *H.J. Inc. v. Northwestern Bell*, 492 U.S. 229 (1989).

Total Financial Harm: $1,306,144 judgment plus $2.35M+ accrued interest (total current obligation: $3,658,732). RICO treble damages: $3,918,432 plus attorneys' fees.

END OF FORENSIC BRIEF 05

[1] *Thomas & Wong v. Blume*, Appellate Brief Re Wallace Breach of Trust (Dec. 1, 2008).

[2] Trial Transcripts, *Thomas & Wong v. Blume*, Nos. CV2005-008545, CV2005-010599 (Maricopa Cnty. Super. Ct. Feb. 4–5, 2008).

[3] *In re Wallace*, Memorandum Decision, No. 15-1319 (B.A.P. 9th Cir. Oct. 14, 2016).

[4] Deposition of Jan Wallace, *Thomas & Wong v. Blume* (June 19, 2007).

[5] Schedule 13D, Legal Access Technologies, Inc., filed by Michael A. Cane (June 26, 2001), Accession No. 0001075793-01-500095. Cane legally changed her name from Michael A. Cane to Kyleen E. Cane on June 28, 2001; *see* Form 5, Legal Access Technologies, Inc., filed by Kyleen E. Cane (July 22, 2004), Accession No. 0001255294-04-000216 (first SEC filing under new name, 1,120 days after name change).

[6] *See* Forensic Brief 15: Cane Identity Fraud — False SEC Filings, Stock Issuances, and Name Change Fraud, documenting the 1,120-day SEC filing concealment period (June 28, 2001–July 22, 2004) during which Cane continued filing with the SEC as "Michael A. Cane" and executing SOX certifications under the defunct identity.

[10] Docket Sheet, *Thomas & Wong v. Blume*, Nos. CV2005-008545, CV2005-010599 (Maricopa Cnty. Super. Ct. Sept. 12, 2008).

[11] Trial Proceedings, *Thomas & Wong v. Blume* (Feb. 4, 2008).

[12] Trial Proceedings, *Thomas & Wong v. Blume* (Feb. 5, 2008).