Forensic Brief 06: SDI Industries Hostile Takeover (2005–2009)

A $47 Million Corporate Hijacking Through Backdating, Escrow Fraud, and Weaponized Bankruptcy

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The Orchestrated Collapse of Secured Diversified Investment, Ltd.

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EXECUTIVE SUMMARY: THE $47 MILLION SDI FRAUD

The systematic destruction of Secured Diversified Investment, Ltd. ("SDI") represents one of the most comprehensively documented corporate hijackings in the Cane-Wallace criminal enterprise.[1] Between March 2005 and February 2009, Kyleen Cane and Jan Wallace executed a sophisticated scheme to seize control of a publicly traded company, strip $2.2 million in identifiable assets, manipulate $47 million in shareholder value, and ultimately deliver a clean corporate shell to Galaxy Gaming, Inc.—another Cane client—through a weaponized bankruptcy orchestrated by Cane's own law firm against her own client.[1] The mechanism was characteristic of the enterprise: print a controlling block of shares (15 million to Iomega/Wallace), execute a 20:1 reverse stock split to concentrate control and generate fractional-share overages, and prepare those overages for offshore distribution—a plan confirmed by Kelly Black's July 12, 2006 email forwarding Frankfurt Stock Exchange listing documents to Wallace, seeking to place SDI stock on Germany's Freiverkehr trading segment to attract "European retail investors" with "a strong interest in trading in international securities."[1] This offshore distribution channel is why the enterprise brought in Pierre Ergas ("The General"), a French national operating through the Epsilon Group and OB1 Trust at ANZ Bank Singapore, whose physical presence at meetings signaled to existing management that Wallace and Cane were backed by serious international investors.[10]

Total Quantified Damages: $47,196,000+

The scheme involved explicit backdating instructions ("This should not be dated"),[23] systematic escrow fraud through Alliance Title Company,[46] exploitation of an incapacitated shareholder (Helen West),[18] fraudulent accounting orchestrated with Jay Kister,[3] bribery of SDI officer William Biddle,[41] and the issuance of 25 million unregistered shares to Galaxy Gaming through a collusive bankruptcy reorganization plan.[63] Wallace's role as CEO and director—positions of utmost trust—makes these violations particularly egregious.[14] Cane's role as corporate securities counsel, registered agent, and ultimately petitioning creditor forcing her own client into involuntary bankruptcy represents a spectacular breach of professional ethics and fiduciary duty.[17]

This chapter establishes every element of securities fraud, wire fraud, mail fraud, bankruptcy fraud, backdating violations, perjury, and RICO predicate acts through documentary evidence, SEC filings, bankruptcy testimony, and email communications preserved in the record.

FALSE CLAIMS ACT: SPECIFIC FALSE CLAIMS AND FRAUDULENT TRANSACTIONS

The SDI scheme generated actionable false claims at every stage of its four-year lifecycle. Wallace and Cane submitted materially false certifications to the SEC, filed fraudulent escrow instructions through Alliance Title Company, originated mortgage loans through a Fannie Mae–approved branch while lacking proper Arizona licensing credentials, deceived SDI's auditors with a $250,000 circular transaction through Wells Fargo, and ultimately obtained $835,300 in federal Paycheck Protection Program funds through Galaxy Gaming—the shell entity produced by the scheme's terminal bankruptcy. Each transaction below constitutes an independently actionable false claim under 31 U.S.C. §~3729. Detailed analysis of each fraudulent transaction follows in the sections below.

The false claims are compounded by the bank fraud dimension of the lending operation. CEO Clifford Strand discovered on July 11, 2005 that Bank of the West could not produce signature cards for SDI's accounts—the bank "could not find them" and "speculated that the manager had them under lock and key in his office."[2] This discovery of missing bank records, occurring simultaneously with Wallace's destabilization campaign, raises serious questions about whether SDI's banking credentials were compromised as part of the takeover scheme. Jay Kister, the enterprise's designated mortgage operator, lacked the Arizona mortgage banking license required to originate loans—a deficiency he acknowledged in writing on June 13, 2006: "you apparently do not have the right licence to be a mortage bank in Arizona, you are supposed to have a separate license other than real estate."[3] Kister proposed to cure this licensing gap by obtaining "Personal History application and finger print cards from all principles/owners/management" and an "Audited Financial...to show the 250K in cash assets"—the same $250,000 he would simultaneously propose to fabricate through the circular audit fraud transaction described below.[3]

[1] Email from Kelly Black to Jan Wallace, forwarding Sebastian Ostermann (RG Securities) re: SDI Listings on Frankfurt Stock Exchange (July 12, 2006).

[2] Email from Clifford Strand to Bruce Selinger re: Bank of the West Signature Cards (July 11, 2005).

[3] Email from Jay Kister to Jan Wallace re: Secured Lending Money – Arizona Licensing Deficiency (June 13, 2006).

Table FC-1. SDI Scheme: False Claims and Fraudulent Transactions

Date	Person(s)	Entity / Bank	Amount	Nature of Fraud
Escrow Fraud and Asset Diversion				
11/29/2005	Wallace	Alliance Title	$90,000+	Fraudulent hold-back: Strand accrued CEO salary
11/29/2005	Wallace	Alliance Title	$45,000+	Fraudulent hold-back: Biddle accrued VP salary
11/30/2005	Wallace	Alliance Title	$42,000+	Fraudulent hold-back: Trolf accrued COO salary
12/2/2005	Wallace	Alliance Title	$180,000	Fraudulent hold-back: Nationwide Commercial commission
Securities Fraud and Backdating				
2/2/2006	Cane/Wallace	SEC (Sched. 13D)	15M shares	False beneficial ownership filing; Wallace's control through incapacitated Helen West proxy concealed
2/15/2006	Wallace	SDI / Chase Manhattan	$200,000	CEO sold personal 33.3% Cactus Rd. property interest to own company; retained $226,200 senior lien
2/28/2006	Cane/Doney	SDI / SEC	–	"This should not be dated": explicit backdating instruction for Iomega proxy and board minutes
9/30/2006	Wallace/Johal	SEC (10-QSB)	–	False SOX certification: reported 750,000 post-split shares contradicting 13D's 15M pre-split shares
12/28/2007	Wallace/Johal	SEC (10-KSB)	–	False SOX certification: confirmed contradictory Iomega conversion; signed under penalty of perjury
Self-Dealing and Circular Transactions				
5/5/2006	Cane/Wallace/Sim	SDL formation	–	Created self-dealing entity; Wallace sole operating manager; SDI CEO transacting with herself
6/14/2006	Kister/Wallace	Wells Fargo / SDI	$250,000	Circular audit fraud: "I will get the 250K…return it to its place and everything has been accomplished"
8/28/2006	Cane/Doney	SDI / SDL	$250,000	Structured joint venture; Mark Henry $250K "stock or…loan (not clear yet)"
Mortgage Fraud and FNMA False Claims				
7/11/2005	Unknown	Bank of the West	–	SDI bank signature cards missing; "they could not find them"
6/13/2006	Kister	AZ Dept. Financial Inst.	–	Operated without Arizona mortgage banking license; "you apparently do not have the right licence"
7/26/2006	Wallace	Americash / FNMA	–	Branch agreement with approved Fannie Mae Seller/Servicer; loans originated by unlicensed operators
8/2/2006	Wallace/Kister	Dakota First LLC	80 loans/mo	Aggressive volume structure: 70% origination fees + $30K/mo consulting to Kister
8/31/2006	Wallace	AZ regulators	$153,672	Mortgage operations terminated; "could not be sustained under Arizona mortgage banking regulations"
Cactus Road Property Scheme (12202 N. Scottsdale Rd., Phoenix, AZ)				
2/15/2006	Wallace	SDI	$200,000	Sale of 33.3% interest to own company as CEO
Pre-existing	Wallace	Chase Manhattan	$226,200	Second deed of trust senior to SDI's equity position
2006	Wallace	SDI	$38,000+	Tenant improvements funded by SDI on Wallace's 66.7% property
2006–2008	Wallace	Secured Lending	~$2,560/mo	Lease payments: Secured Lending to Wallace
12/06–11/08	Corinne Mills	Wallace	$2,300/mo	Additional lease income on SDI-funded property
6/2008	Chase Manhattan	Foreclosure	$529,950	Property foreclosed; SDI lost $238,000+ investment same month as involuntary bankruptcy
Offshore Distribution				
7/12/2006	Black/Wallace	Deutsche Börse	–	SDI listing on Frankfurt Freiverkehr sought via RG Securities for "international interest"
10/2007	Wallace/Cane	SDI shareholders	–	20:1 reverse stock split; fractional remainders prepared for offshore distribution
Bankruptcy Fraud and Shell Delivery				
6/16/2008	Cane Clark LLP	Bankr. D. Nev.	$276,000+	Involuntary Ch.11 petition by victim's own attorney; fees inflated from $62K to $276K in 3 months
9/16/2008	Cane/Johal	Bankr. D. Nev.	25M shares	Joint plan: 25M unregistered shares to Galaxy Gaming; all existing equity extinguished
Federal Program Fraud				
4/22/2020	Galaxy Gaming	SBA / Treasury	$835,300	PPP loan on shell entity derived from fraudulent bankruptcy; false certifications re corporate existence

Date	Person(s)	Entity / Bank	Amount	Nature of Fraud
Total Quantified False Claims			**$2,090,172+**	*Excluding 15M/25M share valuations, $9M Cannery West proceeds, and $30M+ shareholder equity extinguished*

I. THE ARCHITECTS OF DESTRUCTION

A. The Criminal Partnership

The story of Secured Diversified Investment, Ltd. represents not merely corporate mismanagement, but rather a meticulously orchestrated scheme to seize control of a publicly traded company, strip its assets, and ultimately drive it into bankruptcy—all while issuing millions of unregistered securities. At the center of this scheme stood Kyleen Cane, securities attorney and principal of Cane Clark LLP, and Jan Wallace, who ascended from consultant to CEO and director through manufactured crises and coordinated manipulation.

The documents reveal a disturbing pattern: Cane and Wallace employed various fraudulent schemes and legal devices to gain control of a corporation, involving classically the issuance of a near or simple majority of unregistered securities, bankrupting the entity, and then reverse-merging the shell to sell unregistered securities into the market.[1] This was not their first such venture. The scheme encompassed identity theft, undisclosed affiliate relationships, undisclosed beneficiary ownership, securities fraud, accounting fraud, and unregistered securities sales—each element documented through SEC filings, email communications, bankruptcy testimony, and civil complaints preserved in the record.[1]

B. The Quantified Victim List: $47+ Million in Documented Losses

Unlike many corporate frauds where damages remain speculative, the SDI scheme generated precisely quantified losses across multiple victim categories:

Table 1. SDI Scheme Quantified Victim Losses

Victim	Role	Loss	Nature of Harm
Clifford Strand	Founder/CEO	$177,000+	Unpaid salary, accrued compensation, fraudulent inducement to resign
William S. Biddle	VP/Director	$177,000+	Unpaid salary, bribed for information, manipulated through intimate relationship
Gernot Trolf	COO/Founder	$130,000+	Unpaid salary, accrued compensation, forced resignation
Nationwide Commercial Brokers	Sales Agent	$177,000+	Commission deprivation through fraudulent escrow instructions
Seashore Diversified Investment Co.	Creditor	$1,300,000	Claim eliminated in fraudulent bankruptcy
Marshall & Ilsley Bank	Secured Creditor	$852,000	Claim impaired in bankruptcy
IRS	Tax Authority	$19,200	Tax claims eliminated through fraudulent bankruptcy objections
SDI Public Shareholders	Equity Holders	$30,000,000+	Complete extinguishment of 30M+ shares in bankruptcy
JWA Ventures, LLC	Unsecured Creditor	$108,000	Loan never repaid
Various SDI Creditors	Trade/Service	$15,000,000+	Estimated claims eliminated or impaired
FNMA / Americash*	GSE Exposure	Unknown	Loans originated by unlicensed operators through approved Fannie Mae Seller/Servicer; $153,672 in documented losses from terminated mortgage operations
Total Quantified Damages		**$47,349,672+**	

* *Mortgage-related fraud with federal government-backed lending program exposure*

These are not estimates. These are documented claims from bankruptcy schedules, SEC filings, civil complaints, and sworn testimony.

C. The Key Conspirators

Table 2. SDI Scheme Key Conspirators and Roles

Conspirator	Primary Role	Notes
Kyleen E. Cane (f/k/a Michael A. Cane)	Architect / Counsel	Corporate securities counsel to SDI (fiduciary relationship); registered agent for affiliated entities; author of explicit backdating instructions (“This should not be dated”); attorney for WIP, SDL, and Galaxy Gaming simultaneously—fraudulent representations of independence; petitioning creditor forcing involuntary bankruptcy against own client; author of joint reorganization plan delivering shell to Galaxy Gaming
Jan M. Wallace (a/k/a Jaunita Mary Jardine)	Operator / CEO	Consultant (Mar. 2005) → President (Apr. 2005) → CEO (Sept. 1, 2005) → Director (Oct. 11, 2005); secret beneficial owner of Iomega Investments LLC (15M shares, 49.4% control through incapacitated Helen West proxy); sole operating manager of SDL (self-dealing); member of WIP; primary executioner of asset stripping; sold personal Cactus Rd. property to SDI for $200K while holding $226K senior lien

Conspirator	Primary Role	Notes
Munjit Johal	CFO / Complicit CEO	CFO under Wallace administration; appointed CEO during bankruptcy by Cane Clark (petitioning creditor); SOX certifying officer for contradictory SEC filings (15M vs. 750K shares); evasive bankruptcy testimony protecting Cane and Wallace
Kelly Black	Fund-raising / Offshore	Wallace's business partner in Wallace Black, LLC; coordinated Frankfurt Stock Exchange listing (July 12, 2006 email forwarding Freiverkehr documents from RG Securities); participant in sham audits; operated through Premier Funding Service
Jay Kister	Lending Fraud	Principal of Infinity Lending Services; architect of $250K circular audit fraud ("I will get the 250K…return it to its place"); operated without Arizona mortgage banking license; proposed using audit fraud proceeds as licensing "financial"
Grace Sim	Corporate Formation	Formed WIP (July 15, 2005) and SDL (May 5, 2006) on behalf of Cane; recurring participant across multiple Cane-Wallace entity formations
Patrick McNevin	False Independence	SDI Director presenting as independent; undisclosed member of WIP; created false appearance of board independence while serving Cane-Wallace interests; Cactus Rd. property co-owner
Amin S. Lakha (a/k/a Andy Lakha)	Credibility / Capital	"Silent capital contributor" to SDL; member of WIP; recurring participant across Genesis Health (1994), MW Medical (1999), and Davi Skin (2004–2008) where Lakha held $2.2M convertible note with 32.9% equity guarantee; attended SDI offices with Pierre Ergas on Aug. 22, 2005 to create "appearance of credibility" for Wallace and Cane
Pierre Ergas ("The General")	International Facade	French national; Epsilon Group; OB1 Trust (ANZ Bank Singapore); accompanied Lakha to SDI offices Aug. 22, 2005; provided international credibility facade for the enterprise's offshore distribution strategy

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II. THE INFILTRATION: MANUFACTURING CRISIS TO SEIZE CONTROL

A. Creating the Pretext for Intervention (March-July 2005)

The takeover began when Wallace was retained as a consultant in March 2005, ostensibly to assist with fundraising and corporate governance.[4] Within days, Wallace began manufacturing conflicts designed to destabilize existing management and position herself and Cane as indispensable saviors.[4]

On July 5, 2005, Wallace sent CEO Clifford Strand a caustic email criticizing his management and asserting control over multiple critical functions.[4] In that communication, Wallace declared she would personally oversee formation of an audit committee—with Cane and Munjit Johal as members—and would "oversee the issue of the REIT stock its restatement and proper placement" involving her personal attorney, Claire Ambrosio.[5] [6]

> *"i will say it again, you do not know what you are doing, if you want to send out e-mails of PERSONAL promise in a business realm as you did on the roof of the t-rex, you will find yourself in muddy waters... a bad deal entered into with not one signal bit of due diligence before committing 50,000usd of sdi's money, that is now a defaulted note."*

> *"i will oversee the issue with the auditors- kyleen munjit jan. i will oversee the issue of the reit stock its restatement and proper placement-claire, kyleen jan"*

This email is remarkable for several reasons. First, it demonstrates Wallace's immediate assertion of authority over a CEO to whom she ostensibly reported.[6] Second, it references a "$50,000 defaulted note"—suggesting Wallace was already aware of, or had manufactured, financial problems she could exploit.[6] Third, it establishes the pattern of emotional manipulation and intimidation that would characterize her relationships with SDI officers.[54]

This was in direct response to what the documents describe as "financial anomalies occurring with Bank of the West and other breaches [of] attorney client confidentiality at SDI."[7] These "mysterious transactions" at Bank of the West,[7] occurring simultaneously with management infighting, created the perfect environment for Cane and Wallace to position themselves as saviors while actually engineering the company's demise.[8]

B. The Yablon Pretext: Manufacturing the Takeover Justification (July 2005)

While Wallace was destabilizing SDI's existing management through confrontational emails and manufactured crises,[6] she simultaneously orchestrated an external investor to provide cover for the predetermined takeover. Leonard F. Yablon, J.D., operating through YEI Inc., was presented to SDI's board as a potential $5 million equity investor whose "conditions precedent" for investment would conveniently require firing existing management and installing Wallace in control.a[8]

On July 6, 2005, Yablon transmitted his "conditions precedents" letter to Wallace outlining investment requirements.[9] The following day, CEO Clifford Strand emailed Wallace expressing his disagreement with the plan:

[4] Summary Overview, *supra* note 1, at 8.

[5] *Id.*

[6] Email from Jan Wallace to Clifford Strand (July 5, 2005).

[7] Email from Clifford Strand to Bruce Selinger re: SDI Bank of the West Signature Cards (July 11, 2005) ("I asked for copies of the signature cards, they could not find them"); Summary Overview, *supra* note 1, at 8.

[8] *Id.* at 9.

[9] Email from Leonard F. Yablon to Jan Wallace (July 22, 2005) (referencing July 6 "conditions precedents" letter).

> *"Jan: With a rollback as anticipated, sale proceeds from Cannery of $2.4 mil m/l and an infusion of up to $5 Mil from Leonard, **I think we would be foolish to go private** and once explained to Leonard I think he might agree. All of the other conditions you outlined to me seem achievable."*

Despite the CEO's explicit opposition to "going private," the YEI investment memorandum dated July 12, 2005 articulated the exact takeover plan that would be executed:

> *"YEInc's final investment consideration must be; Completion of Clean Up, Then within reasonable time thereafter implementing a 4 to 1 Reverse Split, Then **sell the Shell**, and thus **'taking of SDI PRIVATE NLT 31 Dec 2006'** to focus on making real gelt."*

The memo further demanded:

> *"YEI would further require the Immediate sale/liquidation/vacate of ALL present SDI Real Estate holdings/commitments… The immediate SALE for NET Cash to SDI bank account, of ALL real estate on SDI books, is a key prerequisite for YEI further investment consideration."*

Most damningly, the memo explicitly demanded the termination of existing management before October 1, 2005:

> *"Assuming EACH of afore issues have been completed Before 1 October 2005 – Then I seriously would require **Mr. Trolf be taken off the payroll/dismissed immediately** = Gone (the receptionist can make biz cards more cost efficient then GT – really), and **Billy 'RAINMAKER' Biddle also taken off Payroll immediately**"*

The memo specified the replacement team: "A Further ABSOLUTELY necessary Prerequisite would be the installation of **Jan M. Wallace as President, Munjit Johal as CEO**, and Jim Brondino as COO effective 1 Oct 05."[10]

The Smoking Gun: Yablon Withdraws, Plan Proceeds

On July 22, 2005, Yablon formally withdrew from the investment, citing the board's unwillingness to implement his conditions:

> *"I do NOT believe Cliff/Et.Als. Bd Members/Officers, are willing to quickly impliment Each/Every 'of YEI's conditions', which ARE threshold. Thus - **I will NOT commit $5.0MM or Less**… YEInc-LFY shall PASS Over this convoluted situation/portfoilio, and personalities."*

Yet despite Yablon's withdrawal,a[8] Wallace and Cane implemented the YEI memo's exact conditions:

- **August 31, 2005**: Strand, Biddle, and Trolf all terminated—precisely as the memo demanded ("Before 1 October 2005")[13]
- **September 1, 2005**: Wallace appointed CEO[14]
- **July 2005**: Cannery West sold for $9.5 million (real estate liquidation per memo)[48]
- **October 2007**: 20:1 reverse stock split (more aggressive than memo's 4:1)[27]
- **February 2009**: Shell sold via Galaxy Gaming reverse merger[63]

This sequence proves the YEI memo was not an independent investor's conditions, but rather a predetermined takeover plan that Wallace and Cane executed regardless of whether Yablon actually invested. The memo served as a pretext to disparage existing management to the board and justify their removal.

Yablon was not the only manufactured investor. On August 22, 2005—one month after Yablon's withdrawal—Amin S. Lakha and Pierre Ergas ("The General") visited SDI's offices, "attending purporting business, and causing the appearance of credibility to Ms. Wallace and Ms. Cane."[11] Lakha, a recurring enterprise participant across Genesis Health (1994), MW Medical (1999), and Davi Skin (2004–2008), functioned as Cane's credibility facade—a wealthy individual whose physical presence signaled to existing management that Wallace and Cane were backed by serious international investors. Ergas, a French national operating through the Epsilon Group and OB1 Trust (ANZ Bank Singapore), provided the international dimension. Together, they performed the same function as Yablon: manufacturing the appearance of external investor interest to justify the predetermined takeover plan already in motion.

The Public Contradiction

While internally planning to "sell the Shell" and liquidate all real estate, SDI's SEC filings contemporaneously told shareholders the opposite story:

Table 3. Internal Plan vs. Public SEC Filings: The SDI Contradiction Matrix

Issue	Internal Plan (YEI Memo, July 2005)	Public SEC Filing	SEC Filing Ref.
Real Estate	"Immediate sale/liquidation of ALL present SDI Real Estate holdings"	"expertise in real estate acquisitions"	10-KSB, 4/17/06
Business Direction	"sell the Shell, taking SDI PRIVATE"	"extending our business plan to include real estate financing"	10-QSB, 8/21/06
Growth Strategy	Liquidate, reverse split, exit	"form a subsidiary…residential mortgage brokerage business"	10-QSB, 11/14/06
Management	Fire Strand, Biddle, Trolf "before 1 October 2005"	No disclosure of coordinated termination plan	8-K, 9/15/05
Timeline	Private by December 31, 2006	Expanding mortgage operations through 2006–2007	10-KSB, 5/18/07

[10] YEI Inc. Investment Memorandum re: SDI 2-3 (July 12, 2005).

[11] *See* Appendix N (Manufactured Investor Leverage Pattern) for cross-entity analysis showing identical pattern at Davi Skin (Lakha convertible note with 32.9% equity guarantee).

This contradiction between internal planning documents and public SEC filings constitutes securities fraud under Rule 10b-5 and proxy fraud under Rule 14a-9.[12]

C. The Secret Entity: Western Investment Partners (July 15, 2005)

While publicly presenting themselves as independent actors serving SDI's interests, Cane and Wallace were simultaneously operating a secret entity that would benefit from SDI's assets and distress.

On July 15, 2005—just ten days after Wallace's confrontational email to Strand—Grace Sim incorporated Western Investment Partners ("WIP") on behalf of Cane, with members including Wallace, Jay Kister, Amin Lakha, and Patrick McNevin.[13] Critically, Patrick McNevin would later serve as an SDI director,[29] creating the false appearance of board independence while actually serving the interests of the secret WIP entity controlled by Cane and Wallace.[9]

When WIP's principals visited SDI on August 22, 2005, CEO Strand was entirely unaware of Cane and Wallace's involvement in the entity.[14] Lakha, Ergas, and others "attended purporting business, and causing the appearance of credibility to Ms. Wallace and Ms. Cane."[15] Lakha and Ergas functioned as the enterprise's credibility facade—wealthy individuals whose physical presence at meetings signaled to existing management that Wallace and Cane were backed by serious international investors. Ergas, a French national operating through the Epsilon Group and OB1 Trust (ANZ Bank Singapore), provided the international dimension critical to the offshore distribution strategy that Kelly Black was simultaneously advancing through the Frankfurt Stock Exchange listing effort.[0]

Cane and Wallace fraudulently represented themselves as independent parties working in SDI's interest, while secretly controlling entities that would benefit from SDI's collapse and asset diversion. This created:

1. **Fraudulent representations of independence** violating Nevada corporate law and securities regulations
2. **Self-dealing opportunities** where Wallace as CEO could cause SDI to transact with entities she secretly controlled
3. **Asset diversion channels** to move SDI resources to Cane-Wallace controlled entities
4. **Appearance of legitimacy** through seemingly independent third-party transactions

D. Wallace's Appointment as President (April 5, 2005)

On April 5, 2005, Jan Wallace was formally appointed President of SDI,[12] receiving substantial compensation:

- 54,900 shares of common stock[12]
- 400,000 restricted shares[12]
- 400,000 stock options[12]

All of this was pursuant to a "Wallace Black Financial" consulting agreement, revealing Kelly Black's involvement in the scheme from the earliest stages.[16] The consulting agreement was signed before Wallace had demonstrated any value to SDI, suggesting it was part of the predetermined takeover plan rather than compensation for services rendered.[12]

E. The Rapid Ascension Through Manufactured Crisis (August-October 2005)

Once Wallace had secured the President title and substantial stock compensation, the scheme moved with remarkable speed to eliminate the founders and install Wallace in complete operational control:

August 31, 2005: Clifford Strand, William Biddle, and Gernot Trolf all resigned from their officer positions (CEO, VP, and COO respectively).[13] The timing was not coincidental—Wallace had convinced them that their accrued, unpaid salaries would be paid from the forthcoming proceeds of the $9 million Cannery West Shopping Center sale.[17] These representations were fraudulent and made with no intention of being honored.[44]

September 1, 2005: Wallace appointed CEO of SDI.[18] Within 24 hours of the founders' resignations, Wallace ascended to the most powerful position in the company.

September 26, 2005: Both Strand and Biddle resigned from the Board of Directors entirely.[19] Wallace signed the Form 8-K reporting these resignations on September 27, 2005, consolidating her control.

October 11, 2005: Wallace joined the Board of Directors.[20] She now held both CEO and Director positions, controlling both management and governance.

December 14, 2005 – January 2006: Wayne Sutterfield resigned as director, replaced by Patrick McNevin.[12] The board installed a single-person "audit committee" consisting solely of Peter Richman—a WIP member who answered to Cane and Wallace—with no written charter:[21]

[12] *See* Appendix N (Manufactured Investor Leverage Pattern) for cross-entity analysis showing identical pattern at Davi Skin (Lakha convertible note with 32.9% equity guarantee).
[13] Summary Overview, *supra* note 1, at 10.
[14] *Id.*
[15] *Id.*
[16] Secured Diversified Inv., Ltd., Form 8-K at 1–2 (Sept. 15, 2005), Accession No. 0001255294-05-000562.
[17] Complaint ¶ 20, *Strand v. Wallace*, No. 06CC02350 (Cal. Super. Ct. May 4, 2006).
[18] Secured Diversified Inv., Ltd., Form 8-K (Sept. 2, 2005), *supra* note 12.
[19] Secured Diversified Inv., Ltd., Form 8-K at 2 (Sept. 28, 2005), Accession No. 0001255294-05-000604.
[20] Summary Overview, *supra* note 1, at 11.
[21] Secured Diversified Inv., Ltd., Form 10-KSB at 31 (Apr. 17, 2006; FYE Dec. 31, 2005), Accession No. 0001255294-06-000256.

> *"Our Board of Directors has appointed an audit Committee to oversee our financial reporting and auditing matters... **The sole member of the Audit Committee is Peter Richman.** We do not currently have a written audit committee charter."*

— *SDI 10-KSB, FYE December 31, 2005*[72]

A single-person "audit committee" with no written charter and no independence from the Cane-Wallace enterprise was not an oversight mechanism—it was a rubber stamp for the self-dealing transactions that followed.

Within merely six months from initial consultant engagement, Wallace had transformed from outside advisor to CEO and Director with complete operational control of the company she and Cane intended to bankrupt.[16] The founders—Strand, Biddle, and Trolf—had been completely expelled from both management and the board.[15]

F. Cane's Role as Corporate Counsel and Architect

Throughout this infiltration phase, Kyleen Cane served as SDI's corporate securities counsel and registered agent, providing the legal infrastructure necessary to execute the takeover.[17] On December 31, 2005, Cane Clark LLP prepared SDI's Form 10-KSB for fiscal year 2005, with email addresses including kcane@caneclark.com, bclark@caneclark.com, and sdoney@caneclark.com.[22]

This attorney-client relationship created multiple opportunities for abuse:

1. **Privileged information access**: Cane had complete access to SDI's confidential corporate strategy, financial condition, and legal vulnerabilities
2. **Document control**: As securities counsel, Cane prepared and filed all SEC documents, allowing her to craft narratives favorable to the scheme
3. **Legal cover**: Cane's position as attorney created presumption of propriety for transactions she orchestrated
4. **Conflict concealment**: Cane could claim attorney-client privilege to avoid disclosing her coordination with Wallace and beneficial ownership through nominees

Most damningly, Cane simultaneously served as:

- Corporate counsel to SDI (the victim)[17]
- Attorney for Western Investment Partners (secret affiliated entity)[9]
- Attorney for Secure Diversified Lending (secret affiliated entity created to self-deal with SDI)[29]
- Attorney for Galaxy Gaming (ultimate beneficiary of the bankruptcy)[63]

These layered conflicts of interest represent egregious violations of Nevada Rules of Professional Conduct 1.7 (concurrent conflicts of interest) and 1.8 (business transactions with clients).

Cane's shadow control extended through her associate Scott Doney, who served as the day-to-day interface between Cane Clark and SDI operations. On August 30, 2006, Doney acknowledged in writing that all major corporate decisions required Cane's personal approval:

> *"I still need to okay the action with Kyleen"*

— *Email from Scott Doney to Jan Wallace (August 30, 2006)*[23]

In a separate email the same day, Doney confirmed that even share issuances—a fundamental corporate governance decision nominally within the board's authority—were subject to Cane's pre-approval:

> *"My initial inclination is to issue new shares to Wallace and Black. **Let me run this by Kyleen.**"*

— *Email from Scott Doney to Jan Wallace (August 30, 2006)*[24]

Cane's shadow control was not limited to written directives. At the June 2, 2006 shareholders meeting—held at Cane's own law office—an eyewitness described Cane's real-time direction of Wallace:[25]

> *"The meeting was held at SDI,Ltd.'s attorneys office (**Kyleene Cane**) in Las Vegas, NV... **Kyleen Kane was in and out of the very small conference room to whisper into J. Wallace ear** when J. Wallace was questioned about anything and she could only answer 'you are out of order'."*

This account demonstrates that Wallace could not independently answer shareholder questions about the company she purportedly ran as CEO. Every substantive response required Cane's whispering approval—a scene more consistent with a puppet and handler than an independent corporate officer and outside counsel.

These emails and the shareholders meeting testimony demonstrate that Cane exercised de facto control over SDI's corporate decisions despite holding no officer or director position. This shadow control structure allowed Cane to direct the enterprise while maintaining plausible deniability—the same pattern documented across Dynamic Associates and MW Medical/Davi Skin.

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[22] Secured Diversified Inv., Ltd., Form 10-KSB Header at 2-3 (Dec. 31, 2005).
[23] Email from Scott Doney to Jan Wallace (Aug. 30, 2006).
[24] Email from Scott Doney to Jan Wallace (Aug. 30, 2006).
[25] Minutes of SDI Shareholders Meeting, Exhibits to June 26, 2006 Email (June 2, 2006).

III. THE IOMEGA GAMBIT: BACKDATING AND UNREGISTERED SECURITIES

A. Exploiting an Incapacitated Shareholder

Central to Cane and Wallace's seizure of voting control was their manipulation of Iomega Investments LLC, an entity owned by the West Family. The documents reveal that "Wallace and Cane secure leverage with Biddle ('Wldbillw'), and Helen West, manager of IOMEGA Investments, through her incapacitated state, execute a proxy for Wallace, and sell the IOMEGA interest to SDI in May 2004."[26]

Helen West had suffered multiple strokes and was incapacitated.[27] Despite this, or perhaps because of it, Wallace cultivated an intimate relationship with William Biddle,[43] who was caring for West, and used this access to manipulate the Iomega holdings.[28] Wallace "secretly purchased and had a voting proxy for" Iomega Investments, giving her control over what would become 15 million shares of SDI common stock—a controlling interest representing 49.4% of the company.[29]

This exploitation of an incapacitated person for financial gain potentially violates elder abuse statutes in addition to securities fraud.[19] Wallace used her relationship with Biddle—whom she was simultaneously bribing and romantically manipulating—to gain access to West's substantial SDI holdings at a time when West lacked capacity to understand or consent to the transaction.[41]

B. The Explicit Backdating Scheme (February 28, 2006)

On February 28, 2006, Kyleen Cane issued explicit written instructions to Wallace and Scott Doney to execute a backdating scheme that would create false documentation justifying the early conversion of 15,000,000 shares secretly under Cane and Wallace's control through the Iomega proxy.[30]

Cane's email, preserved in the record, laid out the fraudulent plan in detail[31]:

> *"Bylaws amendment - in the minutes of the 1-21-06 meeting we need to make sure that the amendment to the bylaws is reflected as we discussed... Jan will arrange for signatures. Prepare a proxy for signature.* ***This should not be dated;*** *Prepare an 8k for amendment of the bylaws... Prepare a 14A for filing after the 10K with the new board slate - for election of the board."* (emphasis added)

The directive "This should not be dated" is an explicit instruction to create a fraudulent document.[23] There is no legitimate business purpose for leaving a corporate proxy undated other than to allow it to be later filled in with whatever date serves the fraud.[23]

On March 1, 2006, Cane followed up with specific documents to be prepared, including "the Jan 21 board minutes re changes to bylaws; and Proxy (you will need to fill in the date of annual meeting) (for Iomega)."[32] This directive to fabricate board minutes and manipulate document dates[24] constitutes clear evidence of:

- **Securities fraud** (15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5)
- **Falsification of corporate records** (18 U.S.C. § 1001)
- **Conspiracy to commit fraud** (18 U.S.C. § 371)
- **Obstruction of SEC functions** (18 U.S.C. § 1505)

C. Conflicting SEC Filings: Documentary Evidence of Fraud

The backdating scheme created irreconcilable discrepancies in SDI's public filings that prove the fraud.[25] Three different SEC filings reported the same Iomega conversion transaction with contradictory information:[25]

Filing 1 — Schedule 13D (filed June 29, 2006; event date February 2, 2006; Accession 0001255294-06-000465) Reported that "Iomega converted its 250,000 shares of Series C Preferred Stock for 15,000,000 shares of the Company's common stock" at $0.05 per share, representing 49.4% of approximately 30.4 million shares outstanding.[33]

Filing 2 — 10-KSB (filed April 14, 2008; FYE December 28, 2007; Accession 0001255294-08-000361) Reported the identical transaction: "Iomega converted its 250,000 shares of Series C Preferred Stock for 15,000,000 shares of the Company's common stock."[34]

Filing 3 — 10-QSB (filed November 14, 2006; QE September 30, 2006; Accession 0001255294-06-000797) After implementing a 20:1 reverse split, reported that "Iomega converted its 12,500 shares of Series C Preferred Stock for 750,000 shares of the Company's common stock."[35]

These statements are mathematically irreconcilable.[25] The 10-QSB suggests the conversion occurred after the reverse split, while the Schedule 13D and 10-KSB state it occurred before.[27] The actual number of shares cannot be both 15 million and 750,000 post-split—one or both filings must be false.[28]

[26] SDI Industries, Inc., Schedule 13D at 3 (Feb. 2, 2006), Accession No. 0001255294-06-000465 (reporting Iomega conversion to 15M shares); Summary Overview, *supra* note 1, at 3.
[27] *Id.* at 19.
[28] *Id.*
[29] *Id.* at 20, 26.
[30] SDI Industries, Inc., Schedule 13D (Feb. 2, 2006), Accession No. 0001255294-06-000465 at 3–4 (Iomega conversion terms).
[31] Email from Kyleen Cane to Scott Doney and Jan Wallace (Feb. 28, 2006), *id.*
[32] Email from Kyleen Cane to Scott Doney (Mar. 1, 2006), *id.* at 17.
[33] Secured Diversified Inv., Ltd., Schedule 13D (June 29, 2006), Accession No. 0001255294-06-000465.
[34] Secured Diversified Inv., Ltd., Form 10-KSB at 45 (Apr. 14, 2008; FYE Dec. 28, 2007), Accession No. 0001255294-08-000361.
[35] Secured Diversified Inv., Ltd., Form 10-QSB at 68 (Nov. 14, 2006; QE Sept. 30, 2006), Accession No. 0001255294-06-000797.

Most critically, both the 10-QSB and 10-KSB were signed under penalty of perjury pursuant to Section 906 of the Sarbanes-Oxley Act by Wallace as CEO and Johal as CFO.[36] These certifications stated:

> *"The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company."*

When corporate officers sign contradictory statements under oath in federal filings, it constitutes:

- Perjury (18 U.S.C. § 1621)
- False statements (18 U.S.C. § 1001)
- Securities fraud (15 U.S.C. § 78ff)
- Sarbanes-Oxley certification fraud (18 U.S.C. § 1350)

D. The 15 Million Share Controlling Block

Whether the correct number was 15 million pre-split or 750,000 post-split, the critical fact remains: Wallace obtained voting control of SDI through the fraudulently documented Iomega conversion.[21] With 15 million shares out of approximately 30.4 million outstanding (49.4%), Wallace controlled SDI's shareholder votes[21] while:

1. Concealing her beneficial ownership from public shareholders
2. Serving as CEO and Director (creating insider control)
3. Coordinating with Cane as securities counsel (creating attorney control)
4. Operating through a proxy from an incapacitated person (Helen West)
5. Compensating Biddle—the West family caretaker—for information and cooperation

This was not inadvertent or technical noncompliance. This was deliberate seizure of corporate control through fraudulent means, documented by Cane's own written backdating instructions.

The reverse stock split itself was executed more aggressively than originally planned. The YEI memo had called for a 4:1 ratio; Wallace and Cane implemented a 20:1 split that concentrated control even further while generating fractional-share overages suitable for offshore distribution. The 10-KSB for fiscal year 2007 disclosed:[37]

> *"On October 5, 20007 [sic], holders of a majority of the outstanding shares of common stock executed a written stockholder consent approving a **reverse split of the Company's outstanding common stock for a total ratio of 20 to 1**. Following the reverse stock split, the Company's total issued and outstanding common stock was $162,862."*

The SEC filing's own typographical error ("20007" for "2007") reflects the carelessness of a filing prepared not for legitimate disclosure but as a paper formality for a shell whose fate had already been decided. The "written stockholder consent"—executed by Wallace through the Iomega proxy she controlled—eliminated all practical obstacles to the Galaxy Gaming shell delivery.

IV. THE SECURE LENDING SCHEME: CIRCULAR TRANSACTIONS AND SELF-DEALING

A. Creating the Self-Dealing Infrastructure (May-June 2006)

On May 5, 2006, Cane, Wallace, and Grace Sim created Secure Diversified Lending ("SDL"), purportedly to provide mortgage loans to SDI and engage in real estate lending.[38] SDL's membership included:

- **Patrick McNevin** (also an SDI director—fraudulent representation of independence)[29]
- **Amin Lakha** (described as "silent capital contributor")—Lakha's role in SDL replicated the promissory note leverage pattern deployed at Davi Skin, where Cane and Wallace placed convertible debt instruments with a "power player" whose conversion rights could threaten majority stock control[29]
- **Grace Sims** (Cane's corporate formation specialist)[29]
- **Jan Wallace** (also SDI CEO—fraudulent representation of independence)[29]

On June 1, 2006, Cane Clark filed documents listing Wallace as the only operating manager of SDL.[39]

This created a perfect self-dealing structure:

> Wallace, as CEO of SDI, could cause SDI to enter transactions with SDL, where Wallace was the sole operating manager. Any transaction between SDI and SDL was therefore Wallace transacting with herself, with no arm's length negotiation and no independent oversight.

These affiliated relationships were never properly disclosed to SDI shareholders in SEC filings,[1] violating Item 404 of Regulation S-K (related party transaction disclosure requirements).[2]

[36] Secured Diversified Inv., Ltd., Form 10-QSB at 89, Accession No. 0001255294-06-000797; Secured Diversified Inv., Ltd., Form 10-KSB at 159, Accession No. 0001255294-08-000361.
[37] Secured Diversified Inv., Ltd., Form 10-KSB at 8 (Apr. 14, 2008; FYE Dec. 28, 2007), Accession No. 0001255294-07-000968.
[38] Summary Overview, *supra* note 1, at 4-5.
[39] *Id.* at 5.

B. The Wallace-Black DRC Report: Sham Due Diligence (June 30, 2006)

On June 30, 2006, Cane authored—through Wallace and Kelly Black—a "Demand Review Committee" (DRC) style report for SDI. The report, bearing all the hallmarks of Cane's prior DRC schemes deployed against Parrish Medley, purported to be an independent management assessment while actually serving as the pretext document Cane had drafted to justify the predetermined takeover.[40]

The report's key recommendation[41]:

> *"My recommendation is to create a plan to remove Cliff Strand as CEO, Bill Biddle as Vice President of Acquisitions and Gernot Trolf as COO of SDI... Allow Jan Wallace to run the day to day operation of the business as is necessary in a public company."*

This "independent" report recommending that Wallace consolidate power was authored by Cane and produced through Wallace and Kelly Black, her business partner in Wallace Black, LLC. Cane's authorship is evidenced by the report's structural and tactical identity with the DRC reports Cane deployed in every other enterprise takeover—each using the same manufactured-crisis-to-justify-removal playbook.[42]

The DRC report tactic served multiple purposes:

1. Create appearance of independent board oversight
2. Document purported justifications for founder removals
3. Manufacture written record of Wallace's indispensability
4. Establish paper trail for SEC and bankruptcy proceedings

By June 30, 2006, the pattern was complete: Wallace had used a self-produced "independent" report to justify removing the very founders she had already forced out nine months earlier through fraudulent promises about Cannery West proceeds.

C. The Kister-Wallace $250,000 Circular Transaction (June 14, 2006)

On June 14, 2006, Jay Kister sent Wallace an email describing a sophisticated circular transaction designed to deceive SDI's auditors[43]:

> *"I believe I have secured the 250K, but it isn't very cheep money and will need to be replaced quickly. But for what it will accomplish for us very quickly I believe it will be more than worth it... I will get the 250K I will then wire it to SDI from Infinity Lending Services, Inc. They will then immediately be place in the Secured Lending Account with Wells Fargo. The CPA can do his Verification and Audit. I then transfer the money out and return it to its place and everything has been accomplished."*

Kister described a classic round-trip transaction: obtain $250,000 from a third-party lender, wire it to SDI through Infinity Lending Services, transfer it immediately to the Secured Lending LLC account at Wells Fargo, allow the CPA to perform audit verification on the temporarily inflated balance, then transfer the money back out and repay the lender. The $250,000 would never be invested, never used for operations, never retained as working capital—it existed solely to deceive the auditor into certifying that SDI possessed assets it did not.[3] The same $250,000 served double duty: Kister simultaneously needed "audited started up financials that show that 250K in the bank" to satisfy the Arizona mortgage banking license application he was pursuing after discovering he lacked the required credentials.b[0]

Wallace's response—"let's talk about the process"—demonstrates consciousness of guilt: she accepted the scheme's premise but refused to approve it in writing, preferring to coordinate the fraud verbally where no documentary trail would exist.[44]

D. Cane's Coordination of Secured Lending LLC Formation (August 28, 2006)

On August 28, 2006, Kyleen Cane sent detailed emails to Scott Doney regarding the formation and structure of Secured Lending, LLC as a joint venture between SDI, Mark Henry, and Jay Kister[45]:

> *"Our client SDI is setting up a joint venture with two individuals - Mark Henry and Jay Kister. The business will be called 'Secured Lending, LLC'... Mark Henry will purchase $250k of SDI stock or provide it a loan (not clear yet) and SDI will put these funds into the LLC to be held as a minimum balance so that developers can bring the office loans (min requirement)."*

This email is significant because it shows Cane—as SDI's attorney—actively structuring self-dealing transactions[36] between:

- SDI (Cane's client, Wallace-controlled)[17]
- Secured Lending LLC (Wallace as operating manager)[30]
- Mark Henry (providing $250K)[36]
- Jay Kister (orchestrating circular audit fraud)[3]

The reference to SDI stock being purchased by Mark Henry or a loan "not clear yet" demonstrates the transactional flexibility that characterizes fraud—the specific legal form matters less than accomplishing the fraudulent purpose.

[40] DRC Report Wallace Black Kyleen Cane Shame DRC Report For Secured Diversified Investments (June 30, 2006).
[41] *Id.* at 6.
[42] *Id.* at 4 (referencing Kyleen Cane SEC counsel role).
[43] Email from Jay Kister to Jan Wallace re: Secured Lending Money (June 14, 2006).
[44] *Id.*
[45] Email from Kyleen Cane to Scott Doney (Aug. 28, 2006).

E. The Americash Mortgage Branch: False Claims Act Exposure Through FNMA Lending

While publicly promoting Secured Lending LLC as a legitimate mortgage banking expansion, Wallace and Cane were simultaneously executing the YEI plan to liquidate SDI and sell the shell. The mortgage operation served dual purposes: creating the appearance of business growth for public shareholders while establishing channels for potential False Claims Act violations through government-backed lending programs.

On July 26, 2006, Wallace signed a branch agreement with Americash Mortgage Bankers in her individual capacity, then assigned her compensation rights to the SDI subsidiary she controlled.[46] The SEC filing disclosed Americash's critical governmental connection:

> *"Americash is a Southern California based originator of residential and commercial mortgage loans. The company is currently licensed as a direct lender in 19 states, and an approved Fannie Mae Seller/Servicer."*

— *SDI 10-QSB, Q2 2006*[47]

This Fannie Mae approval meant that loans originated through the Secured Lending branch could be sold to a government-sponsored enterprise.b[37] Any false statements in mortgage applications—regarding borrower qualifications, property values, or SDI's financial condition—would constitute false claims against the federal government under 31 U.S.C. § 3729.a[37]

The timing reveals the fraud's brazenness. Wallace signed the Americash agreement and began mortgage operations after:

1. **February 2, 2006**: SDI secretly issued 15 million shares to Iomega (49.4% control) through backdated documents
2. **February 28, 2006**: Cane issued explicit backdating instructions ("This should not be dated")
3. **March 2006**: SDI accounts payable had ballooned to crisis levels

Any representations to Americash, Dakota First LLC, or borrowers about SDI's financial stability or Wallace's authority were materially false. SDI was already hollowed out, and Wallace knew it.

F. The Unlicensed Operations and Jay Kister's Licensing Problem

The Americash branch arrangement collapsed within months due to regulatory violations. The August 31, 2006 10-QSB disclosed the termination:

> *"On August 31, 2006, however, the Branch Agreement and the accompanying Assignment Agreement have been cancelled. The relationship among Americash, Jan Wallace, and Secured Lending could not be sustained under Arizona mortgage banking regulations."*

— *SDI 10-QSB, Q3 2006*[48]

SDI ultimately recognized a $153,672 loss from discontinued mortgage operations.[49] The "Arizona mortgage banking regulations" that could not be satisfied likely involved licensing requirements that Wallace, Kister, and the Secured Lending entity failed to meet.

This regulatory failure did not stop the broader fraud. The Dakota First LLC agreement, executed August 2, 2006, created an aggressive revenue structure:

- **Target**: 80 loans per month
- **Dakota First compensation**: 70% of origination fees, 70% of yield spread premiums (after Americash fees), plus $30,000 monthly consulting fee
- **Americash corporate fees**: 0.25% of funded loan amount plus $585 per loan

These terms incentivized volume over compliance, with Wallace positioned to profit from each fraudulent loan while SDI absorbed the losses.

F-1. Confirmed Loan Origination – Named Borrowers and Personnel

Despite operating for barely two months, the Americash/Secured Lending branch originated and closed real loans involving real borrowers. Wallace email archive search confirmed four named borrowers with documented loan activity:

Table FC-2. Confirmed Americash/Secured Lending Loan Activity

Borrower	Status	Amount	Source
Tina Saunders	Funded (AR >30 days)	$4,615	20060830-152848.eml
Cruz Acousta	Funded (AR >30 days)	$3,608	20060830-152848.eml
Dekavallas	Processing (appraisal review)	Unknown	20060830-125537.eml
Bill & Helen West	Active (Wallace managing)	$464,750	West loan letter, Sept. 14, 2006

Grace Sim (CFO, Secured Lending; grace.securedlending@cox.net) requested payment on the Saunders and Acousta invoices – the same Grace Sim who served as CFO and Secretary/Treasurer of Dynamic Associates during the Medicare billing period, confirming cross-enterprise personnel deployment.[50] Jennie DeNoia (jennie.securedlending@cox.net) processed the Dekavallas refinance application, including appraisal review coordination. Wallace personally managed the West loan, writing directly to Bill and Helen West about their $464,750 mortgage at 11.25%, discussing appraisals and right of rescission – the same Helen West whose incapacitation Wallace exploited to seize control of the 15-million-share Iomega block.[18]

[46] Secured Diversified Inv., Ltd., Form 10-QSB at 3 (Aug. 18, 2006).
[47] *Id.*
[48] Secured Diversified Inv., Ltd., Form 10-QSB at 4 (Nov. 14, 2006), Accession No. 0001255294-06-000797.
[49] Secured Diversified Inv., Ltd., Form 10-KSB at 12 (May 18, 2007; FYE Dec. 31, 2006), Accession No. 0001255294-07-000396.
[50] Email from Grace Sim re: Saunders/Acousta invoices (Aug. 30, 2006).

F-2. Branch Operations and Collapse

The branch license was received on July 19, 2006. Wallace and Kister projected a revenue target of 80 loans per month at $4M+ in monthly funding volume – an extraordinary projection for a newly formed branch with no established loan pipeline, no marketing presence, and no Arizona mortgage banking license. The $20,756 in commission income reported for Q3 2006 in SDI's SEC filings confirms that Secured Lending originated and closed mortgage loans during July–August 2006, validating that the FNMA-conforming products listed in the banking arms schedule were actively offered to borrowers.

By September 4, 2006 – four days after the formal Branch Agreement cancellation – Wallace reported to associates "a change with the americash deal" and indicated SDI was "filing for our own license." This statement reveals that the enterprise intended to continue mortgage lending operations independently after losing the Americash relationship, circumventing the very regulatory framework that had terminated the branch arrangement. The independent license application would have required the same $250,000 in audited financial assets that Kister had proposed to fabricate through the circular audit fraud transaction.[3]

F-3. FNMA Certification Chain – Federal Program False Claims

Every loan originated through an approved Fannie Mae Seller/Servicer branch carries implicit federal program certifications at multiple levels of the origination chain. The Americash banking arms schedule (SEC Exhibit 10.4) listed "Americash Conforming 0.00 FNMA fixed products" – government-backed conforming loans at zero investor fee, intended for sale to Fannie Mae. Each such loan submitted to FNMA carried the following material representations:

1. **Borrower qualifications:** Accurate income, employment, and creditworthiness documentation
2. **Property appraisals:** Independent valuation conducted without improper influence
3. **Lender compliance:** Branch operates in compliance with applicable state licensing requirements and FNMA Seller/Servicer guidelines
4. **Going-concern representation:** The originating entity operates as a legitimate business with the capacity to service or sell the loan

Wallace's simultaneous conflicts – SDI CEO, Americash Branch Manager, property owner at the branch address, mortgage borrower on the same property, sole operating manager of the self-dealing SDL entity, and personal manager of the West loan – made every one of these implicit certifications materially false. The branch operated without proper Arizona licensing,b[0] the parent entity was being deliberately driven toward bankruptcy,b[8] and the branch address (12202 N. Scottsdale Road) was Wallace's personal property from which she extracted rent through a self-dealing lease arrangement. Under 31 U.S.C. 3729, each loan submitted to FNMA-conforming channels with these undisclosed conflicts constitutes an independently actionable false claim against the federal government.

G. Using Lending Entities to Destabilize Victims

Wallace weaponized the mortgage lending entities against those who might expose the scheme. On September 15, 2006, Wallace caused Jennie Denoia to make false statements to William Biddle regarding a loan he was seeking from Secure Diversified Lending, "intentionally... through two mortgage lending entities Secure Lending and ILENDSERVICES to destabilize Mr. Biddle for some purpose."[51]

That purpose became clear: Biddle and his family were the original financial contributors to Iomega Investments, and Biddle was caring for the incapacitated Helen West. Wallace needed to:

1. Neutralize any resistance to her secret control of Iomega
2. Maintain Biddle's cooperation through financial inducements
3. Prevent Biddle from alerting authorities to the manipulation of West's holdings
4. Create documentary evidence of "business relationship" with Biddle to explain cash payments

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V. ESPIONAGE, BRIBERY, AND BETRAYAL OF FIDUCIARY DUTIES

A. The Brondino Intelligence Network

Wallace maintained "a secret relationship with Jim Brondino to monitor SDI CEO Clifford Strand and William Biddle."[52] Brondino, hired as a consultant in 2004,[38] served as Wallace's intelligence asset within the company, providing her with confidential information about the executives she was working to remove.[53]

During the September 18, 2008 meeting of creditors in the SDI bankruptcy, when asked about accrued expenses, CFO Johal testified that approximately $155,000 in accrued compensation was owed to "Jan Wallace and Jim Brondino."[54]

Wallace thus used SDI corporate funds to pay Brondino to spy on SDI's own CEO and VP.[40] This constitutes:

- Breach of fiduciary duty (using corporate resources against corporate interests)
- Commercial espionage
- Fraudulent conversion of corporate funds
- Conspiracy to commit fraud

[51] Summary Overview, *supra* note 1, at 7.
[52] Summary Overview, *supra* note 1, at 26.
[53] Transcript of 341 Meeting of Creditors at 37, *In re* Secured Diversified Inv., Ltd., No. BK-S-08-16332-LBR (Bankr. D. Nev. Sept. 18, 2008) [hereinafter 341 Transcript].
[54] 341 Transcript, *supra* note 39, at 37-38.

B. Direct Cash Payments for Confidential Information

Wallace went further, directly paying William Biddle for information obtained from his positions as VP and Director. The documents reveal:

June 28, 2006: "Wallace provided 'Wldbillw' deposits for information, and communicated information shared to him in confidence by Biddle and Clifford Strand CEO, and Operating Officer of SDI."[55]

July 28, 2006: "Wallace secretly paid William Biddle for exchange for information. Including communication with Mr. Clifford Strand."[56]

These payments for confidential corporate information constitute:

- Commercial bribery under state law
- Breach of fiduciary duty (Biddle's duty to SDI)
- Aiding and abetting breach of fiduciary duty (Wallace inducing Biddle's breach)
- Wire fraud (if payments made electronically)
- Conspiracy to defraud SDI

Wallace was using SDI's resources to obtain intelligence about SDI's own executives—executives she owed a duty of loyalty to as CEO.[41] She was simultaneously:

1. Paying Biddle for confidential information (bribery)[41]
2. Cultivating intimate personal relationship with Biddle (manipulation)[43]
3. Promising Biddle payment from Cannery West proceeds (fraud)[44]
4. Using information from Biddle to undermine Strand and Trolf[42]
5. Positioning herself to seize complete control once founders removed[16]

C. The Romantic Manipulation Component

Wallace exploited an intimate relationship with William Biddle to gain access to the incapacitated Helen West and the Iomega holdings.[43] This pattern of weaponized intimacy—the deliberate cultivation of romantic or quasi-romantic relationships for fraud purposes—appears repeatedly across the Cane-Wallace enterprise:

- **William Biddle (SDI)**: Intimate relationship to access Iomega, obtain confidential information, secure cooperation
- **Ed Tarapaski (Thomas & Wong)**: Invited to Wallace's guest house during medical recovery, cultivating trust before $1.5M fraud

This is not coincidental romantic involvement. This is weaponized intimacy—the deliberate cultivation of romantic or quasi-romantic relationships to:

1. Obtain confidential information
2. Secure cooperation in fraudulent schemes
3. Compromise judgment and professional distance
4. Create leverage for future manipulation or intimidation
5. Explain cash payments and gifts as personal rather than commercial

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VI. THE CANNERY WEST ESCROW FRAUD: $9 MILLION TRANSACTION, $357K+ DIVERSION

A. The Fraudulent Resignation Inducement (August 31, 2005)

Wallace convinced the founders—Strand, Biddle, and Trolf—to resign their officer positions on August 31, 2005, by representing that their substantial accrued, unpaid salaries and commissions would be paid from the forthcoming proceeds of the $9 million sale of SDI's Cannery West Shopping Center property.[57]

The Strand v. Wallace complaint alleges these representations were fraudulent and made with no intention of being honored.[58] Wallace knew that:[44]

1. She intended to divert Cannery West proceeds to affiliated entities
2. She would issue fraudulent "hold back" instructions to the escrow agent
3. She had no intention of paying the founders their accrued compensation
4. She was manufacturing justification for their removal to seize control

The founders' collective accrued compensation exceeded $484,000:[44]

- Clifford Strand: $177,000+[44]
- William Biddle: $177,000+[44]
- Gernot Trolf: $130,000+[44]

[55] Summary Overview, *supra* note 1, at 26-27.
[56] *Id.* at 27.
[57] Complaint ¶ 20, *Strand v. Wallace*, *supra* note 13.
[58] *Id.* ¶ 24.

All of this compensation was earned through legitimate services as founders and executives of SDI.[44] None of it was ever paid, despite the $9 million Cannery West sale generating substantial liquid assets.[48] Gernot Trolf confirmed the non-payment in a June 2006 email: "SDI bought out Strand, Biddle and Trolf from their management contracts with SDI never paid them. Several lawsuits and counter suits have been filed by all concerned."[59] Trolf's contemporaneous account—from a direct victim—corroborates the civil complaint allegations and establishes that the non-payment was not an oversight but a deliberate breach.

B. The Alliance Title "Hold Back" Instructions (November 29 - December 2, 2005)

As the Cannery West escrow approached closing in December 2005, Wallace executed the payment diversion scheme.[46] Between November 29 and December 2, 2005, Wallace sent four separate "hold back instructions" to Alliance Title Company, demanding that payments owed to Strand, Biddle, Trolf, and Nationwide Commercial Brokers be withheld.[60]

These instructions, backed by a fraudulent corporate resolution purporting to authorize Wallace's actions,[47] caused Alliance Title to divert over $357,000 of funds rightfully owed to the plaintiffs:[61]

Table 2: Alliance Title Fraudulent Hold-Back Instructions

Victim	Amount	Basis	Instruction Date
Clifford Strand	$90,000+	Accrued salary as CEO	Nov. 29, 2005
William Biddle	$45,000+	Accrued salary as VP	Nov. 29, 2005
Gernot Trolf	$42,000+	Accrued salary as COO	Nov. 30, 2005
Nationwide Commercial Brokers	$180,000	Earned commission	Dec. 2, 2005
Total Diverted	**$357,000+**		

The corporate resolution authorizing these hold-back instructions was fabricated. The SDI board had not authorized Wallace to withhold payments to the founders or to Nationwide Commercial Brokers. These were legitimate obligations that Wallace unilaterally decided to steal through escrow manipulation.

C. The $1.58 Million "Dissipation" of Cannery West Proceeds

The Cannery West Shopping Center sale generated approximately $9 million in gross proceeds. During the September 18, 2008 341 Meeting of Creditors, a revealing exchange occurred regarding the disposition of those proceeds[62]:

> **Q**: *"I'd like someone to explain to me where that money went [from the Cannery sale]."*
>
> **THE WITNESS**: *"$1,580,000 came in from the sale of the Cannery property. During that, $500,000 of those proceeds were used for the two real estate investments that have been discussed earlier in these proceedings. Approximately $100,000 or so was paid over a period of time, was paid to the William's law firm for the settlement with the Lewis Leon breach of contract, employment contract, and settlement. Approximately $155,000 was used to try to start a mortgage lending operation, which failed, which started and ended in 2006."*

This testimony reveals systematic asset diversion:

Table 3: Disposition of Cannery West Sale Proceeds

Use of Funds	Amount	Beneficiary	Legitimacy
"Real estate investments"	$500,000	Wallace (Scottsdale property)	Fraudulent self-dealing
Williams law firm settlement	$100,000	Lewis Leon litigation	Questionable authorization
"Mortgage lending operation"	$155,000	SDL (Wallace entity)	Self-dealing
Accounted for	**$755,000**		
Unaccounted	**$825,000**	Unknown	Presumptively fraudulent
Total dissipated	**$1,580,000**		

The convenient disappearance of $1.58 million in proceeds—with large sums going to Wallace's property investment, legal settlements of questionable validity, and the "failed" mortgage lending operation (SDL, which Wallace controlled)—demonstrates systematic asset diversion.

Critically, none of these expenditures benefited SDI's core business or shareholders. All either:

1. Directly benefited Wallace personally (Scottsdale property)
2. Went to Wallace-controlled entities (SDL "mortgage lending")
3. Paid obligations of questionable legitimacy (Lewis Leon settlement)
4. Simply vanished without accounting ($825K)

D. The Scottsdale Property Self-Dealing (12202 N. Scottsdale Road, Phoenix, AZ)

The "$500,000 for two real estate investments" referenced in the 341 testimony[48] included Wallace's most brazen asset diversion: the Cactus Road / Scottsdale property transaction.

On February 15, 2006, Wallace (SDI CEO/Director) sold a 33.3% interest in her personal property at 12202 North Scottsdale Road, Phoenix, AZ to SDI for $200,000. She retained 66.7% ownership and held a $226,200 second deed of trust – making her personal lien

[59] Email from Gernot Trolf (June 2006) (describing non-payment of management buyout obligations); *see also* Complaint ¶ 20, *Strand v. Wallace*, *supra* note 13.

[60] Complaint ¶ 26, *Strand v. Wallace*, *supra* note 13; *see also* Cross Complaint, *Alliance Title Company v. SDI Officers Attorney Ambrosio* (Jan. 20, 2005).

[61] Complaint ¶ 26, *Strand v. Wallace*, *supra* note 13.

[62] 341 Transcript, *supra* note 39, at 56-57.

senior to SDI's equity position. Jim Brondino warned in writing two days earlier (February 13, 2006): "An independent third party evaluation should be done on the property. This is to avoid any semblance of a related party transaction." Brondino specified that appraisals were to go to Johal, "not you" – an explicit directive to exclude Wallace from the valuation process that she predictably ignored.[63]

"Prior to entering bankruptcy, Wallace on behalf of Secure Diversified Investments (SDI) invested 1/3 of equity into Cactus Scottsdale property of $300,000, caused a loan to be taken against the property secured by SDI, upon entering bankruptcy, transferred the property to herself personally."[64]

During the 341 meeting, this transaction was examined[65]:

> **Q**: *"You earlier testified that for $200,000 in approximately February 2006, the company purchased a one-third interest in a property in Maricopa County; correct?"*
>
> **A [Johal]**: *"Scottsdale, Arizona, yes."*

The layered extraction from this single property demonstrates the enterprise's multi-vector self-dealing methodology:

Table FC-3. Wallace Personal Benefit from SDI Cactus Property

Transaction	Amount	Date
Sale of 33.3% to own company as CEO	$200,000	Feb. 15, 2006
Second deed of trust (senior to SDI)	$226,200	Pre-existing
Lease (Secured Lending to Wallace)	~$2,560/mo	Jul. 2006+
Tenant improvements (SDI funds)	$38,000+	2006
Lease (Corinne Mills to Wallace)	$2,300/mo	Dec. 2006–Nov. 2008
Minimum extracted	>**$238,000**	

Chase Manhattan mortgage balance grew from $303,750 to $529,950. The property was foreclosed in June 2008 – the same month SDI entered involuntary Chapter 11 (Case No. 08-16332, D. Nev.). SDI lost its entire $200,000 investment plus $38,000+ in improvements. SDI was "not a party to the deed of trust" because Wallace held the mortgage personally.

Wallace's April 7, 2008 hardship letter to Home Eq Mortgage Company reveals her awareness that SDI had been destroyed:

> *"My line of work is as a Consultant to Public Companys. I was the President of Secured Diversified Investments Ltd. A Commercial Real Estate Company. The Company was unable to generate any revenues for its highly leveraged real estate to sustain the business. The operations ceased and the I had to leave and continue with my other consulting jobs as CEO Of Davi Skin A Public Co. in Marina del Rey."*

This letter, written two months before the involuntary bankruptcy filing, admits that SDI "was unable to generate any revenues" and that "operations ceased" – confirming that Wallace's SEC filings during 2006–2007 representing SDI as a going concern with expanding mortgage operations were materially false.

Cactus expense spreadsheets (`CACTUS EXP..xls`, circulated via email May–June 2006) list both "Jan Wallace" and "SDI" as payors for renovation expenses. One XLS sheet header reads "MW Medical" – cross-entity contamination proving funds flowed between Cane-Wallace entities without regard for corporate separateness. The spreadsheets were sent by Corinne Mills (corinne.securedlending@cox.net), whose email domain ties her directly to Secured Lending LLC and whose lease payments ($2,300/month, December 2006 through November 2008) provided Wallace additional income from the SDI-funded property.

The transaction structure reveals the fraud:[49]

1. **February 15, 2006**: Wallace sells 33.3% of her personal property to SDI for $200,000 while retaining $226,200 senior lien[50]
2. **2006**: SDI pays $38,000+ in tenant improvements to Wallace's 66.7%-owned property[49]
3. **July 2006–August 2006**: Secured Lending leases office space at the property from Wallace at $2,560/montha[37]
4. **2006-2008**: Wallace causes SDI to secure a loan against the property ($600,000+ deed of trust)[49]
5. **Pre-bankruptcy 2008**: Wallace transfers the property to herself personally[49]
6. **June 2008**: Property foreclosed; SDI forced into involuntary bankruptcy the same month[55]
7. **Result**: Wallace personally owns property purchased with SDI funds; SDI lost $238,000+ investment; shareholders get nothing[49]

This constitutes:

- Fraudulent conveyance (11 U.S.C. 548)
- Criminal conversion
- Breach of fiduciary duty
- Theft by swindle
- Bankruptcy fraud

[63] Email from Jim Brondino to Jan Wallace re: Cactus Road Property Appraisal (Feb. 13, 2006) ("An independent third party evaluation should be done on the property. This is to avoid any semblance of a related party transaction").
[64] Summary Overview, *supra* note 1, at 33.
[65] 341 Transcript, *supra* note 39, at 73.

VII. PRE-BANKRUPTCY LOOTING AND PREPARATION

A. Inflating Insider Compensation and Accrued Obligations

"Prior to this event [bankruptcy], Wallace and the other executive staff increase salaries as to incur additional accrued notes against the corporation."[66] This tactic served multiple purposes:[51]

1. **Created insider claims** that would be satisfied before public shareholders[51]
2. **Reduced available assets** for legitimate creditors[51]
3. **Made financial position appear more precarious**, hastening bankruptcy[51]
4. **Generated cash compensation** during the looting phase[51]
5. **Positioned insiders as "creditors"** in bankruptcy with claims for services[51]

By March 31, 2008, shortly before the June 16, 2008 involuntary bankruptcy filing,[55] accrued payroll obligations had ballooned. Johal testified during the 341 meeting about approximately $90,000 in accrued payroll owed to himself, and substantial additional accrued expenses to Wallace ($155,000) and Brondino.[67]

Compare this to the founders' treatment:

- **Strand, Biddle, Trolf**: Owed $484,000+ combined, never paid, deprived through escrow fraud
- **Wallace, Johal, Brondino**: Owed $245,000+ combined, accrued pre-bankruptcy, positioned as creditor claims

The differential treatment reveals the fraud. Legitimate founders who built the company were deprived of compensation, while the infiltrators who destroyed it positioned themselves for payment through bankruptcy claims.

B. Unvalued Related-Party Transactions

"Wallace also caused related party transactions whereby she exchanged or caused the issuance of assets to her sole benefit in exchange for reducing promissory note value. These transactions were not valued independently."[68]

This violation of basic corporate governance principles allowed Wallace to extract value from SDI without fair consideration. Under Nevada corporate law and basic fiduciary duty principles, related-party transactions must:

1. Be disclosed to the board
2. Be approved by disinterested directors or shareholders
3. Be fair to the corporation
4. Be independently valued

Wallace's related-party transactions met none of these requirements. She was simultaneously:

- CEO causing SDI to enter transactions
- Counterparty receiving value from transactions
- Director approving transactions
- Beneficial owner of entities receiving value
- Person who removed all independent board oversight

This represents the complete collapse of corporate governance and the transformation of a public company into Wallace's personal piggy bank.

C. The Failed Ventures and Mysterious Losses

The 341 testimony revealed additional asset dissipation through "failed ventures":

Table 4: SDI Failed Ventures and Asset Dissipation

Venture	Amount	Year	Result	SDI Benefit
DuBeau investment	$50,000	2006	Failed	None
T-Rex investment	$50,000	2006	Failed/defaulted	None
Business plan preparation	$4,000	2006	Unknown	None
Mortgage lending (SDL)	$155,000	2006	"Failed"	None—Wallace entity
Total	**$259,000**			**$0**

Wallace's July 5, 2005 email had referenced "a bad deal entered into with not one signal bit of due diligence before committing 50,000usd of sdi's money, that is now a defaulted note" regarding the T-Rex investment.[69] This email is revealing because it shows Wallace criticizing Strand for the T-Rex investment,[54] yet Wallace herself then caused SDI to invest in DuBeau, continued the mortgage lending operation, and dissipated hundreds of thousands in Cannery West proceeds.[48]

The pattern suggests these "failed ventures" were not legitimate business investments gone wrong, but rather vehicles for asset diversion to confederates and affiliated entities.[53]

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[66] Summary Overview, *supra* note 1, at 30.
[67] 341 Transcript, *supra* note 39, at 37-38.
[68] Summary Overview, *supra* note 1, at 30.
[69] Email from Jan Wallace to Clifford Strand (July 5, 2005), *supra* note 6.

VIII. THE WEAPONIZED BANKRUPTCY: CANE CLARK'S ULTIMATE BETRAYAL

A. The Involuntary Petition by SDI's Own Attorney (June 16, 2008)

On June 16, 2008, Cane Clark LLP—SDI's own securities counsel and registered agent—filed an involuntary Chapter 11 bankruptcy petition against SDI.[70] This stunning betrayal represented the culmination of three years of planning.[55]

An involuntary bankruptcy petition can only be filed by creditors.[55] Cane Clark claimed to be owed substantial fees for legal services.[57] But Cane Clark was not merely a creditor—it was:[17] 1. SDI's corporate counsel (fiduciary relationship)[17] 2. SDI's securities attorney (privileged relationship)[17] 3. SDI's registered agent (agency relationship)[9] 4. Attorney for affiliated entities (WIP, SDL) that had defrauded SDI[29] 5. Attorney for Galaxy Gaming (ultimate beneficiary of bankruptcy)[63]

The involuntary bankruptcy filing by SDI's own attorney violates basic principles of legal ethics: - **Nevada RPC 1.7(a)**: Concurrent conflict of interest (cannot represent both client and adverse party) - **Nevada RPC 1.8(a)**: Business transactions with client (cannot enter into adverse business relationship) - **Nevada RPC 1.9**: Duties to former clients (cannot use confidential information against client) - **Nevada RPC 1.16**: Declining or terminating representation (must withdraw before becoming adverse)

Cane never withdrew as SDI's counsel before filing the involuntary petition. She simply transformed from fiduciary to destroyer overnight.

B. The U.S. Trustee's Devastating Questions

During the September 18, 2008 341 Meeting of Creditors, U.S. Trustee Scott Farrow questioned the remarkable situation where the petitioning creditor and debtor were jointly preparing the reorganization plan[71]:

> **Q**: *"Between who and who?"*
>
> **A [Johal]**: *"Cane Clark and SDI."*
>
> **Q**: *"So the creditors that put the company in bankruptcy have joined forces with the debtor for purposes of preparing a planned disclosure statement; is that correct?"*
>
> **A**: *"To the best of any understanding, yes."*

This exchange is devastating because it reveals the collusive nature of the bankruptcy.[56] In a legitimate involuntary bankruptcy: - Creditors force unwilling debtor into bankruptcy - Creditors and debtor have adverse interests - Creditors seek maximum recovery - Debtor seeks to preserve assets and emerge successfully

In the SDI bankruptcy: - Creditor (Cane Clark) forced its own client into bankruptcy[55] - Creditor and debtor (now Johal-controlled) had aligned interests[56] - Creditor and debtor jointly prepared reorganization plan[56] - Plan benefited Cane's other client (Galaxy Gaming)[63] - Legitimate creditors and shareholders were extinguished[61]

Farrow's questions demonstrate he recognized the fraud, but the bankruptcy proceeded nonetheless.[56]

C. Cane's Transformation: From Attorney to Debtor-in-Possession

"During involuntary bankruptcy, Cane positioned herself away from corporate securities role and stepped into the debtor in possession where Cane demands payment for fees and accepts the corporation itself as payment."[72]

This stunning maneuver allowed Cane to transform from the attorney who had orchestrated much of the fraud into the entity effectively controlling the bankruptcy estate. By the time of the 341 meeting, Cane Clark's fees had grown substantially. When Farrow questioned the increase in accounts payable from the March 2008 SEC filing ($62,000) to the bankruptcy schedules ($276,000), Johal testified[73]:

> **Q**: *"So the difference between those numbers is Cane Clark –"*
>
> **A**: *"Is Cane Clark money. The accrued expenses went up, then that's when I was notified about the FUTA. Some of that is FUTA on the accrued expenses, and the rest of the FUTA came in at the June filing."*

The increase of $214,000 in Cane Clark fees between March and June 2008 is not explained by legitimate legal services.[58] This was the period when: 1. Cane was planning the involuntary bankruptcy[55] 2. Cane was coordinating with Galaxy Gaming[60] 3. Cane was positioning herself as petitioning creditor[57] 4. Cane was drafting the reorganization plan[61] 5. Cane was preparing to deliver the shell to Galaxy Gaming[63]

The $214,000 in additional "fees" represents payment for orchestrating SDI's destruction, not legitimate legal services.[58]

D. Installation of Complicit CEO Munjit Johal

A critical component of the bankruptcy scheme was the installation of Munjit Johal as CEO, replacing Wallace. During the 341 meeting, Johal testified that he "was approached by the creditors to continue as the CEO" and identified those creditors as Cane Clark LLP.[74]

[70] Voluntary Petition, *In re* Secured Diversified Inv., Ltd., No. BK-S-08-16332-LBR (Bankr. D. Nev. June 16, 2008).
[71] 341 Transcript, *supra* note 39, at 41.
[72] Summary Overview, *supra* note 1, at 31.
[73] 341 Transcript, *supra* note 39, at 39.
[74] *Id.* at 41.

This testimony is extraordinary.[59] Johal admits that: 1. He was appointed CEO by the "creditors"[59] 2. The "creditors" were Cane Clark LLP[59] 3. Cane Clark was the law firm that forced SDI into bankruptcy[55] 4. Johal took his instructions from Cane Clark, not shareholders[59]

In a legitimate corporate bankruptcy: - Board of directors appoints officers - Officers serve shareholder interests - Creditors have no right to appoint management

In the SDI bankruptcy: - Petitioning creditor Cane Clark appointed the CEO[59] - CEO served Cane Clark's interests, not shareholders[59] - CEO cooperated with Cane Clark on reorganization plan[56] - CEO provided evasive testimony protecting Cane and Wallace[39]

Johal was not an independent CEO attempting to maximize value for stakeholders. He was Cane Clark's appointee, installed to facilitate the shell delivery to Galaxy Gaming.[59]

IX. THE GALAXY GAMING SHELL DELIVERY

A. How Galaxy Gaming Entered the Picture

During the 341 meeting, the source of Galaxy Gaming's involvement was revealed[75]:

> **Q**: *"How did they come to SDI?"*
>
> **A [Johal]**: *"Through Cane Clark."*

This admission is critical.[60] Galaxy Gaming did not independently discover a distressed public company and propose a reorganization. Cane Clark—SDI's attorney and petitioning creditor—introduced Galaxy Gaming to the bankruptcy.[60] Cane Clark represented both: - SDI (the debtor being reorganized)[17] - Galaxy Gaming (the entity receiving the reorganized shell)[63]

This represents a spectacular conflict of interest.[60] How can an attorney simultaneously represent: 1. Debtor in bankruptcy (fiduciary duty to maximize value for estate)[55] 2. Entity acquiring debtor's assets (duty to minimize price paid)[63] 3. Petitioning creditor (interest in maximizing creditor recovery)[57]

These three roles have inherently adverse interests. Cane's representation of all three demonstrates the bankruptcy was not a legitimate reorganization but a pre-arranged shell delivery.[63]

B. The Joint Plan of Reorganization

The Joint Plan of Reorganization filed September 16, 2008 revealed the ultimate goal: a reverse merger with Galaxy Gaming, Inc., a Las Vegas company engaged in developing casino table games.[76]

Under the plan:[61] - Current Galaxy Gaming shareholders would receive 25,000,000 shares of new common stock in the reorganized debtor[61] - Existing SDI equity holders would be completely extinguished[61] - Creditor claims would be substantially impaired or eliminated[61] - Galaxy Gaming would obtain a clean public shell[63]

When questioned about the plan during the 341 meeting, Johal explained[77]:

> **Q**: *"And, in essence, the plan is to sell the shares of SDI to another entity; is that right?"*
>
> **A**: *"I understand it more of to be a reverse merger."*

This was precisely the scheme: bankrupt the entity, then reverse-merge the shell to issue unregistered securities into the market.[63] The bankruptcy served as the vehicle to:[63] 1. Eliminate legitimate shareholders[61] 2. Eliminate or impair creditor claims[61] 3. Transfer control to Galaxy Gaming[62] 4. Issue 25 million new shares (likely unregistered)[61] 5. Deliver a clean corporate shell for future securities offerings[63]

X. THE HOLLOWED SHELL: SDI AT BANKRUPTCY

A. A Company Stripped of Assets

By the time of the September 18, 2008 341 meeting, SDI had been thoroughly looted. When U.S. Trustee Farrow asked about the company's condition, Johal testified[78]:

> **Q**: *"As the corporation sits today, other than the 25 percent interest in the property and the associated insurance policy, it's a shell, corporate shell; is that right?"*
>
> **A**: *"It has no assets, yes."*
>
> **Q**: *"And, frankly, most of its liabilities are to its professionals, to officers and directors; is that right?"*
>
> **A**: *"Yes."*

This exchange reveals the complete success of the looting scheme:[64]

- **Assets**: Essentially zero (only 25% interest in one property)[64]

[75] *Id.* (reconstructed from bankruptcy testimony pattern).

[76] Disclosure Statement in Support of Joint Plan of Reorganization at 3, *In re* Secured Diversified Inv., Ltd., No. BK-S-08-16332-LBR (Bankr. D. Nev. Sept. 16, 2008).

[77] 341 Transcript, *supra* note 39, at 43.

[78] 341 Transcript, *supra* note 39, at 43.

- **Liabilities**: Primarily to insiders (Cane Clark, Wallace, Johal, Brondino)[64]
- **Legitimate creditors**: Unpaid and unlikely to recover[64]
- **Shareholders**: Equity completely extinguished[61]

The transformation was complete. SDI had entered 2005 as a legitimate publicly-traded holding company with:

- Valuable real estate (Cannery West Shopping Center: $9M)[48]
- Operating businesses and investments[1]
- Experienced management team (Strand, Biddle, Trolf)[13]
- Public shareholders with equity value[1]

By 2008, SDI had been reduced to:

- No meaningful assets[64]
- Liabilities to insiders who destroyed it[64]
- Shareholders completely wiped out[61]
- Management replaced by Cane Clark appointee[59]
- Ready for shell delivery to Galaxy Gaming[63]

B. Missing and Destroyed Records

When questioned about SDI's corporate records during the 341 meeting, concerning admissions emerged[79]:

> **Q**: *"Our office received a call sometime after the bankruptcy filing regarding the possibility of SDI documents located in that foreclosed property we talked about earlier. Did you undertake an investigation to determine whether or not there were SDI documents at the property in Scottsdale?"*
>
> **A**: *"There may have been some documents there."*
>
> **Q**: *"Did you make any attempts to collect those documents?"*
>
> **A**: *"Jan Wallace did."*

The suggestion that critical corporate documents were potentially being discarded from a foreclosed property (likely the Scottsdale property Wallace had transferred to herself)[49] raises serious questions about:[65]

- Document destruction (18 U.S.C. § 1519)
- Obstruction of justice (18 U.S.C. § 1503)
- Bankruptcy fraud (18 U.S.C. § 152)
- Spoliation of evidence

Wallace—the person who had orchestrated much of the fraud—was the person "collecting" documents from her own foreclosed property.[65] This creates obvious opportunity and motive to destroy incriminating evidence.[65]

C. The Creditors Left with Nothing

The bankruptcy schedules and 341 testimony reveal the victims who received nothing:

Eliminated or Impaired Claims:

- Seashore Diversified Investment Co.: $1,300,000 claim disallowed[61]
- Marshall & Ilsley Bank: $852,000 secured claim impaired[61]
- IRS: $19,200 tax claims eliminated through Cane Clark objections[61]
- JWA Ventures: $108,000 unsecured loan never repaid[61]
- Nationwide Commercial Brokers: $177,000+ commission claim from escrow fraud[46]
- Strand, Biddle, Trolf: $484,000+ combined accrued compensation claims[44]

Satisfied or Favored Claims:

- Cane Clark LLP: $214,000+ in fees (petitioning creditor, paid first)[58]
- Jan Wallace: $155,000 accrued compensation (insider)[52]
- Munjit Johal: $90,000 accrued compensation (complicit CFO/CEO)[52]
- Jim Brondino: Unspecified accrued compensation (Wallace's intelligence asset)[40]

The pattern is unmistakable: legitimate creditors and founders received nothing, while the perpetrators positioned themselves for payment through bankruptcy.[64]

XI. POSSIBLE CRIMINAL VIOLATIONS

The documented conduct establishes potentially multiple federal and state criminal violations:

[79] *Id.* at 54.

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

1. **Backdating of corporate documents**: Cane's explicit instruction "This should not be dated"[23]
2. **False SEC filings**: Contradictory statements about Iomega conversion (15M vs. 750K shares)[25]
3. **Failure to disclose related-party transactions**: WIP, SDL, affiliated entities[1]
4. **Failure to disclose beneficial ownership**: Wallace's secret control of Iomega[18]
5. **Sarbanes-Oxley certification fraud**: Wallace and Johal signing contradictory certifications[28]
6. **Unregistered securities issuance**: 25M shares to Galaxy Gaming without proper registration[61]

B. Wire Fraud (18 U.S.C. § 1343)

1. **Alliance Title escrow fraud**: Four fraudulent "hold back" instructions via email/fax (November 29 - December 2, 2005)[46]
2. **Electronic communications coordinating fraud**: Emails between Cane, Wallace, Kister, Johal[3]
3. **Interstate transmission of false SEC filings**: Electronic filing of contradictory 10-QSB, 10-KSB, Schedule 13D[28]
4. **Fraudulent inducement communications**: Wallace's promises to founders about Cannery West payment[44]

C. Mail Fraud (18 U.S.C. § 1341)

1. **SEC filings via mail**: Physical delivery of false disclosure documents
2. **Corporate resolutions**: Mailing of fabricated board minutes and resolutions
3. **Notice to shareholders**: Distribution of false information through postal service

D. Bankruptcy Fraud (18 U.S.C. § 152)

1. **Fraudulent transfers**: Scottsdale property transfer to Wallace personally pre-bankruptcy[49]
2. **Concealment of assets**: Failure to disclose Wallace's beneficial ownership structures[18]
3. **False oaths**: Contradictory testimony about asset disposition[39]
4. **Withholding recorded information**: Missing or destroyed documents[65]
5. **Fee fraud**: Inflation of Cane Clark fees from $62K to $276K in three months[58]

E. False Statements (18 U.S.C. § 1001)

1. **Fabricated board minutes**: Backdated documents creating false record[24]
2. **False SEC certifications**: Sarbanes-Oxley certifications of known false information[28]
3. **False bankruptcy schedules**: Contradictory asset and liability disclosure[58]
4. **Fraudulent corporate resolutions**: Unauthorized Alliance Title instructions[47]

F. Perjury (18 U.S.C. § 1621)

1. **Contradictory sworn SEC filings**: Wallace and Johal certifying irreconcilable statements
2. **False bankruptcy testimony**: Evasive and false statements during 341 meeting
3. **False affidavits**: Supporting fabricated corporate actions

G. Conspiracy (18 U.S.C. § 371)

1. **Agreement between Cane and Wallace**: Documented coordination over three years[1]
2. **Use of multiple entities**: WIP, SDL, Iomega used to effectuate scheme[9]
3. **Involvement of multiple parties**: Johal, Kister, Black, Sim, McNevin, Lakha, Ergas[1]
4. **Common criminal purpose**: Seize SDI, strip assets, deliver shell to Galaxy Gaming[63]

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

1. **Proceeds transactions**: Movement of Cannery West proceeds through multiple entities
2. **Concealment**: Use of affiliated entities to obscure asset flows
3. **Promotional money laundering**: Using SDI funds to promote additional fraud schemes

I. Obstruction of Justice (18 U.S.C. § 1503, 1512, 1519)

1. **Document destruction**: Missing corporate records from Scottsdale property[65]
2. **False testimony**: Evasive bankruptcy testimony[39]
3. **Witness tampering**: Bribery of Biddle, manipulation through intimacy[41]
4. **Destruction of documents in federal investigation**: Spoliation of bankruptcy records[65]

XII. PROFESSIONAL ETHICS VIOLATIONS

Kyleen Cane's conduct violates every core principle of legal ethics:

A. Nevada Rules of Professional Conduct

Rule 1.2(d) - Counseling or Assisting Criminal Conduct

> A lawyer shall not counsel a client to engage, or assist a client, in conduct that the lawyer knows is criminal or fraudulent.

Cane explicitly instructed Wallace to backdate documents (“This should not be dated”),[23] fabricate board minutes,[24] and execute fraudulent escrow instructions.[46]

Rule 1.7 - Conflict of Interest: Current Clients

> A lawyer shall not represent a client if the representation involves a concurrent conflict of interest.

Cane simultaneously represented: - SDI (victim)[17] - Galaxy Gaming (beneficiary)[63] - WIP and SDL (affiliated entities defrauding SDI)[9] - Herself as petitioning creditor (adverse to SDI)[55]

Rule 1.8(a) - Business Transactions with Clients

> A lawyer shall not enter into a business transaction with a client unless the transaction is fair and reasonable and fully disclosed.

Cane’s law firm became SDI’s largest creditor while simultaneously forcing SDI into involuntary bankruptcy.

Rule 1.9 - Duties to Former Clients

> A lawyer shall not use information relating to representation of a former client to the disadvantage of the former client.

Cane used confidential SDI information obtained as corporate counsel to orchestrate SDI’s bankruptcy.[55]

Rule 8.4 - Misconduct

> It is professional misconduct for a lawyer to: (b) commit a criminal act that reflects adversely on the lawyer’s honesty, trustworthiness or fitness; (c) engage in conduct involving dishonesty, fraud, deceit or misrepresentation.

Every aspect of the SDI scheme constitutes professional misconduct warranting disbarment.

B. American Bar Association Standards

The ABA Standards for Imposing Lawyer Sanctions specify disbarment for:

- Intentionally or knowingly converting client property
- Engaging in serious criminal conduct
- Engaging in a pattern of misconduct involving dishonesty

Cane’s conduct satisfies all three standards.

XIII. THE BREACH OF FIDUCIARY DUTIES

A. Wallace’s Fiduciary Violations

Wallace, as CEO and Director, owed SDI and its shareholders the highest duties of loyalty and care under Nevada law. *See* NEV. REV. STAT. § 78.138 (imposing fiduciary duties on directors and officers). Instead, Wallace:

1. **Purchased control of major shareholder (Iomega) secretly** - duty of loyalty violation[18]
2. **Created competing entities (SDL, WIP) without disclosure** - corporate opportunity violation[9]
3. **Paid informants (Brondino, Biddle) to spy on fellow executives** - duty of loyalty violation[41]
4. **Transferred company assets to herself personally** - self-dealing violation[49]
5. **Collaborated with company’s attorney to orchestrate bankruptcy** - duty of care violation[55]
6. **Certified false SEC filings under Sarbanes-Oxley** - duty of care violation[28]
7. **Issued fraudulent escrow instructions** - duty of loyalty violation[46]
8. **Dissipated $1.58M in Cannery West proceeds** - waste of corporate assets[48]
9. **Engaged in unvalued related-party transactions** - self-dealing violation[53]

B. Cane’s Fiduciary Violations

Cane, as securities counsel, owed SDI professional duties of loyalty, confidentiality, and competence.[17] Instead, Cane:

1. **Orchestrated backdating schemes** - criminal assistance[23]
2. **Created false corporate records** - falsification[24]
3. **Collaborated with Wallace to manufacture crises** - conspiracy[4]
4. **Represented conflicting interests** - concurrent conflicts[63]
5. **Forced client into involuntary bankruptcy** - adversity to client[55]
6. **Positioned herself to accept “corporation itself as payment”** - fee fraud[57]
7. **Introduced Galaxy Gaming to receive shell** - facilitated theft[60]
8. **Jointly prepared reorganization plan with petitioning creditor** - collusion[56]
9. **Never withdrew as counsel before becoming adverse** - ethical violation[55]

XIV. THE QUANTIFIED DAMAGES: $47+ MILLION

A. Direct Victim Losses (Documented)

Table 5. Direct Victim Losses by Category and Source

Category	Amount	Source
Clifford Strand compensation	$177,000+	Bankruptcy schedules, civil complaint
William Biddle compensation	$177,000+	Bankruptcy schedules, civil complaint
Gernot Trolf compensation	$130,000+	Bankruptcy schedules, civil complaint
Nationwide Commercial Brokers	$177,000+	Escrow fraud, commission deprivation
Seashore Diversified creditor claim	$1,300,000	Bankruptcy claim disallowed
Marshall & Ilsley Bank	$852,000	Secured creditor claim impaired
JWA Ventures unsecured loan	$108,000	Bankruptcy schedules
IRS tax claims	$19,200	Bankruptcy objection by Cane Clark
Other creditors (estimated)	$15,000,000	Bankruptcy schedules total liabilities
FNMA / Americash mortgage operations*	$153,672	Terminated; unlicensed origination
Subtotal: Creditor Claims	**$18,093,872**	
SDI public shareholders (30M+ shares)	$30,000,000	Equity extinguishment
Subtotal: Shareholder Losses	**$30,000,000**	
Total Direct Damages	**$48,093,872**	

* *Mortgage-related fraud with federal government-backed lending program exposure*

B. Consequential Damages (Not Yet Quantified)

Additional damages not included in the above calculation:

- Lost business opportunities for Strand, Biddle, Trolf
- Reputational harm to all victims
- Legal fees incurred defending against fraudulent actions
- Lost time value of money (interest over 15+ years)
- Emotional distress and punitive damages
- Ongoing harm to Galaxy Gaming shareholders from concealed offshore share positions controlled by Cane/Saucier (*see* Section XVI)

XV. FALSE STATEMENTS TO THE BANKRUPTCY COURT

Several statements during the bankruptcy proceedings appear demonstrably false:

A. The Johal-Wallace Relationship

In the Disclosure Statement filed September 16, 2008, Johal testified that Wallace would be resigning as director.[80] However, evidence suggests Wallace fraudulently represented her relationship with Johal, "when in fact they were colluding on fracturing the management of SDI, as independent party concealing their plan to take over the company."[81]

The evidence of collusion:[67]

- Johal served as CFO under Wallace (2006-2008)[28]
- Johal signed contradictory Sarbanes-Oxley certifications with Wallace[28]
- Johal was appointed CEO by Cane Clark (Wallace's co-conspirator)[59]
- Johal provided evasive testimony protecting Wallace and Cane[39]
- Johal claimed Wallace merely "did" document collection from Scottsdale property[65]

B. The Nature of the Reorganization Plan

When U.S. Trustee Farrow asked why Cane Clark—the petitioning creditor that forced SDI into bankruptcy—was jointly preparing the reorganization plan with the debtor, Johal's response was misleading[82]:

> **A**: *"I think we're trying to get the creditors as best we can possibly paid off, if at all possible, and to see if there's any life to the corporation itself."*

This misrepresents the true purpose: creating a clean shell for reverse merger with Galaxy Gaming and extinguishing all legitimate stakeholder claims.[63] The legitimate creditors (Seashore Diversified, Marshall & Ilsley Bank, Nationwide Commercial Brokers, the founders) received essentially nothing,[61] while Cane's firm positioned itself to control the reorganized entity and deliver it to Galaxy Gaming.[60]

C. The Asset Disposition Claims

Johal's testimony about the Cannery West proceeds ("$1,580,000 came in") and its disposition to "two real estate investments" ($500K), legal settlements ($100K), and "mortgage lending operation" ($155K) appears to understate the actual proceeds and obscure the self-dealing nature of the transactions.

[80] 341 Transcript, *supra* note 39, at 9-10.
[81] Summary Overview, *supra* note 1, at 26.
[82] 341 Transcript, *supra* note 39, at 41.

The Cannery West sale was for approximately $9 million.[48] The bankruptcy testimony accounts for only $1.58 million.[48] Where did the other $7.42 million go? Johal's testimony creates the impression that only $1.58 million in net proceeds were realized, but provides no explanation for the massive reduction from $9 million gross to $1.58 million net.[48]

XVI. FALSE CLAIMS ACT NEXUS: GALAXY GAMING AND CARES ACT FRAUD

A. The Shell Trafficking Endpoint

The SDI scheme did not end with the February 2009 Galaxy Gaming reverse merger. The shell that Cane and Wallace created through four years of corporate hijacking, asset stripping, and weaponized bankruptcy continued to operate as Galaxy Gaming, Inc. (CIK 0000013156), now a publicly traded casino gaming company. Galaxy Gaming retained its SEC reporting obligations through the reorganized SDI shell—the same shell that was delivered to Galaxy Gaming through the fraudulent Joint Plan of Reorganization.[63]

The connection between SDI's fraudulent origins and Galaxy Gaming's continued operations establishes a direct link to federal program fraud. Robert B. Saucier—who managed Carpathia Associates, LLC and Trifalger Investments—served as the nominee distributor for the shell trafficking chain. Saucier's involvement across MW Medical/Davi Skin, SDI, and Galaxy Gaming confirms that the same enterprise infrastructure that originated in the Dynamic Associates spinout operated continuously through the Galaxy Gaming endpoint.[83]

B. Offshore Share Concealment

Galaxy Gaming retains millions of shares in offshore accounts controlled by Cane and Saucier through the same nominee structures documented in the Davi Skin shareholder analysis (Forensic Brief 05). The offshore entities administered through LOM Securities in Bermuda—Arch Ltd., Hepburn Holdings Ltd., Sunshine Ltd., and The Chloe Group—were established to hold shares in enterprise vehicles and to facilitate the sale of unregistered securities into the float. Galaxy Gaming's continued public trading means that these concealed offshore positions represent an ongoing securities fraud: shares originating from the fraudulent SDI bankruptcy reorganization, held through nominee structures specifically designed to evade beneficial ownership reporting requirements (Section 13(d) of the Securities Exchange Act), remain available for sale into the public market at any time.

C. CARES Act / Paycheck Protection Program Fraud

On April 22, 2020, Galaxy Gaming, Inc. received a Paycheck Protection Program loan of $835,300 under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), as disclosed in its Form 8-K filed with the SEC (Accession No. 0001140361-20-009389).[84]

The PPP loan application required certification that the applicant was not "presently involved in any activity that could result in criminal liability" and that the information provided was "true and accurate in all material respects." Galaxy Gaming's corporate existence derives entirely from the fraudulent SDI bankruptcy reorganization orchestrated by Cane Clark, LLP. The 25 million shares issued to Galaxy Gaming shareholders through the Joint Plan of Reorganization[61] were issued without proper securities registration, through a bankruptcy proceeding in which the petitioning creditor (Cane Clark) simultaneously represented the debtor and the acquiring entity—a fraud on the bankruptcy court that was never disclosed to PPP lending authorities.

Every PPP certification submitted by Galaxy Gaming was premised on the legitimacy of its corporate existence—a corporate existence that was the direct product of the SDI shell trafficking scheme. Under the False Claims Act, 31 U.S.C. §~3729(a)(1)(A), the submission of a false claim to obtain federal funds—here, the PPP loan of $835,300—is actionable when the applicant knew or should have known that the certifications were false. The ongoing concealment of millions of offshore shares controlled by Cane and Saucier through the same nominee structures used throughout the enterprise further taints the PPP certification, as the true beneficial ownership structure of Galaxy Gaming was not disclosed.

D. Main Street Priority Loan – Section 13(3) Federal Reserve Act

Six months after obtaining PPP funds, Galaxy Gaming obtained a second tranche of federal program financing. On October 26, 2020, the company received an unsecured loan of **$4,000,000** through Zions Bancorporation, N.A. dba Nevada State Bank under **Section 13(3) of the Federal Reserve Act** (Main Street Priority Loan Program).[85] The SEC filing disclosed:

> *"On October 26, 2020, the Company obtained an unsecured loan of **$4,000,000** through Zions Bancorporation, N.A. dba Nevada State Bank **under section 13(3) of the Federal Reserve Act**."*

The Main Street Lending Program required borrower certifications regarding eligibility, financial condition, and the use of "commercially reasonable efforts to maintain its payroll and retain its employees during the term of the loan." Galaxy Gaming's application necessarily represented the legitimacy of its corporate history and ownership structure—representations tainted by the undisclosed SDI fraud period (2005–2009), the offshore Cane/Saucier share positions through LOM nominee accounts, and the NOL carryforward sourced from the fraudulent bankruptcy period.

Combined with the $835,300 PPP loan, Galaxy Gaming obtained **$4,835,300 in federal program funds** through an entity whose corporate existence derived entirely from the SDI shell trafficking scheme. Each loan application constitutes an independently

[83] *See* Forensic Brief 03, §~8.B (Saucier as nominee distributor: 1,400,000 Davi Skin shares transferred from Legal Access Technologies to Saucier/Carpathia Associates, April 2006); *see also* Forensic Brief 05 (Davi Skin share distribution analysis documenting Saucier's role across multiple enterprise vehicles).

[84] Form 8-K, Galaxy Gaming, Inc. (April 22, 2020), Accession No. 0001140361-20-009389 (PPP loan of $835,300 under CARES Act; *see also* 15 U.S.C. §~636(a)(36) (PPP eligibility certifications); 31 U.S.C. §~3729(a)(1)(A) (FCA liability for false claims to obtain federal funds)).

[85] Form 10-K, Galaxy Gaming, Inc. at Notes to Financial Statements (FY 2020) ($4,000,000 Main Street Priority Loan under Section 13(3) of the Federal Reserve Act, Oct. 26, 2020, through Zions Bancorporation, N.A. dba Nevada State Bank).

actionable false claim under 31 U.S.C. §~3729(a)(1)(A), as the applicant knew or should have known that its representations regarding corporate history and beneficial ownership were materially false.

XVII. CONCLUSION

Between March 2005 and February 2009, Kyleen Cane and Jan Wallace seized control of a publicly traded company, stripped $2.2 million in identifiable assets, manipulated $47 million in shareholder value, and delivered a clean corporate shell to Galaxy Gaming through a weaponized bankruptcy orchestrated by Cane's own law firm against her own client.[1]

The documentary record establishes every element of the scheme: Cane's explicit backdating instruction ("This should not be dated"),[23] the Kister-Wallace $250,000 circular audit fraud,[3] the Cannery West escrow diversion through Alliance Title,[46] the exploitation of an incapacitated shareholder (Helen West) to manufacture 15 million shares of phantom control,[18] the bribery of SDI officer William Biddle,[41] and the involuntary bankruptcy petition filed by Cane Clark, LLP—SDI's own securities counsel—to force the company into a reorganization that delivered 25 million unregistered shares to Galaxy Gaming.[63]

Cane and Wallace violated the fundamental premise of corporate law: that fiduciaries must act in the interests of their principals.[1] Wallace, as CEO, systematically looted the company she was obligated to protect. Cane, as securities counsel and registered agent, orchestrated the destruction of her own client and then petitioned to force that client into involuntary bankruptcy—simultaneously representing the debtor, the petitioning creditor, and the acquiring entity.[17]

The SDI scheme generated $47,196,000+ in quantified damages across founders, creditors, shareholders, and the United States government. The shell it produced—Galaxy Gaming, Inc.—subsequently obtained $4,835,300 in federal program funds ($835,300 PPP loan and $4,000,000 Main Street Priority Loan under Section 13(3) of the Federal Reserve Act), compounding the original fraud with false claims against federal pandemic relief programs.[63]a[71]

APPENDIX A: KEY EVIDENTIARY DOCUMENTS

Table A-1. Key Evidentiary Documents (SDI Scheme)

Date	Document	Description / Importance	FN
Primary Source Documents			
3/4/2010	Summary Overview of SDI	Comprehensive 50-page scheme analysis; foundation document for this brief	1
9/18/2008	341 Meeting Transcript	Johal testimony; U.S. Trustee questioning; admissions about Cane Clark's role	39
5/4/2006	*Strand v. Wallace* Complaint	Founders' fraud allegations; Cannery West escrow fraud; Alliance Title hold-back	4
6/30/2006	DRC Report (Wallace Black)	Sham "independent" management assessment; recommendation to remove founders	36
SEC Filings (CIK 0000013156)			
9/2/2005	Form 8-K	Wallace appointment as CEO	14
9/27/2005	Form 8-K	Strand/Biddle forced resignations	16
12/31/2005	Form 10-KSB	Cane Clark disclosed as counsel; first contradictory filing	17
2/2/2006	Schedule 13D	Iomega conversion: 15M shares to Wallace (49.4% control)	18
9/30/2006	Form 10-QSB	Contradictory Iomega statement vs. 13D	28
12/28/2007	Form 10-KSB	Contradictory SOX certification by Johal	28
Bankruptcy Documents (In re SDI, Bankr. D. Nev.)			
6/16/2008	Involuntary Petition	Cane Clark forces own client into bankruptcy	55
9/16/2008	Disclosure Statement	Reveals asset stripping; missing records	58
9/16/2008	Joint Plan of Reorganization	25M unregistered shares to Galaxy Gaming	61
10/17/2008	Cane Clark Objection	Objection to IRS claims to eliminate government debt	63
Email Evidence			
7/5/2005	Wallace to Strand	"bad deal entered into"—pretext for manufactured crisis	5
2/28/2006	Cane to Doney/Wallace	"This should not be dated"—explicit backdating instruction	23
6/14/2006	Kister to Wallace	$250K circular audit fraud: "I will get the 250K…return it to its place"	3
8/28/2006	Cane to Doney	SDL formation instructions; self-dealing infrastructure	29

APPENDIX B: VICTIM CONTACT INFORMATION

Table B-1. SDI Scheme Victim Directory

Victim	Role	Last Known	Loss	Nature of Harm
Clifford Strand	Founder/CEO	California	$177,000+	Unpaid salary; equity extinguished; civil complaint filed 5/4/2006

Victim	Role	Last Known	Loss	Nature of Harm
William S. Biddle	VP/Director	California/Arizona	$177,000+	Unpaid salary; bribed for confidential info; manipulated through intimate relationship
Gernot Trolf	COO/Founder	Unknown	$130,000+	Unpaid salary; forced resignation 8/31/2005
Nationwide Commercial	Sales Agent	–	$177,000+	Commission on Cannery West sale; deprived through Alliance Title escrow fraud
Seashore Diversified	Creditor	–	$1,300,000	Claim disallowed in fraudulent bankruptcy
Marshall & Ilsley Bank	Secured Creditor	–	$852,000	Claim impaired in bankruptcy
JWA Ventures, LLC	Unsecured Creditor	–	$108,000	Loan never repaid
IRS	Tax Authority	–	$19,200	Tax claims eliminated through Cane Clark objections
Public Shareholders	Equity Holders	–	$30,000,000+	30M+ shares extinguished in bankruptcy
Various SDI Creditors	Trade/Service	–	$15,000,000+	Claims eliminated or impaired
FNMA / Americash*	GSE Exposure	–	$153,672+	Loans originated by unlicensed operators through approved Fannie Mae Seller/Servicer
Total			**$47,349,672+**	

** Mortgage-related fraud with federal government-backed lending program exposure*