

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

BRIAN N. LINES;  
SCOTT G. S. LINES;  
LOM (HOLDINGS) LTD.;  
LINES OVERSEAS MANAGEMENT LTD.;  
LOM CAPITAL LTD.;  
LOM SECURITIES (BERMUDA) LTD.;  
LOM SECURITIES (CAYMAN) LTD.;  
LOM SECURITIES (BAHAMAS) LTD.;  
ANTHONY W. WILE;  
WAYNE E. WILE;  
ROBERT J. CHAPMAN;  
WILLIAM TODD PEEVER;  
PHILLIP JAMES CURTIS; AND  
RYAN G. LEEDS,

Defendants.

Civil Action No. \_\_\_\_\_

**COMPLAINT**

Plaintiff Securities and Exchange Commission (the "Commission") alleges:

**SUMMARY OF ALLEGATIONS**

1. This action concerns two separate, but similar, fraudulent schemes to manipulate the stock prices of two microcap companies, Sedona Software Solutions, Inc. ("Sedona") and SHEP Technologies, Inc. ("SHEP"). During the relevant periods, Sedona and SHEP shares were quoted and traded on the Over-the-Counter Bulletin Board ("OTCBB"). The schemes took place in 2002 and 2003, and involved the substantial participation of a Bermuda-based securities firm,

defendant LOM (Holdings) Ltd. (“LOM Holdings”), two of its managing principals, defendants Brian N. Lines and Scott G. Lines, and several of its subsidiaries: Lines Overseas Management Ltd. (“LOM Ltd.”), LOM Capital Ltd. (“LOM Capital”), LOM Securities (Bermuda) Ltd. (“LOM Bermuda”), LOM Securities (Bahamas) Ltd. (“LOM Bahamas”), and LOM Securities (Cayman) Ltd. (“LOM Cayman”) (collectively referenced herein as “LOM” or the “LOM Entities”).

2. Both the Sedona and SHEP fraudulent schemes involved the undisclosed acquisition of publicly-traded shell companies, the use of LOM-controlled nominees to conceal beneficial ownership and control over Sedona and SHEP, the use of paid touters to promote Sedona and SHEP stock, and significant trading through the U.S. market in those stocks by defendants Brian Lines and Scott Lines, who are brothers. In the Sedona scheme, the Lines brothers’ trading yielded approximately \$1.5 million in illegal proceeds. In the SHEP scheme, trading by the Lines brothers and two of their customers, defendants W. Todd Peever and P. James Curtis, yielded approximately \$4.3 million in illegal proceeds.

3. In the Sedona fraudulent scheme, defendant Anthony W. Wile (“Wile” or “Tony Wile”), a Canadian stock promoter, issued deceptive press releases and other promotional materials in early 2003 to create the misleading impression that his newly-formed private company, Renaissance Mining Corporation, Inc. (“Renaissance”), had acquired certain Central American gold mines and was a leading gold producer. At the same time, as part of the scheme, defendants Brian and Scott Lines had secretly acquired over ninety-nine percent of Sedona’s outstanding shares through offshore nominees in order to merge the publicly-traded Sedona shell with Renaissance. Defendants Brian and Scott Lines also agreed to raise \$6 million for Renaissance through a private placement of Renaissance stock through LOM’s investment

banking arm to enable Renaissance to acquire the mines that it publicly claimed it already owned.

4. Defendant Wile then primed the market for Renaissance and Sedona shares by disseminating materially false and misleading information and orchestrating touting by defendant Robert J. Chapman, a newsletter writer who also secretly owned Renaissance shares. Between January 17 and January 21, 2003, at Wile's direction, Renaissance issued press releases announcing a merger of the two companies, when no such merger had taken place. During the same period, defendant Wile coordinated the issuance of reports by various newsletter writers touting the merger and telling the public that shares of Sedona would open around \$10 per share on January 21. The purpose of this materially false and misleading information was to convince potential investors that Renaissance had already acquired the Central American mines, that the mines were fully operational, and that a lucrative investment in *Renaissance* could be made by purchasing *Sedona's* shares on the OTCBB – even though Renaissance was not an operating mining company, owned no mines, and no merger with Sedona had taken place.

5. On the morning of January 21, defendants Brian Lines, Scott Lines, Tony Wile, and defendant Wayne E. Wile (“Wayne Wile,” Tony Wile's uncle) orchestrated a manipulative stock transaction over the OTCBB in which defendants Brian and Scott Lines sold, and defendant Wayne Wile purchased, 5,000 Sedona shares at \$8.25 per share. At the time these orders were placed, Sedona stock had last traded at \$0.03 per share seven months earlier, in May 2002.

6. Between January 21 and January 27, 2003, defendants Brian and Scott Lines sold or caused the sale of 159,300 shares of Sedona on the open market at between approximately \$9 and \$10 per share, yielding \$1.5 million in illegal proceeds. These sales were made without a registration statement in effect, and with no valid exemptions from registration.

7. Defendant Ryan Leeds was the broker on the LOM Ltd. account at the U.S. broker-dealer through which defendants Brian Lines, Scott Lines, and LOM sold Sedona stock unlawfully into the U.S. market. Despite the existence of several red flags, Leeds failed to conduct a reasonable inquiry to determine whether LOM and the Lines brothers were engaged in an illegal distribution of Sedona stock.

8. The Sedona scheme collapsed on January 29, 2003 when the Commission suspended trading in Sedona securities.

9. In the separate, but similar, SHEP scheme, beginning in early 2002, defendants Brian Lines, Scott Lines, and LOM, along with defendants Peever and Curtis, collaborated to secretly obtain control of a publicly-traded shell company, Inside Holdings Inc. ("IHI"), through the use of LOM-controlled nominees. The scheme involved merging IHI with a private company, SHEP Ltd., paying touters to promote the new IHI/SHEP stock, and later selling their IHI/SHEP stock into the ensuing demand.

10. Unlike the Sedona scheme, the SHEP scheme came to nearly complete fruition. Throughout the first half of 2003, defendants Peever, Curtis, Brian Lines, and Scott Lines collectively sold over three million shares of IHI/SHEP into the public demand created by the paid touters, generating approximately \$4.3 million in illegal proceeds. These sales were made without a registration statement in effect, and with no valid exemptions from registration.

11. Defendants Peever, Curtis, Brian Lines, and Scott Lines failed to report their IHI/SHEP purchases and sales in Commission filings, as they were required to do, and defendant Brian Lines caused several false and misleading reports to be filed with the Commission in an attempt to conceal that defendants Peever, Curtis, Brian Lines, and Scott Lines owned, and had been selling, their IHI/SHEP stock.

12. As in the Sedona scheme, defendant Leeds was the broker on the LOM account at the U.S. broker-dealer through which defendants Brian Lines, Scott Lines, and LOM sold SHEP shares unlawfully into the U.S. market. Leeds failed to conduct a reasonable inquiry to determine whether LOM and the Lines brothers were engaged in an illegal distribution of SHEP securities.

13. The Commission seeks a judgment from the Court: (a) enjoining each defendant from engaging in the transactions, acts, practices, and courses of conduct alleged in this Complaint and transactions, acts, practices, and courses of conduct of similar purport and object; (b) requiring defendants to disgorge, with prejudgment interest, the illegal profits and proceeds obtained as a result of their actions alleged herein; (c) requiring defendants to pay appropriate civil money penalties; (d) prohibiting defendants Brian Lines, Scott Lines, LOM, Wile, Wayne Wile, Peever, Curtis, and Chapman from participating in penny stock offerings; (e) prohibiting Tony Wile from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78I] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]; and (f) granting such other relief as this Court may deem just and appropriate.

#### **JURISDICTION AND VENUE**

14. This Court has jurisdiction of this action pursuant to Sections 20 and 22(a) of the Securities Act of 1933 [15 U.S.C. §§ 77t, 77v(a)], and Sections 20, 21(d), and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78t, 78u(d), and 78aa].

15. The defendants made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, practices, and courses of business alleged herein.

16. This Court properly has venue over this action pursuant to Section 22(a) of the Securities Act and Section 27 of the Exchange Act [15 U.S.C. §§ 77v(a) and 78aa] because certain of the conduct at issue occurred in the Southern District of New York.

### THE PARTIES

17. The plaintiff is the **Securities and Exchange Commission**, which brings this civil action pursuant to authority conferred on it by Section 20(b) of the Securities Act and Section 21(d)(1) of the Exchange Act [15 U.S.C. §§ 77t(b) and 78u(d)(1)].

18. Defendant **Brian N. Lines**, age 45, is a citizen and resident of the overseas territory of Bermuda of the United Kingdom. Brian Lines was the president and a director of LOM Holdings and its defendant subsidiaries until his resignation on July 1, 2005.

19. Defendant **Scott G. S. Lines**, age 43, is a citizen and resident of the overseas territory of Bermuda of the United Kingdom. Scott Lines is currently the president and chief executive officer of LOM Holdings and its defendant subsidiaries. During the relevant period, he held the title of Managing Director of LOM Holdings and its defendant subsidiaries. In his testimony before the Commission staff, Scott Lines asserted the Fifth Amendment privilege against self-incrimination as to all substantive questions.

20. Defendant **LOM Holdings** is the Bermuda-based parent of a group of financial services companies founded by defendants Brian and Scott Lines and their father, Donald Lines. LOM Holdings is majority-owned and controlled by Scott Lines, Donald Lines, and the Lines family, and its stock is publicly traded on the Bermuda Stock Exchange. LOM Holdings and its subsidiaries are collectively referred to herein as "LOM" or the "LOM Entities."

21. The following defendants are wholly-owned subsidiaries of LOM Holdings: **LOM Capital**, LOM's investment banking arm; **LOM Bermuda**, LOM's Bermuda-based broker-

dealer; **LOM Bahamas**, LOM's Bahamas-based broker-dealer; **LOM Cayman**, LOM's Cayman Islands-based broker-dealer; and **LOM Ltd.**, LOM's administrative, financial, and clearing operations.

22. Defendant **Anthony W. Wile**, age 39, is a Canadian citizen who resides in Boca Raton, Florida. Wile was Renaissance's founder, chairman, and largest shareholder. In his testimony before the Commission staff, Tony Wile asserted the Fifth Amendment privilege against self-incrimination as to all substantive questions.

23. Defendant **Wayne E. Wile**, age 63, is a Canadian citizen and a resident of the Cayman Islands, who also maintains a home in Scottsdale, Arizona. Wayne Wile is Tony Wile's uncle. In his testimony before the Commission staff, Wayne Wile asserted the Fifth Amendment privilege against self-incrimination as to all substantive questions.

24. Defendant **Robert J. Chapman**, age 72, resided in Punta Gorda, Florida during the relevant period. Chapman publishes *The International Forecaster*, a subscription-based newsletter. Upon information and belief, he currently resides in Mexico and continues to publish his newsletter through his website, [www.theinternationalforecaster.com](http://www.theinternationalforecaster.com).

25. Defendant **William Todd Peever**, age 48, resides in Vancouver, British Columbia and is a Canadian citizen and LOM client.

26. Defendant **Phillip James Curtis**, age 47, resides in Vancouver, British Columbia and is a Canadian citizen and LOM client.

27. Defendant **Ryan G. Leeds**, age 35, resides in Boca Raton, Florida. Leeds was a registered representative with a U.S. broker-dealer through which LOM Ltd. traded Sedona and SHEP securities during the relevant periods. Leeds was LOM Ltd.'s account representative at that broker-dealer.

## OTHER RELEVANT ENTITIES

28. **Sedona Software Solutions, Inc.** was, at all relevant times, a Nevada corporation based in Vancouver, British Columbia, Canada. During the relevant period, Sedona's stock was registered with the Commission and was traded and quoted on the OTCBB under the ticker symbol "SSSI." On January 29, 2003, the Commission suspended trading in Sedona securities for ten days. On June 30, 2006, Sedona filed a Form 15 with the Commission to terminate its registration.

29. **Renaissance Mining Corporation, Inc.** was a privately-held Delaware corporation with its headquarters in Boulder, Colorado during the relevant period.

30. **SHEP Technologies Inc.** is a public company with its headquarters in Vancouver, British Columbia, that owned intellectual property for a vehicle braking technology. SHEP was formed in September 2002 through the reverse merger of the privately-held SHEP Ltd. and Inside Holdings, Inc., a public shell company secretly controlled by Peever and Curtis. SHEP's stock is registered with the Commission and is quoted in the Pink Sheets under the symbol "STLOF." SHEP's stock was quoted on the OTCBB during the relevant period.

## FACTUAL ALLEGATIONS

### **I. THE LOM ENTITIES**

31. During the relevant period of mid-2002 through mid-2003, the LOM Entities, Brian Lines, and Scott Lines conducted extensive, regular, and continuous securities-related business in the U.S., and in the Southern District of New York, through U.S. and New York-based brokerage, clearing, and trust companies with which LOM maintained accounts or conducted business.



32. For example, in 2004, LOM earned approximately \$7.5 million from trades placed through U.S. markets. This accounted for sixty-three percent of LOM's \$12 million in total brokerage revenues and forty-four percent of its \$17 million in overall revenues. Of LOM's \$7.5 million in revenue from U.S. trading in 2004, approximately \$4.1 million derived from trades placed over the OTCBB and approximately \$3.4 million derived from trades executed on the NYSE.

33. During the relevant period, LOM maintained at least fifty U.S. brokerage customers. Upon information and belief, LOM communicated with those customers by mail, telephone, email, and through its website, [www.LOM.com](http://www.LOM.com). During the relevant period, LOM also used its website to solicit retail brokerage and mutual fund customers in the U.S.

## **II. THE SEDONA FRAUDULENT SCHEME**

### **A. Tony Wile Formed Renaissance and Executed a Non-Binding Letter of Intent to Acquire Gold Mines in Central America**

34. In late September 2002, defendant Tony Wile and a business partner formed Renaissance with the purported objective of engaging in gold mining and exploration. Wile and his partner had met through Wile's uncle, defendant Wayne Wile, a Canadian stock promoter.

35. During the relevant period, Renaissance had no revenues, no non-cash assets, and no business activities.

36. Tony Wile owned 1,975,000 restricted shares of Renaissance stock, 900,000 of which, upon information and belief, he held secretly through two offshore nominees.

37. In late 2002, Renaissance began negotiating with a private Belize company, Central American Mine Holdings Limited ("CAMHL") to acquire three Central American gold mining properties. CAMHL had been seeking to go public, and Wile and his partner said that they could help CAMHL do so through two nearly-simultaneous transactions: the merger of Renaissance

and CAMHL, closely followed by the combined entity's reverse takeover of a publicly-traded shell company. As part of its negotiations with CAMHL, Renaissance needed to raise at least \$5 million to acquire an ownership interest in CAMHL's mines.

38. On or about December 20, 2002, Wile and his partner met with Brian Lines, then president of LOM Holdings and its various subsidiaries, to discuss financing for Renaissance's proposed transaction with CAMHL and review strategies for taking the combined Renaissance/CAMHL entity public. LOM's investment banking subsidiary, LOM Capital, subsequently agreed to serve as Renaissance's investment banker to raise \$5 million through a private offering of Renaissance shares (the "Offering"), thus enabling Renaissance to acquire the interest in CAMHL's mines.

39. On December 27, 2002, Renaissance signed a non-binding letter of intent to acquire CAMHL's mines in exchange for \$5 million in cash to be paid at closing, the issuance to CAMHL's principals of a \$4 million convertible debenture (with interest at twenty-five percent per year), and Renaissance's assumption of approximately \$9 million in debt.

40. To effectuate CAMHL's objective of going public, the letter of intent required Renaissance to have become a publicly-traded company by the time of the closing, and provided that CAMHL's principals would acquire control of Renaissance's board within six months of the closing and would own approximately fifty percent of the public shell's outstanding shares.

**B. Brian and Scott Lines Secretly Acquired the Sedona Shell**

41. Shortly after meeting with Wile and his partner in late December 2002, defendants Brian Lines and, upon information and belief, Scott Lines, identified Sedona as a suitable merger partner for Renaissance and negotiated an agreement with Sedona's chairman and chief executive officer (the "Sedona CEO") to acquire 5.34 million shares of Sedona stock,

representing over ninety-nine percent of Sedona's total shares, for a total purchase price of approximately \$387,500.

1. *Brian and Scott Lines Funded the Acquisition and Used Nominees to Conceal Their Identities*

42. On Brian Lines's instructions, LOM employees transferred approximately \$128,533 from each of three LOM accounts (located at LOM Cayman and LOM Bermuda) into a single LOM Bermuda account in the name of ICH Investments Ltd. ("ICH"). The ICH account was jointly controlled by Brian and Scott Lines, and Brian and Scott Lines were also the brokers for the ICH account. Brian and Scott Lines used the ICH account to pool the \$387,500 in funds needed for the Sedona purchase and accompanying payments.

43. Of the approximately 5.34 million shares of Sedona that Brian and Scott Lines acquired, four million shares were owned by the Sedona CEO and his sons, and the remaining 1.34 million shares were held by seven friends, relatives, or associates of the Sedona CEO (the "Seven Shareholders"). Although Brian and Scott Lines treated the 1.34 million shares from the Seven Shareholders as unrestricted or tradable shares, those shares were in fact restricted, because, among other reasons, Brian and Scott Lines acquired the Sedona shell as part of a single unregistered transaction.

44. Brian and Scott Lines used five LOM-controlled nominee companies (the "LOM Nominees") to execute share purchase agreements for 1.095 million Sedona shares from six of the Seven Shareholders in individual blocks of stock, each of which constituted less than five percent of Sedona's outstanding shares. Each of the LOM Nominees executed a separate purchase agreement to acquire these blocks of Sedona stock. Upon information and belief, the remaining shareholder of the Seven Shareholders sold the Lines brothers 245,000 shares of

Sedona stock without a share purchase agreement. Similarly, there was no purchase agreement with respect to the four million shares owned by the Sedona CEO and his sons.

45. The five LOM Nominees used by the Lines brothers to execute purchase agreements for the purportedly-tradable Sedona shares were Gateway Research Management Group Ltd. (“Gateway”), Clyde Resources Ltd. (“Clyde”), Warwick Ventures Ltd. (“Warwick”), Iguana Investments Ltd. (“Iguana”), and ICH Investments Ltd., an entity controlled by Brian and Scott Lines.

46. Beginning in 2001 or earlier, Brian and Scott Lines enlisted several friends and associates to execute share purchase agreements and other documents as “signature directors” of various nominee companies, including the LOM Nominees used in the Sedona purchase, in exchange for annual compensation of approximately USD \$2,000. Pursuant to their arrangements with Brian and Scott Lines, these signature directors were responsible for signing documents when requested to do so by LOM or the Lines brothers. They did not pay for or beneficially own the Sedona shares purportedly acquired by these entities. Rather, their role was merely to execute documents apparently to shield Brian and Scott’s identities, and/or the identities of certain LOM customers, such as defendants Peever and Curtis, who also used these LOM nominees to secretly acquire shares of issuers. LOM charged its customers a fee for using the LOM nominee companies in transactions to hide their identities.

## 2. The Sedona Closing and Subsequent Events

47. On or about January 3, 2003, Brian and Scott Lines closed their transaction to acquire the approximately 5.34 million Sedona shares for approximately \$0.07 per share.

48. As part of the closing, on or about January 3, 2003 the Sedona CEO personally hand-delivered the share certificates representing the 1.095 million Sedona shares from six of the

Seven Shareholders to the Lines brothers' attorneys in Vancouver, British Columbia, to be held by the law firm in escrow until full payment had been received from the Lines brothers. The Sedona CEO retained one share certificate for 245,000 shares ("Certificate A"), in the name of one of the Seven Shareholders, rather than giving it to the law firm to be held in escrow. Upon information and belief, this block of shares had no associated purchase agreement, as discussed in paragraph 44, above.

49. On or about January 6, 2003, LOM Ltd. received Certificate A, representing 245,000 Sedona shares, which the Sedona CEO had sent directly to Brian Lines by overnight courier.

50. On the other side of the transaction, on or about January 8, 2003 Brian and Scott Lines caused their ICH account at LOM Bermuda to make several payments toward the \$387,500 Sedona shell purchase price, including payments to LOM accounts for the benefit of the Sedona CEO, a \$15,000 check to a U.S.-based OTCBB market maker, and a \$40,000 wire transfer to a New York attorney's bank account maintained at a retail branch of Citigroup Inc. located at 111 Wall St., New York, New York 10005. By January 16, 2003, Brian and Scott Lines had fully paid for the Sedona shell.

51. On or about January 10, the Sedona CEO arranged for the four million shares held by himself and his sons to be delivered by mail to the attention of Brian Lines at LOM. On or about January 11, 2003, LOM Ltd. received these four million shares. These share certificates, which bore restricted legends, were never deposited into LOM's vault or any LOM account.

52. On or about January 14, 2003, after Tony Wile had begun to prime the market by disseminating deceptive information regarding Renaissance and its planned merger with Sedona (paragraphs 60-69, below), Brian Lines directed LOM employees to credit the 245,000 Sedona

shares represented by Certificate A to the ICH account, and to rush Certificate A to the Depository Trust and Clearing Corporation ("DTC"), so that the Sedona shares could be traded in the U.S. market. DTC is a central securities repository for U.S. brokerage firms that is used to settle securities transactions

53. On or about that same day, January 14, on Brian Lines's instructions, LOM Ltd.'s Physical Securities Department couriered Certificate A to the Manhattan offices of Mellon Securities Trust Company ("Mellon") at 120 Broadway, New York, New York, 10271. Mellon performed various securities settlement and transfer services for LOM in the United States. LOM Ltd.'s Physical Securities Department sent a fax that day to Mellon's Manhattan offices with instructions to, "Please send to the transfer agent and deposit into DTC." LOM Ltd.'s fax also contained additional handwritten instructions to Mellon to "Please RUSH deposit this cert." Mellon complied with these instructions and, on or about January 17, 2003, these shares were credited into DTC. As discussed in paragraphs 106 through 119, below, the Lines brothers subsequently sold some of these Sedona shares over the OTCBB on January 21, 2003, as part of the scheme.

54. On or about January 23, 2003, LOM Ltd. received the remaining 1.095 million of the total 5.34 million Sedona shares that Brian and Scott Lines had acquired. These shares were credited to an LOM Bahamas account in the name of Largo Flight Ltd. ("Largo-Bahamas"), which was also controlled by Brian and Scott Lines.

55. Also on or about January 23, 2003, Brian Lines directed that 327,500 Sedona shares, a portion of the shares purchased from certain of the Seven Shareholders, be sent to DTC in the United States. That same day, on Brian Lines's instructions, LOM Ltd.'s Physical Securities Department couriered Sedona share certificates totaling 327,000 shares to Mellon's

Manhattan offices, and sent a fax to Mellon's Manhattan offices with instructions to, "Please send to the transfer agent and deposit into DTC." Mellon complied with these instructions and, on or about January 28, 2003, these shares were credited into DTC.

3. *Brian and Scott Lines Failed to Report Their Beneficial Ownership of Sedona*

56. Sections 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 thereunder [15 U.S.C. § 78m(d); 17 C.F.R. § 240.13d-1 and 240.13d-2] require any person that has acquired, directly or indirectly, beneficial ownership of more than five percent of a class of registered equity security to file a statement on a Schedule 13D with the Commission no later than ten days following the more than five percent accumulation, and the Schedule 13D must be promptly amended to disclose any material change in the facts set forth in the Schedule 13D (including the acquisition or disposition of beneficial ownership of securities in an amount equal to one percent or more of the class of securities). One purpose of these laws and regulations is to ensure that the public is informed of any acquisition of, or material changes to, a more than five percent position in a publicly-traded security by an individual, entity, or related group.

57. Section 16(a) of the Exchange Act [15 U.S.C. § 78p(a)] requires any person who is the officer, director, or beneficial owner of more than ten percent of a class of registered equity security to file a statement with the Commission. Rule 16a-3 [17 C.F.R. §240.16a-3] provides that Section 16(a) disclosures be made by filing a Form 3 for initial statements of beneficial ownership and a Form 4 for statements of changes in beneficial ownership. One purpose of these laws and regulations is to ensure that the public is informed of any acquisition of, or changes to, a stock position in a publicly-traded security by an officer, director, or principal stockholder.

58. Brian and Scott Lines, as beneficial owners of more than ninety-nine percent of Sedona's outstanding shares, were required to file, within ten days of their acquisition of a controlling interest in Sedona, beneficial ownership reports with the Commission, specifically, an original Schedule 13D and Form 3. Brian and Scott Lines failed to file such reports.

59. Sedona, as a public company with stock registered with the Commission, was required to file a current report on Form 8-K with the Commission disclosing the Lines brothers' acquisition of majority control, but failed to do so. As control persons of Sedona, Brian and Scott Lines should have caused Sedona to make such a filing, but failed to do so.

**C. Tony Wile and Renaissance Unlawfully Primed the Market for Sedona Stock**

60. From late 2002 through January 2003, Wile, Renaissance, and others, including several purportedly "independent" mining stock analysts, engaged in a concerted effort to publicize false and misleading information in order to prime the market for Renaissance's anticipated merger with a public shell company.

61. Wile and Renaissance assembled an extensive promotional apparatus to publicly disseminate false and misleading information to create the false impression that Renaissance had acquired three Central American gold mines and was the "Leading Gold Producer in Latin America."

62. Wile created an entity known as International Mining Group ("IMG") in early January 2003, to serve as Renaissance's "investor relations" firm, and caused IMG to distribute deceptive e-mails regarding Renaissance to various gold newsletter writers, mining-related websites, and prospective investors, as described in paragraphs 69 and 74, below.

63. On January 8, 2003, Wile and Renaissance issued a press release headlined, "Renaissance Acquires Major Portfolio of Gold Producing Assets in Latin America" ("January 8



Press Release”). This headline was materially false and misleading because Renaissance had not acquired any assets, but had merely signed a non-binding letter of intent to acquire the three mining properties from CAMHL. The release also failed to disclose that, at the time, Renaissance lacked the financial resources to acquire the gold mines and had to raise funds for that purpose.

64. The January 8 Press Release also quoted Wile’s partner, Renaissance’s president, as stating that “Renaissance *has successfully made* the leap from exploration to production in the space of a few short months” (emphasis added). In combination with the headline, this statement created the false appearance that Renaissance had already acquired the gold mines. The release also failed to disclose several material facts and contingencies about these purported mining acquisitions, including that: (i) the acquisitions were contingent on Renaissance first becoming a publicly-traded company through the acquisition of a public shell company; (ii) Renaissance would be required to make significant additional payments to, and assume significant debts from, CAMHL; and (iii) Renaissance would be ceding control of its board of directors and outstanding shares to CAMHL’s principals within six months of closing.

65. The January 8 Press Release also presented a misleading picture of the “gold producing” assets that Renaissance had purportedly acquired. For example, the release said that one mine “[wa]s to resume production in February [2003] and produce 75,000 ounces of gold in 2003 and 85,000 ounces of gold in 2004 and 2005,” but failed to disclose the material facts that such projections were unverified and could not be achieved without Renaissance first obtaining millions of dollars in financing to acquire and reactivate the mines.

66. The January 8 Press Release also referred readers to Renaissance’s website, which furthered the false impression that Renaissance actually owned the Central American gold mines

and was engaging in actual mining operations. The website's home page contained several photographs depicting active mining operations and a large banner stating "Renaissance Mining/Leading Gold Producer in Latin America." In fact, at that time, Renaissance did not own any gold mines and was not engaged in mining operations.

67. Renaissance's website also included a long "mission statement" from Wile's partner, Renaissance's president, in which he explained, "We have successfully built a portfolio of producing gold mines and economic deposit [sic] in Central America . . . . Renaissance has successfully made the leap from exploration to production in the space of a few short months, in what normally is a cycle of several years." In a separate part of the website, under the misleading heading "Production and Reserves, Central and South America," Renaissance further claimed that it had "acquired an extensive portfolio of producing gold mines and economic gold deposits in Nicaragua and Panama," and described each of those mines (as well as specific figures for gold production and reserves) as if Renaissance had already owned the mines.

68. Wile and Renaissance publicly disseminated the January 8 Press Release to prospective investors. Wile and Renaissance's president jointly drafted the January 8 Press Release and the content of Renaissance's website, and Wile knew, or was reckless in not knowing, that each contained materially false and misleading information.

69. At Wile's direction, the January 8 Press Release also was distributed by IMG, posted on other gold mining websites, and, upon information and belief, was disseminated by Wile via a broadcast (or "blast") e-mail to hundreds of people.

70. On January 14, Wile gave a radio interview with the *Wall Street Reporter*, an investment magazine based in Manhattan, New York, that was made available to the public via webcast on the *Wall Street Reporter's* website. In that interview, Wile touted Renaissance's

“meteoric rise” and “rapid growth,” most recently demonstrated by its “acquisition” of several “world class” mines in Central America. Wile misleadingly spoke about the mining properties as if they already had been acquired by Renaissance.

71. Brian Lines was aware in early January 2003 that Wile was coordinating a substantial effort, along with defendant Robert Chapman, to prime the market at that time in advance of the Renaissance/Sedona merger announcement. On January 2, 2003, Wile sent Brian Lines an e-mail attaching a draft of the January 8 Press Release and stating,

This is the start of a massive promotion. Visit a website [www.internationalmininggroup.com](http://www.internationalmininggroup.com) to see my team. I own this company and have 15 guys working the phones in South Florida. . . . Bob Chapman’s son runs the hedge fund which is being stoked with cash now. Bob [Chapman] and I are also closing a transaction to acquire a brokerage firm . . . that will focus on Resource stocks. . . . The circle is almost complete. Too bad you can’t be in Boca [Raton] for the night of [January] 10<sup>th</sup>. We have over 100 people coming for an unbelievable private Renaissance party.

**D. Deceptive Press Release Announcing Renaissance’s Reverse Merger with Sedona**

72. At the time that Wile and Renaissance were disseminating the false and misleading statements described in paragraphs 60 through 71, above, Renaissance, with the assistance of LOM and the Lines brothers, was attempting to carry out a series of transactions whereby it would: (i) acquire the three Central American gold mines that it already publicly claimed to own; (ii) raise approximately \$5-6 million in a purportedly private stock offering (the “Offering”) in order to acquire and reactivate the mines; and (iii) merge with the publicly-traded Sedona shell company, which the Lines brothers had secretly acquired, to take the newly-formed mining company public. To effect those transactions, Wile and Renaissance misled public investors into believing that they could invest in Central American gold mines purportedly owned by Renaissance by purchasing Sedona stock on the OTCBB – even though Renaissance had not merged with Sedona and did not own the mines.

73. On January 17, 2003, Wile and Renaissance issued a press release announcing that it had signed a letter of intent with Sedona (the "January 17 Press Release"), pursuant to which Sedona was to acquire all of Renaissance's issued and outstanding shares and change its name to Renaissance Mining Holding Corporation.

74. The January 17 Press Release was posted on Renaissance's website, IMG's website, and other gold websites, and was disseminated by Wile and IMG via broadcast e-mails to potential investors. The release also referred readers to the deceptive January 8 Press Release concerning Renaissance's purported Central American mining acquisitions.

75. The January 17 Press Release falsely claimed that all of Sedona's officers and directors had already resigned and been replaced by Wile (as chairman) and Renaissance's president (as president and chief executive officer).

76. The January 17 Press Release also identified defendant LOM Capital as Renaissance's investment banker and highlighted its role as underwriter of the \$6 million stock Offering without disclosing the material fact that LOM Capital's principals, defendants Brian and Scott Lines, had recently acquired and controlled more than ninety-nine percent of Sedona's outstanding shares. By failing to disclose the Lines brothers' controlling interest in Sedona, the release created the misleading impression that an independent investment banking firm had evaluated the merits of the Renaissance/Sedona merger and agreed to serve as underwriter for Renaissance's Offering.

77. Wile and his partner drafted the January 17 Press Release, and were aware that LOM-related parties had already acquired nearly all of Sedona's outstanding shares weeks earlier.

78. On or about January 17, on behalf of LOM Capital, Brian Lines reviewed the January 17 Press Release prior to its issuance. As one of Sedona's controlling shareholders, Brian Lines knew, or was reckless in not knowing, that the January 17 Press Release omitted material information regarding his and Scott Lines's ownership of Sedona.

79. By January 17, 2003, LOM Capital, Brian Lines, and Scott Lines knew, or were reckless in not knowing, that: (i) the proposed merger between Renaissance and Sedona had not closed; (ii) Renaissance shares were not trading on the U.S. markets (under the symbol SSSI or otherwise); (iii) Renaissance had not acquired any gold mines, and (iv) Renaissance needed the \$6 million in proceeds from the Offering to acquire and reactivate the CAMHL gold mines that Renaissance was publicly claiming that it already owned.

80. On January 21, just after midnight, Sedona issued a press release through Business Wire, a corporate news release dissemination service, announcing its letter of intent with Renaissance. This press release was substantially identical to Renaissance's January 17 Press Release and Tony Wile issued it through Sedona's Business Wire account.

81. Renaissance had planned its \$6 million Offering as an unregistered, but exempt, private offering pursuant to Securities Act Regulation D [17 C.F.R. §§ 230.501 - 230.508], which provides an exemption from registration under the Securities Act for certain limited offers and sales of securities. To qualify for a Regulation D exemption, the issuer must, among other things, satisfy the conditions of Securities Act Rule 502(c) [17 C.F.R. § 230.502(c)], which prohibits offers or sales by means of "any form of general solicitation or general advertising, including, but not limited to ... [a]ny advertisement, article, notice or other communication published in any newspaper, magazine, or similar media or broadcast...."

82. Renaissance's January 17 and January 21 press releases were communications that were disseminated publicly through the media, and constituted forms of "general solicitation or general advertising." Therefore, the Offering failed to qualify for the exemption provided by Regulation D and was subject to the registration requirements of the federal securities laws. Renaissance thus unlawfully offered and sold its securities to the public without registration or a valid exemption. As the parties responsible for the information contained in Renaissance's January 17 and January 21 press releases concerning the Offering, Tony Wile, Brian Lines, LOM Capital, and, upon information and belief, Scott Lines, also unlawfully offered and sold Renaissance securities to the public without registration or a valid exemption.

**E. Robert Chapman and Other Newsletter Writers Published Deceptive Information to Artificially Inflate the Price of Sedona Shares**

83. In the days preceding the planned announcement of the Renaissance/Sedona merger, defendant Robert Chapman and three other newsletter writers who had been recruited by Tony Wile issued purportedly "independent" research reports that conveyed materially false and misleading information to investors.

84. Chapman secretly owned 370,000 Renaissance shares that he had bought at prices ranging from \$0.25 to \$1.00 per share, and which amounted to almost nine percent of the company's outstanding stock as of October 2002. Chapman concealed his ownership of Renaissance stock by using a Bahamian entity named Marathon Industrial Fund, Ltd., as a nominee.

85. In November 2002, one month after acquiring most of his Renaissance stock, Chapman initiated coverage on the company by touting Renaissance as "an incredible opportunity that could be the largest public offering in the United States for a mining company this year." Chapman added that the company was "expected" to go public in the second or third

quarter of 2003, and would soon do a small private placement at \$1 per share, and that interested investors should call Tony Wile. Chapman failed to disclose in his report his significant financial interest in Renaissance.

86. On Friday, January 17, 2003, Tony Wile called a newsletter writer based in Vancouver, Canada ("Touter A"), who also was a Renaissance shareholder, to inform him that Renaissance would likely begin trading at \$10 per share on the next trading day, Tuesday, January 21 (Monday, January 20 was the Martin Luther King, Jr. holiday) on the OTCBB as Sedona. Wile told Touter A that Chapman had already prepared a report touting the reverse takeover, and encouraged Touter A to prepare a report as well.

87. The next day, Saturday, January 18, Chapman sent an e-mail to Touter A and other unnamed recipients attaching a draft of the Renaissance report that Chapman planned to issue the following day.

88. On Sunday, January 19, Chapman distributed his report (the "Chapman Report") to his e-mail subscribers, and arranged to have it published on at least one public website. The Chapman Report contained the heading, "Renaissance Mining Corp. Symbol: SSSI – OTCBB Current Price US \$10.00." This headline was false because, at that time, Renaissance was not publicly traded on the OTCBB under the symbol "SSSI," the merger with Sedona had not been completed, and Sedona's last quoted share price had been \$0.03, not \$10.00.

89. The Chapman Report also falsely stated that: (i) Renaissance had "acquired" the Central American mining assets; (ii) Renaissance was already public and "available to be purchased" under Sedona's ticker symbol; (iii) Sedona's "current price" was \$10; and (iv) Renaissance's share price could eventually reach \$62 per share. Chapman falsely claimed to be an "independent mining analyst" in the report, and asserted that he had "never felt so strongly"

about the future prospects of any company. However, Chapman failed to disclose that he held over 300,000 shares of Renaissance stock that he previously had purchased at \$0.25 per share.

90. On Monday, January 20, while the U.S. stock markets were closed for the federal holiday, Wile sent a broadcast e-mail to hundreds of recipients – including, upon information and belief, potential investors – that falsely stated that “Renaissance [wa]s no longer a private company,” was available for purchase on the OTCBB under the ticker symbol SSSI, and that “[a]ny publicly traded shares purchased in SSSI will simply become shares in Renaissance Holding Corp once the name change and symbol change have taken effect.” Wile attached a copy of Chapman’s January 19 report to his January 20 email and stated, “Attached is a copy of a Special News Bulletin that was issued by one of the world’s leading independent mining analysts - Bob Chapman. We encourage you to read the report and expect many analysts to start to cover Renaissance.” Wile did not disclose in his email that Chapman had purchased over 300,000 Renaissance shares at \$0.25 per share, nor did he disclose that Brian and Scott Lines owned the Sedona shell company.

91. On or about January 21, 2003, Brian Lines received Wile’s deceptive January 20 email. Also on that same day, Brian Lines forwarded Wile’s deceptive January 20 email to Scott Lines and other LOM brokers.

92. Chapman and Touter A’s false and misleading reports on Renaissance were distributed to their respective subscribers by e-mail and republished within days on several gold mining websites.

93. On the morning of January 21, almost immediately after Business Wire had posted the press release announcing Sedona’s merger with Renaissance, Wile sent another e-mail to Brian Lines, attaching copies of the reports on Renaissance issued by the other newsletter writers



that had been published on the previous day and exclaiming, "Look out baby cause were comin [sic] on like a hurricane!" Brian Lines knew, or was reckless in not knowing, that these newsletter reports on Renaissance contained false and misleading information and omitted material facts.

**F. Renaissance Offered and Sold Private Placement Shares Using a False and Misleading Offering Memorandum**

94. In mid-January 2003, Renaissance began soliciting investors for its Offering to raise the \$6 million needed to acquire the three Central American gold mines that it publicly claimed it already owned. Renaissance planned for the Offering to commence on January 21, the first day of orchestrated substantial trading in Sedona's stock, as described in paragraphs 106 through 119, below.

95. Renaissance's Offering called for the issuance of two million restricted shares at \$3 per share. LOM Capital, pursuant to its underwriting agreement with Renaissance, was to receive a seven percent fee as part of the Offering.

96. As part of the Offering, Renaissance prepared a private offering memorandum ("Offering Memorandum"). Tony Wile and Renaissance's president drafted or reviewed the Offering Memorandum and caused it to be disseminated to potential U.S. investors.

97. Renaissance's Offering Memorandum contained several material misrepresentations and omissions. For example, Renaissance's Offering Memorandum stated that Sedona's last recorded trade had occurred at a price of \$5.00 per share (in fact, Sedona had last traded at \$0.03 per share in May 2002), and that Sedona's officers and directors had resigned on January 17 and had been replaced by Tony Wile and Renaissance's president. The Offering Memorandum also failed to disclose several material facts regarding the actual cost of acquiring the gold mines from CAMHL, Renaissance's assumption of significant debt from CAMHL, and

the terms of CAMHL's acquisition of control over Renaissance's board of directors. The Offering Memorandum also failed to disclose that LOM principals Brian and Scott Lines owned more than ninety-nine percent of Sedona's outstanding shares, and that Wile, upon information and belief, was the beneficial owner of at least 900,000 additional Renaissance shares issued in the names of two offshore nominees.

98. By no later than January 22, 2003, Brian and Scott Lines had received copies of the Offering Memorandum. However, they failed to correct the omission of material information concerning their joint ownership and control of Sedona.

99. Renaissance and others at Tony Wile's direction, including IMG (Renaissance's "investor relations" firm) solicited prospective investors throughout the U.S., including within this district, to purchase stock in Renaissance's Offering. Investors were provided copies of the false and misleading Offering Memorandum, or were told false and misleading information regarding Renaissance. Investors also were told, among other things, that purchasing Renaissance shares in the Offering for \$3 per share was the functional equivalent of purchasing Sedona shares on the open market on January 21, 2003 and thereafter.

100. During the week prior to January 21, and on January 21, Scott Lines also made numerous phone calls to LOM accountholders on behalf of Renaissance soliciting them to purchase Renaissance Offering shares. Upon information and belief, Scott Lines, Brian Lines, and LOM Capital and its employees had not conducted reasonable due diligence concerning Renaissance and the Central American mines prior to soliciting their customers to purchase shares in the Offering.

101. Scott Lines knowingly or recklessly provided false and misleading information about Renaissance and Sedona to his customers during those calls. For example, on January 16,

five days before Sedona's stock began trading, Scott Lines told at least one LOM customer that Sedona's stock price would open at around \$7 or \$8 per share, and used that price to induce the customer to buy Renaissance shares in the Offering at \$3. On the morning of January 21, before the market opened, Scott Lines told several additional LOM customers that Sedona's stock would open at \$7 to \$8 per share, and again used that inflated price to sell Renaissance shares at \$3 per share. Sedona's stock was, in fact, manipulated, as discussed in paragraphs 106 to 117, below, to open at around \$8 per share on January 21, and later that day, Scott Lines falsely told his customers that *Renaissance* shares were trading at \$9 per share, when he knew, or was reckless in not knowing, that no merger between Renaissance and Sedona had occurred. Scott Lines also failed to disclose in his solicitations to LOM customers that he and Brian Lines owned the Sedona shell that was publicly trading on January 21.

102. During his solicitation calls on or before January 21, Scott Lines also told his customers that Renaissance had already acquired the Central American mines and that the mines were currently producing. For example, on January 21, Scott Lines told one LOM customer that Renaissance had already acquired the Central American mines, was "going to produce 100,000 ounces this year," was "going to achieve \$16 million U.S. [dollars] in cash flow," and was "going to IPO it today . . . in the sort of \$7 to \$8 area." Based on Scott Lines's pitch, the LOM customer agreed to invest \$20,000 in the Offering. In fact, Scott Lines knew, or was reckless in not knowing, that Renaissance had not acquired the mines, and in fact needed the Offering funds that he was soliciting in order to complete the acquisition and bring them into production. Scott Lines knowingly or recklessly failed to disclose during that call that he and Brian Lines owned the Sedona shell, and that LOM Capital had not conducted reasonable due diligence concerning Renaissance.

103. Customers solicited by Scott Lines agreed to purchase approximately 155,000 Renaissance shares. During a January 23, 2003 interview with the Commission staff, Scott Lines stated that Renaissance's Offering already was fully subscribed, only two days after it had opened. In total, LOM Capital's customers apparently agreed to buy 1.2 million Renaissance shares in the Offering, generating proceeds of approximately \$3.3 million and a commission to LOM Capital of approximately \$284,000.

104. At least one of the LOM customers that Scott Lines solicited resided in the U.S., and was at his U.S. place of business when Scott Lines called to him to solicit him to buy Renaissance Offering shares. The U.S. customer had maintained an account at LOM Bermuda for several years. On or about January 21, 2003, Scott Lines told this U.S. customer that Renaissance's stock would open at \$7 to \$8 per share, and that Renaissance would produce 150,000 ounces of gold in 2003. Based on Scott Lines's solicitation, this customer agreed to invest \$30,000 in Renaissance's Offering.

105. During the week following January 21, 2003, many of the prospective investors whom Renaissance and its agents solicited, and who received Renaissance's false and misleading Offering Memorandum, submitted executed subscription agreements and transferred funds to Renaissance in payment for the stock.

**G. Tony Wile, Wayne Wile, and the Lines Brothers Manipulated Trading to Ensure Sedona's Stock Price Would Approach \$10**

106. On the morning of January 21, 2003, defendants Tony Wile and Wayne Wile, along with defendants Brian and Scott Lines, orchestrated a manipulative trade in Sedona's stock.

107. At 8:17 a.m. on January 21, the ICH account jointly controlled by Brian and Scott Lines placed an order with one of the U.S. broker-dealers where LOM Ltd. maintained accounts

("Broker-Dealer A"), to sell 5,000 shares of Sedona at \$6.50 per share. Brian and Scott Lines were both authorized to place trades and direct transactions in LOM Ltd.'s account at Broker-Dealer A, and both were signatories to LOM Ltd.'s account opening documentation with respect to Broker-Dealer A.

108. At 8:34 a.m., Tony Wile telephoned Wayne Wile. Immediately after that call, which lasted four minutes, Tony Wile phoned LOM in Bermuda for two minutes.

109. At 9:12 a.m., the Lines brothers' ICH account placed an order with Broker-Dealer A to sell 20,000 shares of Sedona at \$9 per share, and cancelled the prior order to sell 5,000 shares at \$6.50 per share.

110. At 9:19 a.m., Tony Wile again called Wayne Wile, and that call lasted two minutes.

111. Five minutes later, and just minutes before trading opened, Wayne Wile placed a limit order to buy 5,000 shares at \$8.25 per share – a highly unusual bid given that Sedona had been dormant for seven months, last trading at \$0.03 per share on May 21, 2002.

112. Wayne Wile placed his prearranged buy order at a Canadian brokerage firm through an account in the name of "Industrias Balmez," a Costa Rican nominee company that Wayne Wile controlled.

113. Wayne Wile's buy order was routed to Broker-Dealer A, which also held Brian and Scott Lines's order to sell 20,000 Sedona shares.

114. After receiving Wayne Wile's buy order, defendant Ryan Leeds, LOM Ltd.'s registered representative at Broker-Dealer A, posted a quote of \$8 - \$9.50 (bid and ask), creating an artificial market in Sedona's stock.

115. At 9:31 a.m., Leeds executed Wayne Wile's buy order, knowing that he would use the Sedona shares that Brian and Scott Lines were selling to fill that buy order.

116. Later on January 21, Wayne Wile sold all 5,000 Sedona shares that he had bought earlier that day for a profit of over \$5,000.

117. The scheme to manipulate the price of Sedona's stock was very successful. Trading in Sedona stock opened at \$8.10 per share, and remained in that range for the rest of the day on a record volume of over 300,000 shares before closing at over \$9 per share, artificially bloating Sedona's market capitalization to over \$45 million.

118. Numerous public investors purchased Sedona stock at artificially inflated prices based on materially false and misleading information about Renaissance and Sedona that Wile, Chapman, and others, directly or indirectly, had disseminated with knowledge, or reckless disregard, of the materially false and misleading nature of the information.

119. The ICH account jointly controlled by Brian and Scott Lines sold approximately 92,000 shares of Sedona on January 21, 2003 at prices ranging from \$8.95 to \$9.45 per share. These sales, made through LOM Ltd.'s accounts at Broker-Dealer A and another U.S. broker-dealer, accounted for thirty percent of the total trading volume in Sedona stock that day.

120. From January 22 through January 27, 2003, the ICH account sold another 51,000 Sedona shares, primarily through Broker-Dealer A but also through other U.S. broker-dealers.

121. In total, between January 21 and January 27, Brian and Scott Lines sold at prices ranging from \$8.95 to \$9.40 per share approximately 143,000 shares of Sedona stock that they had bought for about \$0.07 per share, realizing illegal proceeds of approximately \$1.36 million. All of these sales were made without a registration statement in effect, and with no valid exemptions from registration.

122. Leeds executed the majority of these sales of approximately 106,000 Sedona shares over the OTCBB on behalf of LOM Ltd. and the Lines brothers. Leeds failed to conduct a

reasonable inquiry to determine whether LOM and the Lines brothers were engaged in an illegal distribution of Sedona securities. Despite the existence of several red flags – among them, that LOM Ltd. suddenly had a large block of Sedona securities to sell, that Sedona’s stock had not traded for seven months, and that, prior to January 21, the stock had traded for only pennies per share, but was being offered for sale on that day at \$9 per share – Leeds did not conduct a reasonable inquiry, or any due diligence, into the origin and ownership of the Sedona shares before he offered and sold them on behalf of LOM Ltd. and the Lines brothers. Leeds made no attempt to determine whether a valid registration statement was in effect for these sales, or to discover whether the Lines brothers were acting as underwriters engaged in an illegal distribution of Sedona securities when he offered and sold the Sedona shares on their behalf.

123. On or about January 21, Scott Lines spoke by telephone with someone named “Ryan” concerning Sedona stock. During that call, which occurred in the late afternoon, Scott Lines told “Ryan” to “get back out there and sell some more [Sedona stock].” Upon information and belief, the “Ryan” to whom Scott Lines spoke during that call was defendant Ryan Leeds.

124. During this period, LOM Ltd. also used other U.S. broker-dealers to sell Sedona shares over the OTCBB on behalf of the Lines brothers.

125. LOM’s trading desk also communicated extensively with Broker-Dealer A and other brokerage firms in the U.S. regarding transactions in Sedona. When LOM’s trading desk placed orders with U.S. brokerage firms, it contacted those firms directly, either telephonically or electronically over an integrated trading and message system operated by Bloomberg Finance L.P.

126. LOM Ltd. transmitted the Lines brothers’ Sedona sell orders from their ICH account at LOM Bermuda to Broker-Dealer A and other U.S. broker-dealers between January 21

and January 27, 2003. Both LOM Bermuda and LOM Ltd. failed to conduct a reasonable inquiry to determine whether the Lines brothers were engaged in an illegal distribution of Sedona securities.

127. On or about January 21, 2003, Brian and Scott Lines privately sold 100,000 Sedona shares at \$4 per share from their ICH account to certain LOM customers and employees, and to certain of the signature directors of the nominees used in the Sedona acquisition. At that time, Sedona shares were publicly trading at \$9 per share. Even though Brian and Scott Lines had sold the 100,000 shares for \$4 per share, they had purchased the Sedona shares for only about \$0.07 per share and thus earned approximately \$393,000 from these sales to their own customers, employees, and signature directors.

128. During the following week, several of those LOM-related purchasers sold approximately 16,300 of these shares over the OTCBB, yielding proceeds of approximately \$80,000. LOM sold these Sedona shares on behalf of its customers and employees through LOM's U.S. broker-dealers.

129. On January 29, 2003, the Commission suspended trading in Sedona's stock because of questions concerning the accuracy and completeness of public information about Sedona and Renaissance.

130. Scott Lines was aware of the impact of his and Brian Lines's sales of Sedona stock over the OTCBB. During two different telephone calls following the Commission's suspension of trading in Sedona's stock, Scott Lines stated that the "Americans" were the investors who were "laid out" by the suspension because they had purchased Sedona stock that he and Brian had been selling at \$9 per share.



**H. Brian Lines, Scott Lines, and LOM Altered Records to Conceal Their Roles in the Scheme**

131. On or about January 31, 2003, after the Commission's suspension of trading in Sedona stock, Brian Lines instructed LOM employees to backdate the Sedona share purchase agreements to January 5, 2003, even though the agreements had not been fully executed until about January 28.

132. On or about February 3, 2003, Brian Lines falsely told the Commission staff that the five nominee companies were the true beneficial owners of the Sedona shares acquired from Sedona's CEO and his associates. In reality, Brian and Scott Lines were the beneficial owners of these shares. Brian Lines did not tell the Commission staff that he and Scott Lines controlled the nominee companies.

133. On or about February 5, Brian and Scott Lines, in an attempt to conceal their control over Sedona, directed LOM employees to create and backdate trading and account records to give the appearance that the nominees and/or their signature directors who had executed the Sedona share purchase agreements were the purported beneficial owners of Sedona.

134. Specifically, Brian and Scott Lines instructed LOM employees to reallocate Sedona shares from Brian and Scott Lines's ICH and Largo-Bahamas accounts, which had originally received the shares, into different LOM accounts that bore some relation to the nominees. Because four of the five nominee companies did not maintain accounts at LOM, Brian and Scott Lines directed LOM employees to credit the shares ostensibly purchased by those nominees to the LOM accounts of certain of their signature directors who had signed the Sedona share purchase agreements.

135. At the direction of Brian and Scott Lines, LOM employees then backdated LOM's records to falsely show that the accounts of certain of the signature directors had received

Sedona shares on January 23, 2003. In fact, the Sedona shares were not credited to these LOM accounts until about February 5, 2003. The account statements for the Lines brothers' ICH and Largo-Bahamas accounts were similarly altered to remove evidence that they had received certain Sedona shares.

136. Also at the direction of Brian and Scott Lines, on or about February 4, 2003, LOM rescinded the private sale of the 100,000 shares from the Lines brothers' ICH account to numerous LOM customers, including certain signature directors, except for the approximately 16,300 Sedona shares that these LOM customers had already sold over the OTCBB.

137. In addition, on or about February 4, 2003, Scott Lines sent a letter to Renaissance's U.S. mailing address in Denver, Colorado. In that letter, Scott Lines stated that LOM Capital was withdrawing its offer to underwrite Renaissance's Offering because "due diligence was not completed to the satisfaction of LOM Capital." This remarkable letter was sent after LOM Capital's customers, solicited by Scott Lines and others, had agreed to buy 1.2 million Renaissance shares in the Offering for approximately \$3.3 million.

**I. The LOM Entities Played a Significant Role in the Sedona Fraud**

138. The Lines brothers' control over the LOM Entities was central to their manipulative scheme. In their respective roles as the two most senior officers of the LOM Entities during the relevant period, Brian and Scott Lines were able to direct the actions of LOM employees at each step of the fraud.

139. For example, Brian and/or Scott Lines directed LOM employees to: (i) use LOM-controlled nominees to sign the Sedona share purchase agreements; (ii) transfer funds into the Lines brothers' ICH account at LOM Bermuda and wire funds from that account to pay for the Sedona shell; (iii) credit the Sedona stock certificates from the Sedona CEO and the Seven

Shareholders to the ICH and Largo-Bahamas accounts controlled by Brian and Scott Lines and maintained at LOM Bermuda and LOM Bahamas, respectively; (iv) deliver Sedona stock from LOM Ltd. to DTC, so that they could be sold over the OTCBB; (v) backdate the Sedona share purchase agreements; (vi) allocate Sedona stock to LOM customers and employees at \$4 per share; and (vii) reallocate the Sedona shares from the ICH and Largo-Bahamas accounts into other LOM brokerage accounts after the Commission began its investigation, in order to conceal Brian and Scott Lines' beneficial ownership.

140. Brian and Scott Lines also used LOM Ltd.'s U.S.-based brokerage accounts at Broker-Dealer A and other firms to sell their Sedona shares; and executed the manipulative trades in Sedona stock through the ICH account at LOM Bermuda for which Brian and Scott Lines were co-brokers.

141. Brian and Scott Lines also acted on behalf of LOM Capital in their official capacities as President and Managing Director, respectively, in connection with this scheme. LOM Capital permitted Renaissance to disclose its role as investment banker for Renaissance's Offering in press releases issued on January 17 and January 21, 2003, without disclosing Brian and Scott Lines' ownership of the Sedona shell. The Lines brothers also acted in their capacities as LOM brokers when they solicited LOM customers to invest in the private placement.

142. The LOM Entities also benefited, or stood to benefit, financially from the Sedona fraud, through commissions earned on the purchase and sale of Sedona stock, and the seven percent investment banking fee for the Renaissance Offering.

143. At all relevant times throughout the Sedona scheme, Brian and Scott Lines were control persons of LOM Holdings and its subsidiaries, and LOM Holdings was a control person of subsidiaries LOM Capital, LOM Ltd., LOM Bermuda, LOM Bahamas, and LOM Cayman.

## **II. THE SHEP FRAUDULENT SCHEME**

144. In 2002, prior to their participation in the Sedona manipulation, Brian and Scott Lines, along with two LOM customers, defendants Peever and Curtis, together participated in a fraudulent manipulative scheme to obtain secret control of another public shell company, merging it with a private company, paying touters to promote the stock, and then profiting by selling millions of shares into the ensuing demand.

### **A. Peever and Curtis's Secret Acquisition of IHI**

145. On January 3, 2002, with Brian Lines acting as their representative, Peever and Curtis secretly acquired over eighty-three percent of the outstanding shares of Inside Holdings, Inc. ("IHI"), a Canadian public shell company whose securities were registered with the Commission, from a group of IHI officers and directors.

146. The IHI purchase agreement designated "Lines Overseas Management," and Brian Lines specifically, to act as "attorney in fact" on behalf of the "group" of purchasers.

147. As with Sedona, Brian Lines used LOM-controlled nominee companies and signature directors to execute the purchase agreement to acquire the IHI shares. While the LOM-controlled nominees appeared to be the purchasers, Peever and Curtis were the actual beneficial owners of these IHI shares.

148. The six nominee companies that executed the IHI purchase agreement were Gateway and Warwick, which were later used by Brian and Scott Lines in the Sedona transaction, along with Consensus Investments Ltd. ("Consensus"), Nottingham Resources Ltd. ("Nottingham"), SKN Holdings Ltd. ("SKN"), and Aberdeen Holdings Ltd. ("Aberdeen").

149. In fact, Peever and Curtis each paid half of the approximately \$400,000 IHI purchase price. None of the nominees and signature directors contributed any funds toward the purchase of IHI shares, nor did they beneficially own these shares.

150. By about January 23, 2002, the IHI sellers delivered approximately 5.6 million IHI shares to Brian Lines and LOM Ltd. On January 29, 2002, Brian Lines instructed that these shares be credited in equal amounts to two different LOM Cayman accounts, Golden Accumulator Ltd. ("Golden") and Nomad Trading, Ltd ("Nomad").

151. The Golden account was beneficially owned by Peever, and the Nomad account was beneficially owned by Curtis. The Nomad account subsequently was transferred from LOM Cayman to LOM Bahamas, in November 2002. Brian and Scott Lines were the co-brokers for both the Golden and Nomad accounts.

152. On January 29, 2002, Brian Lines instructed an LOM Ltd. employee to charge the Golden and Nomad accounts \$500 each for the use of the nominees (Warwick, Consensus, Nottingham, SKN, and Aberdeen) in the IHI share purchase transaction.

153. In early February 2002, after crediting Peever and Curtis's Golden and Nomad accounts with the IHI stock, LOM Ltd., and upon information and belief, Brian Lines, arranged for the deposit of approximately three million of the approximately 5.6 million IHI shares, in the form of stock certificates bearing the names of the nominees, into CDS Clearing and Depository Services Inc., the Canadian counterpart to DTC, so that those shares could later be traded through U.S. brokerage firms.

154. Peever and Curtis were required to report their acquisitions of IHI shares on Schedules 13D, but failed to do so, as described in paragraphs 184 through 188, below.

155. As part of the scheme, LOM and Brian Lines helped conceal Peever and Curtis's significant control over IHI. As a result, IHI unwittingly filed several materially false and misleading reports with the Commission. These filings created the false impression that certain of the nominees that had purportedly acquired IHI stock were independent entities, and that no shareholder or group of shareholders had the power to control the company. In fact, Peever and Curtis, rather than the nominees, had acquired control over IHI and were acting collectively with respect to their IHI stock.

**B. The Merger of IHI and SHEP**

156. In early 2002, SHEP Ltd., a private company that owned certain automobile-related intellectual property, wanted to acquire a publicly-traded shell company. An individual affiliated with SHEP Ltd. who later became the chief executive officer of the combined IHI/SHEP entity (the "SHEP CEO") was introduced to Peever and Curtis through Brian Lines's attorney. Peever and Curtis told the SHEP CEO about a shell company, IHI, whose shareholders were looking for an appropriate business to merge into the shell.

157. Peever and Curtis held themselves out to the SHEP CEO as third-party intermediaries between SHEP Ltd. and the group of LOM nominees that purportedly controlled the IHI shell when, in fact, Peever and Curtis themselves controlled the shell.

158. In May 2002, IHI agreed to enter into a reverse merger agreement with SHEP Ltd.

159. In or about July 2002, Peever and Curtis informed the SHEP CEO that LOM and the IHI majority shareholders were insisting that the merged IHI/SHEP entity use the services of certain newsletter writers recommended by LOM to tout the stock following the merger. The SHEP CEO agreed to use these paid touters on the condition that LOM and the IHI majority shareholders would share the cost. At that time, the SHEP CEO mistakenly believed that the IHI

majority shareholders were Gateway, Consensus, and Nottinghill. In fact, Peever and Curtis were IHI's undisclosed majority shareholders.

160. Subsequently, Peever and Curtis had several other conversations with the SHEP CEO concerning the demand for IHI/SHEP to use paid touters. During these conversations, Peever and Curtis told the SHEP CEO that LOM would not help IHI/SHEP raise funds unless the company used the paid touters. When the SHEP CEO explained that IHI/SHEP lacked the funds to pay the touters, Peever and Curtis told the SHEP CEO that LOM or its clients would provide those funds. During these conversations, Peever and Curtis did not reveal that they controlled IHI and continued to pretend that they were intermediaries between SHEP Ltd. and the LOM customers who were majority shareholders of IHI.

161. On or about August 29, 2002, in a pre-arranged trade, Peever and Curtis sold Brian and Scott Lines 300,000 IHI shares at \$0.75 per share through the OTCBB. IHI's total volume during the prior four months had only been approximately 21,000 shares.

162. The IHI/SHEP reverse merger closed in September 2002, and IHI changed its name to SHEP Technologies, Inc.

163. During the first week of December 2002, the SHEP CEO and Peever met with Brian Lines in Bermuda to discuss LOM's possible role in raising funds for SHEP. During one meeting, Brian Lines asked the SHEP CEO about the status of the arrangements with one of the prospective SHEP touters, and whether SHEP had provided the touter with the necessary information for a promotional piece.

164. From December 4 through December 6, 2002, Peever and Curtis transferred a total of 600,000 SHEP shares from their Golden and Nomad accounts at LOM Cayman and LOM Bahamas, respectively, to two LOM accounts owned and controlled by Brian and Scott Lines in

the names of Largo Flight Ltd. ("Largo-Cayman"), which was maintained at LOM Cayman, and Monashee Ltd., which was maintained at LOM Bermuda. By the end of December 2002, the Lines brothers held at least 1.16 million SHEP shares in their Largo-Cayman and Monashee accounts, constituting over five percent of SHEP's outstanding shares.

165. As of late December 2002, Peever, Curtis, and the Lines brothers collectively and secretly controlled approximately nine million shares of SHEP stock, which, as a group, constituted over forty percent of SHEP's outstanding shares and, more importantly, approximately eighty percent of SHEP's tradable shares.

166. Brian and Scott Lines also knew, or were reckless in not knowing, that the acquisition of control over IHI/SHEP by Peever, Curtis, and themselves had never been disclosed to the public, and that none of the required beneficial ownership reports had been filed with the Commission.

**C. Peever and Curtis Primed the Market for SHEP Shares with Materially Misleading Information, and Sold Into That Market along with Brian and Scott Lines**

167. By early 2003, Peever and Curtis had negotiated the terms of the compensation for the touters to publish and distribute promotional materials on SHEP in two separate publications, the *Intrepid Investor*, a hard-copy newsletter, and the *OTC Journal*, an electronic newsletter which, at that time, had approximately 1.3 million subscribers.

168. In late January through May 2003, Peever and Curtis compensated the publishers of *OTC Journal* and *Intrepid Investor* with cash and shares of SHEP stock. Specifically, Peever and Curtis transferred over \$600,000 and 42,000 SHEP shares from their Golden and Nomad accounts at LOM Cayman and LOM Bahamas, respectively, as compensation for the *Intrepid Investor's* SHEP report. Peever and Curtis also transferred 100,000 SHEP shares from their



Golden and Nomad accounts at LOM Cayman and LOM Bahamas, respectively, as compensation for the *OTC Journal's* SHEP report.

169. From February through June 2003, the *OTC Journal* published bullish SHEP recommendations on at least eight occasions to approximately 1.3 million subscribers by means of emails and the *OTC Journal* website. For example, the *OTC Journal's* February 26 report on SHEP stated, "We believe every microcap investor should own some shares of SHEP Technologies." The following month, on or about March 29, 2003, *OTC Journal's* report on SHEP stated,

[SHEP] is a must own for all microcap investors. Although early in the game, this company has technology which could end up as a key component in ... nearly every motor vehicle manufactured world wide. If you want upside potential in a microcap, you won't find any story more exciting. In a few years this company could be a billion dollar royalty gusher.

170. From February through June 2003, the *Intrepid Investor* mailed copies of its bullish SHEP newsletter to approximately one million potential investors, including, upon information and belief, prospective investors residing in this district. For example, the *Intrepid Investor's* SHEP report was headlined, "Greatest Automobile Discovery Since Antilock Brakes!," and went on to claim that "[t]his could be one of the great investment discoveries of our time – with SHEP on the edge of a potential BILLION DOLLAR ROYALTY GUSHER."

171. The *Intrepid Investor's* SHEP touts included a misleading disclaimer stating that "the company featured appeared as paid advertising, subsidized by SHEP and a 3<sup>rd</sup> party group to provide public awareness of SHEP." Although Peever and Curtis had substantially paid for the tout, they failed to ensure that the *Intrepid Investor* disclosed that SHEP's controlling shareholders (Peever and Curtis) had paid for the touts and intended to sell SHEP stock into the demand stimulated by the promotional campaign.

172. The *OTC Journal* contained a similar disclaimer that its publisher had received a cash fee for coverage “directly from [SHEP]” and “100,000 free trading shares . . . paid by a third party.” Although Peever and Curtis had substantially paid for the tout, they failed to ensure that the *OTC Journal* disclosed that SHEP’s controlling shareholders had paid for the touts and intended to sell SHEP stock into the demand stimulated by the promotional campaign.

173. Peever, Curtis, and the Lines brothers knew, or were reckless in not knowing, that these touts did not disclose that they were being disseminated to investors to create demand for SHEP stock so that the defendants, including Peever and Curtis, who had paid for the touts, could sell their shares into the ensuing demand.

174. The *Intrepid Investor* and *OTC Journal* began disseminating their SHEP touts to prospective investors on February 19 and February 21, 2003, respectively. From February 24 through February 26, 2003, Scott Lines and Peever had a series of phone conversations during which they discussed the unintended negative effect that the February 21, 2003 *OTC Journal* tout was having on their ability to sell their shares into the market. During one call, Peever indicated that he expected there to be a “ton of buying” in SHEP because of the “promo” that *OTC Journal* had issued, and was angry that naked short sellers had driven the stock price down and prevented them from selling their SHEP shares into the price and volume increase they had expected following the tout.

175. Below is an excerpt from a call between Scott Lines and Peever on February 24:

Peever: Jesus Christ. We must be getting – we haven’t sold a f\*\*king share.

SLines: Yeah, I know. I don’t know what that’s about. Whose stock is that?

Peever: I f\*\*king don’t – I think we’re getting shorted. We must be. You know, 280,000 shares or 290.

SLines: Yeah, they must be shorting into you.

Peever: They’ve got to be shorting into us. I mean, f\*\*k, it’s been –

SLines: Didn’t you just do a primer?

Peever: F\*\*k, we just did a – we just did – well, [*OTC Journal’s* publisher] just started the launch. We held off on the European stuff because the market was down five percent

Friday and two percent on the open, but yeah, I mean, we got, you know, we've got stuff starting, but f\*\*k, not a very good start. We were doing better before we started starting.

SLines: Yeah. They got short sales. Looks like short sales.

Peever: It does, doesn't it?

SLines: Yeah, they're shorting into you. They've got a big volume coming, meeting all the bids and pushing it down. Lower offer, lower offer, lower offer.

Peever: Well, f\*\*k.

SLines: Yeah, that's short selling by the market makers, so they always offer lower.

Peever: Yeah, it's a classic.

SLines: Yeah.

Peever: They're on to us.

SLines: Yeah.

\* \* \*

Peever: I mean, [*OTC Journal's* publisher] I think just brought the f\*\*king shorts to us.

SLines: Maybe. Maybe the shorts, maybe they keyed off the promoters, you know –

Peever: Because he just did his blast to a million-three people.

SLines: The shorts then picked it up and leapt all over it.

\* \* \*

SLines: Maybe it's a new world where you don't promote a stock.

176. The next day, Peever and Scott Lines discussed how to counteract the short sellers by further manipulating the price of SHEP stock:

Peever: We've got to have some kind of a strategy against these guys [the short sellers]. We've got to decide whether we're going to keep this thing f\*\*king tight. I mean, it's really none of my business, but you know, normally, under normal circumstances, I wouldn't even give a s\*\*t, but are you guys kicking much into this?

SLines: No.

Peever: F\*\*k.

SLines: The only trade I saw go through is you had 50 [thousand shares] going out yesterday, right?

Peever: No, we didn't even do that. We cancelled it.

SLines: No, I saw the trade go through.

Peever: No, because it was at 1.70. [*OTC Journal's* publisher] told us to put it out there at 1.75 or 1.70. We thought we were going to get some – you know, he wanted to kind of – he said usually in the morning there's a big blast.... Take a look in Gold A [Peever's Golden account], I think we did 400 shares yesterday total.

\* \* \*

Peever: I mean basically, nothing fundamentally has changed in our markets, you know. These shorters came in with the *OTC Journal*.

SLines: Yeah.

Peever: You know, we've got that drop – we've got tons of f\*\*king buying coming in.

\* \* \*

Peever: You guys aren't kicking much in, are you?

SLines: No, that's the only order I saw go through yesterday.

\* \* \*

Peever: I mean, see, the other guys, I mean, it's well-held, right?

SLines: Yeah.

Peever: I mean, you can see them, the way the markets run prior to yesterday, but I mean, we're getting shorted. Now, we got a ton of buying coming in to it. Do we, you know, do we just let them keep getting shorted?

SLines: Well, I mean, ... you can't stop a market maker from shorting stock, right?

\* \* \*

Peever: Because they, you know, I mean, if they [the shorts] came in with the *OTC Journal* yesterday, they did, they swim, I mean, they're basically sharks swimming with the f\*\*king, you know...

SLines: Yeah.

Peever: Just following [*OTC Journal*] around, so I mean, we've got tons more on the go, so alright. Let's just keep it under wraps I guess and then --

SLines: Give them a day. I mean, f\*\*k, if they get shorter today, you get more buying and then I think, you know, Wednesday, Thursday or Friday, they'll start covering. They'll have to cover up because they don't want to be short at the end of the month.

Peever: I mean, here's the thing. I mean, obviously I want you guys to get off too, right, but you know, we've got to do some kind of a plan together on this thing.

SLines: Oh absolutely, but I don't think there's -- there's no new selling out of the house that's been -- the only order I saw yesterday was that 50 that went up for Golden [Accumulator].

177. The following day, February 26, Peever called Scott Lines and told him that "we'll give those shorts a kick in the a\*\* today," because "we . . . sopped up" (bought) 50,000 or 60,000 shares of SHEP, forcing the short sellers to be "short a couple hundred."

178. From late February through June 2003, the period when the touts were repeatedly being publicly disseminated, Peever, Curtis, and the Lines brothers sold nearly three million SHEP shares through the OTCBB, yielding illegal proceeds of over \$4.3 million. All of these offers and sales of SHEP shares were made without a registration statement in effect, and with no valid exemptions from registration.

179. Peever, Curtis, and the Lines brothers' sales of approximately three million SHEP shares were made mostly through LOM Ltd.'s U.S. account at Broker-Dealer A. Defendant Leeds, the broker at Broker-Dealer A for the LOM Ltd. account, executed these trades on behalf of LOM Ltd. and the Lines brothers.

180. Leeds did not conduct a reasonable inquiry or any due diligence concerning the origin and ownership of the SHEP shares. The circumstances surrounding LOM's initial sales of IHI/SHEP stock through Broker-Dealer A should have alerted Leeds to question LOM as to whether those shares had come from the issuer or its affiliates. On September 9 and September 10, 2002, Broker-Dealer A sold 165,000 and 35,000 shares of SHEP, respectively, for LOM.

These share amounts equaled thirty-three percent of the total volume of SHEP traded on September 9 and thirty-nine percent of the total volume of SHEP traded on September 10, and should have prompted Leeds to inquire about the source of the shares, but he failed to make any such inquiry. With respect to Leeds's SHEP sales on behalf of LOM Ltd. from late February through June 2003, Leeds made no attempt to discover whether he was selling the SHEP shares on behalf of an underwriter, or was otherwise engaged in an illegal distribution of SHEP securities. Leeds also made no attempt to determine whether a valid registration statement was in effect as to these SHEP shares.

181. During this period, LOM also sold SHEP shares over the OTCBB on behalf of Peever, Curtis, and the Lines brothers through other U.S. broker-dealers including Paragon Capital Markets, Inc. ("Paragon"), located at 7 Hanover Square, New York, New York, 10004, where LOM Ltd. maintained an account. Brian and Scott Lines were both authorized to place trades and direct transactions in LOM Ltd.'s account at Paragon, and both were signatories to LOM Ltd.'s Paragon account opening documentation.

182. In addition, from December 2002 through April 2003, Peever and Curtis sold approximately 300,000 SHEP shares from accounts that they held at certain Canadian broker-dealers. Between March and June 2003, Peever and Curtis also transferred approximately 275,000 SHEP shares to certain individuals who then sold those shares over the OTCBB through accounts at LOM and other brokerage firms.

183. LOM Bermuda, LOM Bahamas, LOM Cayman, and LOM Ltd. transmitted SHEP sell orders from accounts controlled by Peever, Curtis, and the Lines brothers to Broker-Dealer A, Paragon, and other U.S. broker-dealers between September 2002 and June 2003. LOM Bermuda, LOM Bahamas, LOM Cayman, and LOM Ltd. failed to conduct a reasonable inquiry

to determine whether Peever, Curtis, and the Lines brothers were engaged in an illegal distribution of SHEP securities.

**D. Peever, Curtis, Scott Lines, and Brian Lines Failed to Report Their Purchases and Sales of IHI/SHEP Shares**

184. Peever and Curtis failed to report their purchases and sales of IHI/SHEP stock on Schedules 13D or amendments thereto, as they were required to do. Each of them acquired over five percent of the outstanding shares of SHEP stock and was required to report his purchases on a Schedule 13D.

185. In addition, Curtis and Peever's respective shares are to be aggregated because they had acted in furtherance of a common objective concerning the acquisition and disposition of IHI/SHEP stock, and thus constituted a "group" within the meaning of Section 13(d) of the Exchange Act and Rule 13d-5(b)(1) [15 U.S.C. § 78m(d); 17 C.F.R. §§ 240.13d-5(b)(1)]. By about January 13, 2002, Peever and Curtis were required to file a Schedule 13D with the Commission disclosing, among other things, their acquisition of over eighty-three percent of IHI's outstanding shares and the approximately \$0.07 per-share purchase price that they had paid for those shares.

186. When Peever and Curtis purchased three million shares of IHI stock on or about February 28, 2002 through LOM nominees Consensus and Nottingham, they were required to file an amended Schedule 13D to disclose this acquisition, and their control over more than eighty-eight percent of the outstanding shares. They failed to make the requisite filings.

187. On several other occasions thereafter, Peever and Curtis failed to file amended Schedules 13D reporting their purchases and sales of one percent or more of IHI/SHEP's outstanding shares. For example, from September 9 through September 12, 2002, Peever and Curtis sold approximately 341,500 IHI shares through the OTCBB, but failed to file an amended

Schedule 13D reporting the sales. In addition, Item 6 of Schedule 13D requires the disclosure of certain arrangements between the filers and others concerning the acquired stock. Peever and Curtis failed to disclose their arrangement with the touters, as they were required to do.

188. By at least as early as December 6, 2002, Brian and Scott Lines had begun acting as a "group" with Curtis and Peever in furtherance of a common objective concerning the acquisition and disposition of IHI/SHEP stock. Within ten days of forming that group, Peever, Curtis, Brian Lines, and Scott Lines were required to file either an original or amended Schedule 13D to report, among other things, the group's beneficial ownership of IHI/SHEP shares, but they failed to do so. In addition, between January and June 2003, whenever the group collectively sold at least one percent of IHI/SHEP's outstanding shares (amounting to approximately 225,000 shares during the relevant period), they were required to file an amended Schedule 13D reporting those sales, but failed to do so. For example:

- (a) From February 19 through March 3, 2003, Peever, Curtis and the Lines brothers collectively sold approximately 325,000 SHEP shares, but failed to report those sales in an amended Schedule 13D;
- (b) From March 4 through March 18, 2003, Peever, Curtis and the Lines brothers collectively sold approximately 254,000 SHEP shares, but failed to report those sales in an amended Schedule 13D;
- (c) From March 19 through April 7, 2003, Peever, Curtis and the Lines brothers collectively sold approximately 311,000 SHEP shares, but failed to report those sales in an amended Schedule 13D;

(d) From April 8 through April 9, 2003, Peever, Curtis and the Lines brothers collectively sold approximately 495,000 SHEP shares, but failed to report those sales in an amended Schedule 13D; and

(e) From April 26 through June 2, 2003, Peever, Curtis and the Lines brothers collectively sold approximately 495,000 SHEP shares, but failed to report those sales in an amended Schedule 13D.

189. Even without aggregating Peever and Curtis's IHI/SHEP stock with the IHI/SHEP stock owned by the Lines brothers, the Lines brothers were required, but failed, to file a Schedule 13D. Acting together, Brian and Scott Lines acquired over five percent of IHI/SHEP's outstanding shares by December 6, 2002. As a result, they were required to file a Schedule 13D by on or about December 16, 2002, but failed to do so.

190. In late May and June 2003, after Brian Lines learned of this investigation, he instructed a U.S. lawyer to file at least five ownership reports with the Commission concerning the purported beneficial ownership of SHEP shares by LOM nominees Gateway, Consensus, and Nottingham. Those filings included: (i) a Schedule 13G by Consensus filed on or about May 20, 2003; (ii) a Schedule 13G by Nottingham filed on or about May 20, 2003; (iii) a Schedule 13G by Gateway filed on or about May 21, 2003; (iv) a Form 3 by Gateway filed on or about May 21, 2003; (v) and subsequent Forms 4 by Gateway filed on or about May 21, 2003, June 12, 2003, and June 24, 2003. Those filings were materially false and misleading because they reported that Gateway, Consensus, and Nottingham were the beneficial owners of the SHEP shares held at LOM, and that Gateway was responsible for significant sales of SHEP stock. In fact, Peever, Curtis, and the Lines brothers were the beneficial owners of, and had been selling, virtually all of these SHEP shares from accounts they controlled.



191. In addition, in May 2003, SHEP asked LOM for shareholder information to use in preparing its 2003 annual report. LOM provided SHEP with a false, written confirmation of the stock positions purportedly held by the three nominees, Gateway, Consensus, and Nottinghill (and their respective signature directors), without disclosing that Peever and Curtis were the true beneficial owners of those shares. SHEP included this misleading information in its disclosure of significant share ownership in its Annual Report on Form 20-F (Foreign Private Issuer) filed with the Commission on or about May 27, 2003.

**E. The LOM Entities Played a Significant Role in the SHEP Fraud**

192. As they did in the Sedona scheme, Brian and Scott Lines used the LOM Entities and their instrumentalities to carry out the SHEP fraud.

193. Brian Lines, in his capacity as president of the LOM Entities, acted as Peever and Curtis's representative and attorney-in-fact in the IHI share purchase. Brian Lines allowed Peever and Curtis to use LOM-controlled nominees to conceal their purchase of the IHI shell, and charged fees for their use.

194. LOM Ltd., at the direction of Brian and Scott Lines, also facilitated payment for the IHI shell in early 2002 through wire transfers from Peever and Curtis's Golden and Nomad accounts at LOM Cayman, and facilitated payments to the SHEP touters in early 2003 through wire and stock transfers from those same accounts (Golden continued to be maintained at LOM Cayman; Nomad had been transferred to LOM Bahamas by this time).

195. Brian and Scott Lines also used accounts that LOM Ltd. maintained at U.S.-based broker-dealers, including Broker-Dealer A and Paragon, to sell their SHEP shares.

196. The LOM Entities also benefited financially from the SHEP fraud, through commissions earned on the purchases and sales of SHEP stock.

197. At all relevant times throughout the IHI/SHEP scheme, Brian and Scott Lines were control persons of LOM Holdings and its subsidiaries, and LOM Holdings was a control person of subsidiaries LOM Ltd., LOM Bermuda, LOM Bahamas, and LOM Cayman.

**CLAIMS FOR RELIEF REGARDING THE SEDONA SCHEME**

**FIRST CLAIM FOR RELIEF**

Violations of Section 10(b) of the Exchange Act  
and Rule 10b-5 Thereunder

[15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5]

[Scheme to Defraud – Renaissance/Sedona]

[Brian Lines, Scott Lines, LOM Holdings, LOM Ltd., LOM Capital,  
LOM Bermuda, LOM Bahamas, LOM Cayman, Anthony Wile, Wayne Wile]

198. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

199. Defendants Brian Lines, Scott Lines, LOM Ltd., LOM Capital, LOM Bermuda, LOM Bahamas, LOM Cayman, Anthony Wile, and Wayne Wile, by engaging in the conduct described above, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce, or by use of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of securities:

- a. employed devices, schemes, or artifices to defraud;
- b. made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- c. engaged in acts, practices, or courses of business which operated or would have operated as a fraud or deceit upon any person.

200. By reason of the foregoing, defendants Brian Lines, Scott Lines, LOM Ltd., LOM Capital, LOM Bermuda, LOM Bahamas, LOM Cayman, Anthony Wile, Wayne Wile, and Chapman, directly or indirectly, violated, and unless restrained and enjoined will continue to

violate, Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

201. LOM Holdings is also liable for the foregoing violations as a control person of LOM Ltd., LOM Capital, LOM Bermuda, LOM Bahamas, LOM Cayman pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)].

**SECOND CLAIM FOR RELIEF**

Violations of Section 10(b) of the Exchange Act  
and Rule 10b-5 Thereunder.

[15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5]

[Misrepresentations/Omissions – Chapman]

202. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

203. Defendant Chapman, by engaging in the conduct described above, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce, or by use of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of securities:

- a. employed devices, schemes, or artifices to defraud;
- b. made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- c. engaged in acts, practices, or courses of business which operated or would have operated as a fraud or deceit upon any person.

204. By reason of the foregoing, defendant Chapman, directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

**THIRD CLAIM FOR RELIEF**

Violations of Section 17(a) of the Securities Act

[15 U.S.C. § 77q(a)]

[Scheme to Defraud – Renaissance/Sedona]

[Brian Lines, Scott Lines, LOM Ltd., LOM Capital, LOM Bermuda,  
LOM Bahamas, LOM Cayman, Anthony Wile, Wayne Wile]

205. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

206. Defendants Brian Lines, Scott Lines, LOM Ltd., LOM Capital, LOM Bermuda, LOM Bahamas, LOM Cayman, Anthony Wile, and Wayne Wile, by engaging in the conduct described above, directly or indirectly, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, in the offer or sale of securities:

- a. employed devices, schemes, or artifices to defraud;
- b. obtained money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;  
or
- c. engaged in transactions, practices, or courses of business which operated or would have operated as a fraud or deceit upon the purchaser.

207. By reason of the foregoing, defendants Brian Lines, Scott Lines, LOM Ltd., LOM Capital, LOM Bermuda, LOM Bahamas, LOM Cayman, Anthony Wile, and Wayne Wile, directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**FOURTH CLAIM FOR RELIEF**

Aiding and Abetting Violations of Section 10(b) of the Exchange Act  
and Rule 10b-5 Thereunder

[15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5]

[Scheme to Defraud – Renaissance/Sedona]

[Brian Lines, Scott Lines, LOM Ltd., LOM Capital, LOM Bermuda,  
LOM Bahamas, LOM Cayman]

208. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

209. As a consequence of the Sedona scheme, Anthony Wile and others violated Section 10(b) and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

210. Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)] provides that a person who knowingly provides substantial assistance to another person in violation of the Exchange Act, or any rule or regulation issued under the Exchange Act, shall be deemed to be in violation of such provision to the same extent as the person to whom such assistance is provided.

211. Defendants Brian Lines, Scott Lines, LOM Ltd., LOM Capital, LOM Bermuda, LOM Bahamas, and LOM Cayman, by engaging in the conduct described above, knowingly provided substantial assistance to, and therefore aided and abetted, Anthony Wile and others' violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

212. Unless restrained and enjoined, defendants Brian Lines, Scott Lines, LOM Ltd., LOM Capital, LOM Bermuda, LOM Bahamas, and LOM Cayman will continue to aid and abet violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

**FIFTH CLAIM FOR RELIEF**

Violations of Section 5 of the Securities Act

[15 U.S.C. § 77e]

[Offering and Selling Sedona Securities without Registration Statement]

[Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda, Leeds]

213. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

214. Defendants Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda, and Leeds, by engaging in the conduct described above, directly or indirectly, and without a registration statement in effect as to such securities:

- a. Made use of the means or instrument of transportation or communication in interstate commerce or of the mails to sell securities through the use or medium of any prospectus or otherwise; or
- b. Carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities for the purpose of sale or for delivery after sale.

215. Defendants Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda, and Leeds, by engaging in the conduct described above, also directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise securities, without a registration statement having been filed as to those securities.

216. By reason of the foregoing, defendants Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda, and Leeds, directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 5 of the Securities Act [15 U.S.C. § 77e].

**SIXTH CLAIM FOR RELIEF**

Violations of Section 5 of the Securities Act

[15 U.S.C. § 77e]

[Offering and Selling Renaissance Securities without Registration Statement]

[Brian Lines, Scott Lines, LOM Capital, Anthony Wile]

217. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

218. Defendants Brian Lines, Scott Lines, LOM Capital, and Anthony Wile, by engaging in the conduct described above, directly or indirectly, and without a registration statement in effect as to such securities:

- a. Made use of the means or instrument of transportation or communication in interstate commerce or of the mails to sell securities through the use or medium of any prospectus or otherwise; or
- b. Carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities for the purpose of sale or for delivery after sale.

219. Defendants Brian Lines, Scott Lines, LOM Capital, and Anthony Wile, by engaging in the conduct described above, also directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise securities, without a registration statement having been filed as to those securities.

220. By reason of the foregoing, defendants Brian Lines, Scott Lines, LOM Capital, and Anthony Wile, directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 5 of the Securities Act [15 U.S.C. § 77e].

**SEVENTH CLAIM FOR RELIEF**

Violations of Section 13(d) of the Exchange Act  
and Rule 13d-1 and 13d-2 Thereunder  
[15 U.S.C. § 78m(d); 17 C.F.R. § 240.13d-1]  
[Beneficial Ownership Reports – Sedona]  
[Brian Lines, Scott Lines]

221. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

222. Sections 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 thereunder [15 U.S.C. § 78m(d); 17 C.F.R. § 240.13d-1 and 240.13d-2] require any person that has acquired, directly or indirectly, beneficial ownership of more than five percent of a class of registered equity security to file a statement on a Schedule 13D with the Commission no later than ten days following the more than five percent accumulation, and such Schedule 13D must be promptly amended to disclose any material change in the facts set forth in the Schedule 13D (including the acquisition or disposition of beneficial ownership of securities in an amount equal to one percent or more of the class of securities).

223. By engaging in the conduct described above with respect to Sedona, defendants Brian Lines and Scott Lines violated, and unless restrained and enjoined will continue to violate, Section 13(d) of the Exchange Act and Rule 13d-1 thereunder [15 U.S.C. § 78m(d); 17 C.F.R. § 240.13d-1].

**EIGHTH CLAIM FOR RELIEF**

Violations of Section 16(a) of the Exchange Act  
and Rule 16a-3 Thereunder  
[15 U.S.C. § 78p(a); 17 C.F.R. § 240.16a-3]  
[Beneficial Ownership Reports – Sedona]  
[Brian Lines, Scott Lines]

224. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

225. Section 16(a) of the Exchange Act [15 U.S.C. § 78p(a)] requires any person who is the beneficial owner of more than ten percent of a class of registered equity security to file a



statement with the Commission. Rule 16a-3 [17 C.F.R. §240.16a-3] provides that Section 16(a) disclosures be made by filing a Form 3 for initial statements of beneficial ownership and a Form 4 for statements of changes in beneficial ownership.

226. By engaging in the conduct described above with respect to Sedona, defendants Brian Lines and Scott Lines violated, and unless restrained and enjoined will continue to violate, Section 16(a) of the Exchange Act and Rule 16a-3 [15 U.S.C. § 78p(a); 17 C.F.R. §240.16a-3] thereunder.

**NINTH CLAIM FOR RELIEF**

Violations of Section 15(a) of the Exchange Act  
[15 U.S.C. § 78o]  
[Broker-Dealer Registration]  
[Scott Lines, LOM Bermuda]

227. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

228. Defendants Scott Lines and LOM Bermuda, by engaging in the conduct described above, made use of the mails or other means or instrumentality of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, securities while not registered as a broker or dealer in accordance with Section 15(a) of the Exchange Act.

229. By reason of the foregoing, defendants Scott Lines and LOM Bermuda violated, and unless restrained and enjoined will continue to violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78o].

**TENTH CLAIM FOR RELIEF**

Aiding and Abetting Violations of Section 13(a) of the Exchange Act  
and Rule 13a-11 Thereunder  
[15 U.S.C. § 78m(a); 17 C.F.R. § 240.13a-11]  
[Current Report on Form 8-K – Sedona]  
[Brian Lines, Scott Lines]

230. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

231. As detailed above, Sedona violated Section 13(a) of the Exchange Act and Rule

13a-1 thereunder [15 U.S.C. § 78m(a); 17 C.F.R. § 240.13a-11].

232. Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)] provides that a person who knowingly provides substantial assistance to another person in violation of the Exchange Act, or any rule or regulation issued under the Exchange Act, shall be deemed to be in violation of such provision to the same extent as the person to whom such assistance is provided.

233. Defendants Brian Lines and Scott Lines, by engaging in the conduct described above, knowingly provided substantial assistance to, and therefore aided and abetted, Sedona's violations of Section 13(a) of the Exchange Act and Rule 13a-11 thereunder [15 U.S.C. § 78m(a); 17 C.F.R. § 240.13a-11].

234. Unless restrained and enjoined, defendants Brian Lines and Scott Lines will continue to aid and abet violations of Section 13(a) of the Exchange Act and Rule 13a-11 thereunder [15 U.S.C. § 78m(a); 17 C.F.R. § 240.13a-11].

#### **CLAIMS FOR RELIEF REGARDING THE SHEP SCHEME**

##### **ELEVENTH CLAIM FOR RELIEF**

Violations of Section 10(b) of the Exchange Act  
and Rule 10b-5 Thereunder

[15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5]

[Scheme to Defraud – IHI/SHEP]

[Brian Lines, Scott Lines, LOM Holdings, LOM Ltd., LOM Bermuda,  
LOM Bahamas, LOM Cayman, Peever, Curtis]

235. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

236. Defendants Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda, LOM Bahamas, LOM Cayman, Peever, and Curtis, by engaging in the conduct described above, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce, or by use of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of securities:

- a. employed devices, schemes, or artifices to defraud;
- b. made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- c. engaged in acts, practices, or courses of business which operated or would have operated as a fraud or deceit upon any person.

237. By reason of the foregoing, defendants Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda, LOM Bahamas, LOM Cayman, Peever, and Curtis directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

238. LOM Holdings is also liable for the foregoing violations as a control person of LOM Ltd., LOM Bermuda, LOM Bahamas, LOM Cayman pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)].

**TWELFTH CLAIM FOR RELIEF**

Violations of Section 17(a) of the Securities Act

[15 U.S.C. § 77q(a)]

[Scheme to Defraud – IHI/SHEP]

[Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda,  
LOM Bahamas, LOM Cayman, Peever, Curtis]

239. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

240. Defendants Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda, LOM Bahamas, LOM Cayman, Peever, and Curtis, by engaging in the conduct described above, directly or indirectly, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, in the offer or sale of securities:

- a. employed devices, schemes, or artifices to defraud;
- b. obtained money or property by means of any untrue statement of a material fact or

any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or;

- c. engaged in transactions, practices, or courses of business which operated or would have operated as a fraud or deceit upon the purchaser.

241. By reason of the foregoing, defendants Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda, LOM Bahamas, LOM Cayman, Peever, and Curtis, directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**THIRTEENTH CLAIM FOR RELIEF**

Aiding and Abetting Violations of Section 10(b) of the Exchange Act  
and Rule 10b-5 Thereunder

[15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5]

[Schemes to Defraud – IHI/SHEP]

[Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda,  
LOM Bahamas, LOM Cayman]

242. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

243. As a consequence of the SHEP scheme, Peever and Curtis violated Section 10(b) and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

244. Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)] provides that a person who knowingly provides substantial assistance to another person in violation of the Exchange Act, or any rule or regulation issued under the Exchange Act, shall be deemed to be in violation of such provision to the same extent as the person to whom such assistance is provided.

245. Defendants Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda, LOM Bahamas, and LOM Cayman, by engaging in the conduct described above, knowingly provided substantial assistance to, and therefore aided and abetted, Peever and Curtis's violations of Section 10(b) of

the Exchange Act and Rule 10b-5 promulgated thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

246. Unless restrained and enjoined, defendants Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda, LOM Bahamas, and LOM Cayman will continue to aid and abet violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

**FOURTEENTH CLAIM FOR RELIEF**  
Violations of Section 5 of the Securities Act  
[15 U.S.C. § 77e]

[Offering and Selling SHEP Securities without Registration Statement]  
[Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda,  
LOM Bahamas, LOM Cayman, Peever, Curtis, Leeds]

247. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

248. Defendants Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda, LOM Bahamas, LOM Cayman, Peever, Curtis, and Leeds, by engaging in the conduct described above, directly or indirectly, and without a registration statement in effect as to such securities:

- a. Made use of the means or instrument of transportation or communication in interstate commerce or of the mails to sell securities through the use or medium of any prospectus or otherwise; or
- b. Carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities for the purpose of sale or for delivery after sale.

249. Defendants Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda, LOM Bahamas, LOM Cayman, Peever, Curtis, and Leeds, by engaging in the conduct described above, also directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium

of any prospectus or otherwise securities, without a registration statement having been filed as to those securities.

250. By reason of the foregoing, defendants Brian Lines, Scott Lines, LOM Ltd., LOM Bermuda, LOM Bahamas, LOM Cayman, Peever, Curtis, and Leeds, directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 5 of the Securities Act [15 U.S.C. § 77e].

**FIFTEENTH CLAIM FOR RELIEF**

Violations of Section 13(d) of the Exchange Act  
and Rules 13d-1 and 13d-2 Thereunder  
[15 U.S.C. § 78m(d); 17 C.F.R. §§ 240.13d-1 and 240.13d-2]  
[Beneficial Ownership Reports – IHI/SHEP]  
[Peever, Curtis, Brian Lines, Scott Lines]

251. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

252. Sections 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 thereunder [15 U.S.C. § 78m(d); 17 C.F.R. § 240.13d-1 and 240.13d-2] require any person that has acquired, directly or indirectly, beneficial ownership of more than five percent of a class of registered equity security to file a statement on a Schedule 13D with the Commission no later than ten days following the more than five percent accumulation, and such Schedule 13D must be promptly amended to disclose any material change in the facts set forth in the Schedule 13D (including the acquisition or disposition of beneficial ownership of securities in an amount equal to one percent or more of the class of securities).

253. By engaging in the conduct described above with respect to IHI/SHEP, defendants Peever, Curtis, Brian Lines, and Scott Lines violated, and unless restrained and enjoined will continue to violate, Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 [15 U.S.C. § 78m(d); 17 C.F.R. § 240.13d-1 and 240.13d-2] thereunder.

**SIXTEENTH CLAIM FOR RELIEF**

Aiding and Abetting Violations of Section 13(d) of the Exchange Act  
and Rules 13d-1 and 13d-2 Thereunder

[15 U.S.C. § 78m(d); 17 C.F.R. §§ 240.13d-1 and 240.13d-2]

[Beneficial Ownership Reports – IHI/SHEP]

[Brian Lines, LOM Ltd.]

254. Paragraphs 1 through 197 are hereby realleged and incorporated by reference.

255. As detailed above, Peever and Curtis violated Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 thereunder [15 U.S.C. § 78m(d); 17 C.F.R. §§ 240.13d-1 and 240.13d-2].

256. Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)] provides that a person who knowingly provides substantial assistance to another person in violation of the Exchange Act, or any rule or regulation issued under the Exchange Act, shall be deemed to be in violation of such provision to the same extent as the person to whom such assistance is provided.

257. Defendants Brian Lines and LOM Ltd., by engaging in the conduct described above, knowingly provided substantial assistance to, and therefore aided and abetted, Peever and Curtis's violations of Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 thereunder [15 U.S.C. § 78m(d); 17 C.F.R. §§ 240.13d-1 and 240.13d-2].

258. Unless restrained and enjoined, defendants Brian Lines and LOM Ltd. will continue to aid and abet violations of Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 thereunder [15 U.S.C. § 78m(d); 17 C.F.R. §§ 240.13d-1 and 240.13d-2].

**WHEREFORE**, Plaintiff Securities and Exchange Commission requests that the Court enter final judgment:

i. Enjoining Brian Lines and his officers, agents, servants, employees and attorneys, and all persons in active concert or participation with him, and each of them, from violating,

directly or indirectly, Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§ 77e and 77q(a)] and Sections 10(b), 13(d), and 16(a) of the Exchange Act and Rules 10b-5, 13d-1, 13d-2, and 16a-3 thereunder [15 U.S.C. §§ 78j(b), 78m(d), and 78p(a); 17 C.F.R. §§ 240.10b-5, 240.13d-1, 240.13d-2, and 240.16a-3], and from aiding and abetting violations of Sections 10(b), 13(a), and 13(d) of the Exchange Act and Rules 10b-5, 13a-11, and 13d-2 thereunder [15 U.S.C. §§ 78j(b), 78m(a), and 78m(d); 17 C.F.R. §§ 240.10b-5, 240.13a-11, and 240.13d-2];

ii. Enjoining Scott Lines and his officers, agents, servants, employees and attorneys, and all persons in active concert or participation with him, and each of them, from violating, directly or indirectly, Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§ 77e and 77q(a)] and Sections 10(b), 13(d), 15(a), and 16(a) of the Exchange Act and Rules 10b-5, 13d-1, 13d-2, and 16a-3 thereunder [15 U.S.C. §§ 78j(b), 78m(d), 78o, and 78p(a); 17 C.F.R. §§ 240.10b-5, 240.13d-1, 240.13d-2, and 240.16a-3], and from aiding and abetting violations of Sections 10(b) and 13(a) of the Exchange Act and Rules 10b-5 and 13a-11 thereunder [15 U.S.C. §§ 78j(b) and 78m(a); 17 C.F.R. §§ 240.10b-5 and 240.13a-11];

iii. Enjoining LOM Holdings and its officers, agents, servants, employees and attorneys, and all persons in active concert or participation with it, and each of them, from violating, directly or indirectly, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5];

iv. Enjoining LOM Ltd. and its officers, agents, servants, employees and attorneys, and all persons in active concert or participation with it, and each of them, from violating, directly or indirectly, Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§ 77e and 77q(a)] and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5], and from aiding and abetting violations of Sections 10(b) and 13(d) of the



Exchange Act and Rules 10b-5, 13d-1, and 13d-2 thereunder [15 U.S.C. §§ 78j(b) and 78m(d); 17 C.F.R. §§ 240.10b-5, 240.13d-1, and 240.13d-2];

v. Enjoining LOM Capital and its officers, agents, servants, employees and attorneys, and all persons in active concert or participation with it, and each of them, from violating, directly or indirectly, Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§ 77e and 77q(a)] and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5], and from aiding and abetting violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5];

vi. Enjoining LOM Bermuda and its officers, agents, servants, employees and attorneys, and all persons in active concert or participation with it, and each of them, from violating, directly or indirectly, Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§ 77e and 77q(a)] and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. §§ 78j(b) and 78o; 17 C.F.R. §§ 240.10b-5], and from aiding and abetting violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5];

vii. Enjoining LOM Bahamas and LOM Cayman and its officers, agents, servants, employees and attorneys, and all persons in active concert or participation with it, and each of them, from violating, directly or indirectly, Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§ 77e and 77q(a)] and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and from aiding and abetting violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5];

viii. Enjoining Anthony Wile and his officers, agents, servants, employees and attorneys, and all persons in active concert or participation with him, and each of them, from

violating, directly or indirectly, Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§ 77e and 77q(a)] and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5];

ix. Enjoining Wayne Wile and his officers, agents, servants, employees and attorneys, and all persons in active concert or participation with him, and each of them, from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5];

x. Enjoining Chapman and his officers, agents, servants, employees and attorneys, and all persons in active concert or participation with him, and each of them, from violating, directly or indirectly, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5];

xi. Enjoining Peever, Curtis, and their officers, agents, servants, employees and attorneys, and all persons in active concert or participation with them, and each of them, from violating, directly or indirectly, Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§ 77e and 77q(a)] and Sections 10(b) and 13(d) of the Exchange Act and Rules 10b-5, 13d-1, and 13d-2 thereunder [15 U.S.C. §§ 78j(b) and 78m(d); 17 C.F.R. §§ 240.10b-5, 240.13d-1, and 240.13d-2];

xii. Enjoining Leeds and his officers, agents, servants, employees and attorneys, and all persons in active concert or participation with him, and each of them, from violating, directly or indirectly, Section 5 of the Securities Act [15 U.S.C. § 77e];

xiii. Ordering defendants to account for and disgorge all proceeds they have obtained as a result of the illegal conduct described above, and to pay prejudgment interest thereon;

xiv. Ordering defendants to pay civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

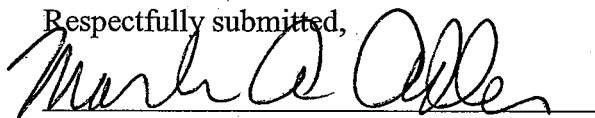
xv. Permanently barring defendant Anthony Wile, pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)];

xvi. Permanently barring defendants Brian Lines, Scott Lines, LOM Holdings, LOM Ltd., LOM Capital, LOM Bermuda, LOM Bahamas, LOM Cayman, Anthony Wile, Wayne Wile, Peever, Curtis, and Chapman from participating in any offering of penny stocks pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)] and/or Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)]; and

xvii. Granting such other relief as this Court may deem just and proper.

Dated: Dec. 19, 2007

Respectfully submitted,



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