

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

_____	)	
SECURITIES AND EXCHANGE	)	
COMMISSION	)	
	)	
Plaintiff,	)	
	)	
v.	)	Case No. 1:07-cv-11387 (DLC)
	)	
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.	)	
_____	)	

**NOTICE OF MOTION AND PLAINTIFF’S MOTION FOR  
TRANSFER OF FUNDS FOR DISBURSEMENT OF DISTRIBUTION FUND**

**NOTICE OF MOTION**

**PLEASE TAKE NOTICE** that based upon the accompanying Motion, Memorandum, and Proposed Order, and all other papers and proceedings herein, Plaintiff United States Securities and Exchange Commission will move this Court, at a date and time to be determined by the Court, before the Honorable Denise L. Cote, United States District Judge for the Southern District of New York, at the United States Courthouse, 500 Pearl Street, Room 18B, New York, NY 10007, for an Order Approving Transfer of Funds for Disbursement of Distribution Fund.

**MOTION**

Plaintiff United States Securities and Exchange Commission (“SEC” or “Commission”) respectfully moves the Court to enter an Order Approving Transfer of Funds for Disbursement of Distribution Fund (“Disbursement Order”) from funds on deposit with the Court Registry Investment System (“CRIS”) to the Escrow Account for the SEC v. Brian Lines, et al Fair Fund at The Huntington National Bank, to distribute \$32,583.70 to Eligible Claimants pursuant to paragraphs 44 to 47 of the Distribution Plan approved by this Court on December 2, 2021.

In support of this motion, the Commission is filing (1) a memorandum of law, which is incorporated into this motion as fully set forth herein, and (2) the Declaration of Luiggy Segura, Vice President of Operations, JND Legal Administration (“Segura Declaration”).

The SEC is also submitting a Proposed Disbursement Order to the Court contemporaneously with the filing of this motion.

Dated: February 27, 2023

Respectfully submitted,

*/s/ Nichola L. Timmons*

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Attachment: Memorandum of Law in Support of Motion

**CERTIFICATE OF SERVICE**

I hereby certify that on February 27, 2023, a copy of the Plaintiff Securities and Exchange Commission's Motion for Approval of Distribution Plan along with the Proposed Order were filed electronically. Notice of this filing will be sent by operation of the Court's electronic filing system to all parties indicated on the electronic filing receipt. Parties may access this filing through the Court's system.

*/s/ Nichola L. Timmons*

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UNITED STATES DISTRICT COURT  
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 )  
 Defendants. )

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Case No. 1:07-cv-11387 (DLC)

**MEMORANDUM OF LAW IN SUPPORT OF MOTION FOR  
TRANSFER OF FUNDS FOR DISBURSEMENT OF DISTRIBUTION FUND**

**I. BACKGROUND**

On December 19, 2007, the Securities and Exchange Commission (“SEC” or “Commission”) filed a Complaint against brothers Brian N. Lines (“Brian Lines”) and Scott S. Lines (“Scott Lines”), six (6) entities controlled by the Lines brothers (the “LOM Entities”), and six (6) other defendants (collectively, the “Defendants”). The Commission alleged a pair of separate, but similar, fraudulent schemes in which the Defendants manipulated the stock prices of two microcap companies, Sedona Software Solutions, Inc. (“Sedona”) and SHEP Technologies, Inc. (“SHEP”). During the period of the frauds – for Sedona stock, January 21, 2003 to January

29, 2003, and for SHEP stock, February 19, 2003 to June 24, 2003 (collectively, the “Relevant Periods”) – the shares of both companies were quoted and traded on the OTC Bulletin Board. The schemes involving the LOM Entities, Caribbean area-based entities owned by Brian Lines and his family, stock promoters in Canada, and others generated illegal proceeds of approximately \$5.8 million from the sales of Sedona and SHEP common stock.

On October 14, 2010, the Court entered Final Judgments ordering: (a) Brian Lines and five (5) of the LOM Entities<sup>1</sup> to pay, joint and severally, \$1,932,321 (disgorgement of \$1,277,403 and prejudgment interest of \$654,918) (*Dkt Nos. 217, 220, 221, 222 and 223*); (b) Brian Lines to pay a civil penalty of \$100,000 (*Dkt No. 225*); (c) Scott Lines to pay a civil penalty of \$50,000 (*Dkt No. 219*); and (d) the five (5) LOM Entities to pay, jointly and severally, a civil penalty of \$450,000 (*Dkt No. 217*). Defendants Phillip James Curtis (“Curtis”), William Todd Peever (“Peever”) and Robert J. Chapman (“Chapman”) defaulted on payments ordered pursuant to their Final Judgments (*Dkt No. 240*). In September 2019, the SEC, through its collection efforts, recovered approximately \$263,693.82 from the sale of property owned by Defendant Curtis.<sup>2</sup> The Final Judgments for Defendants Anthony Wile and Wayne Wile required them to make payments to the SEC and did not specify that their payments should be added to the Fair Fund (*Dkt Nos. 218 and 224*). The civil action as to Defendant Leeds was dismissed without prejudice on May 9, 2008 (*Dkt No. 10*).

The Final Judgments against Brian Lines, Scott Lines, the LOM Entities and Curtis each provide that the Commission may propose a plan to distribute the fund, subject to the Court’s

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<sup>1</sup> On October 14, 2010, the civil action as to LOM (Holdings) Ltd was dismissed with prejudice. *Dkt No. 216*.

<sup>2</sup> See *Dkt* entry Feb. 21, 2020.

approval, pursuant to the Fair Fund provision of Section 308(a) of the Sarbanes-Oxley Act of 2002.

To date, Brian Lines, Scott Lines, and the LOM Entities have paid the full amounts ordered, which total \$2,532,321. These funds, together with the \$263,693.82 recovered from Curtis, comprise the Fair Fund of approximately \$2.9 million (the “Fair Fund”) established by the Court’s December 19, 2019 Order, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002. (*Dkt No. 246*).

The Fair Fund is currently on deposit with the Court Registry Investment System (“CRIS”). Any additional funds received pursuant to the final judgments, described above, will be added to the Fair Fund for distribution to harmed investors.

On December 19, 2019, the Court appointed Miller Kaplan Arase LLP (“Miller Kaplan”) as Tax Administrator to handle the income tax reporting requirements of the Fair Fund (*Dkt No. 246*). On December 20, 2019, the Court appointed JND Legal Administration as the Distribution Agent to assist in overseeing the administration of the Fair Fund (“JND” or “Distribution Agent”), in consultation with Commission staff (*Dkt No. 249*).

On November 12, 2021, the SEC filed a proposed Plan of Distribution Plan to distribute the funds recovered in this matter to investors harmed by the Defendants’ violations (the “Plan”). (*Dkt No. 255-2*). On December 2, 2021, the court approved the Plan. *Dkt No. 257*).

## **II. DISBURSEMENT OF THE FAIR FUND**

Pursuant to the Plan, JND has completed the outreach and claims determination process and has submitted a Payment File to the Commission staff. The Payment File lists 12 (twelve) Eligible Claimants whose Recognized Loss amounts exceed the minimum distribution amount of \$10.00, as required by the Plan. See *Declaration of Luiggy dated January 19, 2023 (“Segura*

*(Segura Declaration*”) ¶ 10. The total Distribution Payment amount to the 12 (twelve) Eligible Claimants, identified by name and claim number for distribution in this matter, is \$32,583.70.

*(Segura Declaration* ¶ 10.) Because the total Recognized Loss amount of \$32,583.70 is less than the balance of the Fair Fund of \$2,898,571.99, the Eligible Claimants will receive payment amounts equal to their full Recognized Losses calculated in accordance with the Plan of Allocation of the Plan. *(Dkt. No. 255-2, Attachment A)*.

Concurrently with the Motion for Transfer of Funds for Disbursement of Distribution Fund (the “Motion”), the Commission submitted the Segura Declaration, which details the procedures that the Distribution Agent used to develop the list of Eligible Claimants. Subject to the Court’s approval, the Distribution Agent will distribute checks to those Eligible Claimants for their full Recognized Loss amounts, all of which are above the Minimum Distribution Amount of \$10.00 identified in the Plan. The Eligible Claimants’ payments will range from \$15.00 to \$13,500.00. *(See Distribution Chart attached to the Segura Declaration)*. JND is now in a position to distribute checks to Eligible Claimants as defined in the Plan. In order to do so, subject to the Court’s approval of the Motion, and pursuant to the Plan, JND has established an Escrow Account and a Deposit Account in the name of “SEC v Brian Lines et al Fair Fund” and bearing the Employer Identification Number of the Fair Fund, as custodian for the Eligible Claimants of the Fair Fund. JND will also establish a separate Deposit Account titled “SEC v Brian Lines et al Fair Fund” to fund and process payments to be distributed to Eligible Claimants by JND pursuant to the Plan.

Accordingly, the Commission respectfully requests that the Court order that \$32,583.70 be transferred to the Distribution Agent; for deposit by the Distribution Agent into the Escrow Account in the name of “SEC v Brian Lines et al Fair Fund” as set forth above; and that these

funds be distributed to the Eligible Claimants identified in the Payment File pursuant to the Distribution Plan.

**III. CONCLUSION**

**WHEREFORE**, for all the foregoing reasons, the Commission respectfully requests that the Court enter the attached Proposed Order, and grant such other relief as it deems just and proper.

Dated: February 27, 2023

Respectfully submitted,

*/s/ Nichola L. Timmons*

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Attachment: Exhibit A – Segura Declaration



# **Exhibit A**

**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.**

**Case No.: 1:07-cv-11387 (DLC)**

**Declaration of Luiggy Segura**

I, Luiggy Segura, pursuant to 28 U.S.C. § 1746, declare under penalty of perjury as follows:

1. I am a Vice President of Operations for JND Legal Administration (“JND” or “Distribution Agent”), the Court-appointed Distribution Agent in the captioned action (the “Action”). I submit this Declaration in support of the Securities and Exchange Commission's (the "SEC") Motion for an Order to Transfer Funds for Distribution.

2. The following statements are based on my personal knowledge and information provided to me by other experienced JND employees working under my supervision. If called to testify regarding the facts in this declaration, I could do so competently.

### **PREPARATION AND MAILING OF THE CLAIM PACKET**

3. In accordance with paragraph 28 of the Court-approved Distribution Plan<sup>1</sup>, as of December 29, 2021, JND established and continues to maintain a website, toll-free number, Post Office Box, and an email address, dedicated to this Action.

4. Beginning on December 30, 2021, JND mailed and emailed copies of the Notice Packet: to individual investors, including the list of Potentially Eligible Claimants identified and provided to the Distribution Agent by the SEC; to the Distribution Agent's list of banks, brokers, and other nominees; to other institutions and individuals identified by the Distribution Agent's outreach process that may have records of, or may be, Potentially Eligible Claimants; and in fulfillment of various Notice Packet requests received. In total, JND has mailed and emailed over 8,600 copies of the Notice Packet.

5. Pursuant to paragraph 28(j) of the Plan, JND caused the Summary Notice to be published three (3) times over PR Newswire. These publications occurred on December 30, 2021, January 4, 2022, and on January 7, 2022.

6. JND attempted to locate anyone whose Notice Packet was returned as undeliverable by the United States Postal Service and re-mailed the Notice Packet to those where an alternative or forwarding address was located.

### **PROCEDURES FOLLOWED IN ACCEPTING AND REJECTING CLAIMS**

7. In accordance with the Plan, the claim Filing Deadline was set at ninety (90) days from the initial mailing of the Notice Packet, or March 30, 2022.

8. JND reviewed Claim Forms for eligibility under the Plan, including a review for those Excluded Parties excluded by definition pursuant to paragraph 6(m).

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<sup>1</sup>Capitalized terms used but not defined in this Declaration are used as defined in the Distribution Plan (the "Plan"). The Plan is available at [www.SECvBrianLinesetalFairFund.com](http://www.SECvBrianLinesetalFairFund.com).

9. In accordance with paragraphs 34-39 of the Plan, JND issued Claim Deficiency Notices and Determination Notices to all Potentially Eligible Claimants who filed Claim Forms, setting forth its conclusions concerning their claim and alerting those with deficient or denied claims to the deficiency or basis for denial. Potentially Eligible Claimants who submitted deficient or denied claims were given thirty (30) days to cure the deficiency or seek reconsideration of the denial. The Distribution Agent sent Final Determination Notices to all Potentially Eligible Claimants who responded to the Determination Notice in an attempt to cure a deficiency or to seek reconsideration of a rejected claim.

#### **DISPOSITION OF CLAIMS**

10. JND received a total of 37 Claim Forms. After applying the \$10.00 Minimum Distribution Amount discussed in paragraph 14 of the Plan of Allocation included as Attachment A to the Plan, JND determined that 12 of the claims submitted are eligible for a Distribution Payment, with an aggregate Recognized Loss of \$32,583.70, as set forth in the attached Distribution Chart.

11. In consultation with the Tax Administrator and the SEC staff, JND has determined that a reserve of \$121,727.65 is necessary for administrative fees, expenses, and taxes in order to complete the distribution (the “Reserve”).

12. As of November 30, 2022, the Fair Fund holds \$2,898,571.99. After offsetting the Reserve, the Net Fair Fund holds \$2,776,844.34.

13. In accordance with paragraphs 45 and 46 of the Plan, JND has established an Escrow Account and a Deposit Account at The Huntington National Bank, N.A. (the “Bank”).

14. JND has prepared the payee information in accordance with paragraph 44 of the Plan (the “Payee List”), and, pursuant to paragraph 52, confirms that the Payee List: (a) was compiled in accordance with the Distribution Plan; (b) is accurate as to Eligible Claimants’ names, addresses,

and Recognized Losses; and (c) provides all information necessary to make a payment equal to the amount of the Distribution Payment and tax withholding, as applicable, for each Eligible Claimant.

15. As provided in paragraph 13 of the Plan of Allocation, because the Net Available Fair Fund exceeds the sum of the Recognized Losses of all Eligible Claimants, each Eligible Claimant will receive a Distribution Payment equal to the amount of his, her, or its Recognized Loss.

16. The Payee List includes the names of the 12 Eligible Claimants, the Recognized Loss of each Eligible Claimant, and the Distribution Payment amount comprised of their Recognized Loss less any withholding amount to be directed to state or federal tax authorities. In the aggregate, the Eligible Claimants' Recognized Losses total \$32,583.70. Accordingly, the total amount to be transferred to the Escrow Account, comprised of Distribution Payments, and any withholding amounts, is \$32,583.70.

17. The Distribution Agent has confirmed that none of the 12 Eligible Claimants are precluded from payment under the Office of Foreign Assets Control sanctions list.

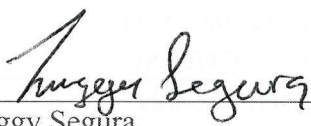
18. Upon the transfer of the funds into the Escrow Account, JND will use its best efforts to commence mailing Distribution Payment checks and effecting wire transfers within twenty (20) business days.

19. All funds shall remain in the Escrow Account, separate from Bank assets, until needed to satisfy a presented check or issue a wire. All checks presented for payment will be subject to "positive pay with payee verification" controls before being honored by the Bank.

20. JND will use its best efforts to locate and reissue checks or payments to Eligible Claimants whose checks are not delivered and will perform outreach on uncashed checks or returned wires, including uncashed Distribution Payments over \$100.00, in accordance with paragraphs 58-62 of the Plan.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on February 14, 2023 in New Hyde Park, New York.

  
\_\_\_\_\_  
Luiggy Segura  
Vice President – Operations

## Distribution Chart

<b>Investor No.</b>	<b>Recognized Loss Amount</b>	<b>Distribution Amount</b>
DB3S2D64YE	(\$32,583.70)	\$4,202.00
DSQU7A2YVC	(\$32,583.70)	\$2,399.70
DBZYV2S9DK	(\$32,583.70)	\$139.00
DJB3RNVGMQ	(\$32,583.70)	\$13,500.00
D9EXTAF7C8	(\$32,583.70)	\$8,634.00
DVB3EA4HWU	(\$32,583.70)	\$1,875.00
D92VPE7HLW	(\$32,583.70)	\$1,047.50
DA2NZFYBVT	(\$32,583.70)	\$100.00
DZ3XYSCNQR	(\$32,583.70)	\$96.50
DMNC9Z7A4H	(\$32,583.70)	\$44.00
DDKPGHL5SU	(\$32,583.70)	\$20.00
DDUP7L546N	(\$32,583.70)	\$15.00
<b>Totals</b>	<b>(\$32,583.70)</b>	<b>\$32,072.70</b>

UNITED STATES DISTRICT COURT  
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 )  
 Defendants. )

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Case No. 1:07-cv-11387 (DLC)

**[PROPOSED] ORDER APPROVING TRANSFER OF FUNDS  
FOR DISBURSEMENT OF DISTRIBUTION FUND**

The Court, having reviewed the United States Securities and Exchange Commission’s (“Commission”) Motion for Order Approving Transfer of Funds for Disbursement of Distribution Fund, and the supporting Declaration of Luiggy Segura, and for good cause shown, IT IS HEREBY ORDERED that:

1. The Motion is Granted.
2. The Clerk of the Court shall issue a check on the Court Registry Investment System (“CRIS”) Account Number 1:07-cv-11387 under the case name designation “SEC v. Brian N. Lines et al.,” for the amount of \$32,583.70 payable to “SEC v Brian Lines Fair Fund”



for disbursement to the Eligible Claimants listed in the Payment File.

3. The Clerk shall direct the payment of \$32,583.70 from the CRIS account to the escrow account “SEC v Brian Lines Fair Fund” at The Huntington National Bank (“Huntington Bank”) for distribution to the Eligible Claimants in accordance with the Plan of Distribution (“Plan”).

4. JND Legal Administration (“JND”) shall deposit these funds in accordance with paragraphs 45 to 47 of the Plan, into the escrow account at Huntington Bank in the name of “SEC v Brian Lines Fair Fund” and bearing the Employer Identification Number of the Fair Fund, as custodian for the benefit of investors allocated a distribution pursuant to the plan in *SEC v. Brian N. Lines, et al.*, Civ. Act. No. 1:07-cv-11387-DLC (S.D. NY).

5. JND shall also establish a separate deposit account titled “SEC v Brian Lines Fair Fund” for the purpose of funding and processing checks to be distributed to Eligible Claimants pursuant to the Plan.

6. JND shall disburse these funds to Eligible Claimants in accordance with the terms of the Plan and the Payment File reviewed and approved by the Commission.

7. The Clerk shall transmit the funds by wire transfer to:

Account Name: SEC v Brian Lines Fair Fund  
Bank: The Huntington National Bank

The Commission’s counsel shall provide to the Clerk of the Court the necessary banking information for the wire transfer of the funds.

**SO ORDERED**

Dated: \_\_\_\_\_, 2023

\_\_\_\_\_  
United States District Court Judge