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11 **UNITED STATES DISTRICT COURT**
 12 **CENTRAL DISTRICT OF CALIFORNIA**

13 **CV07-06335 DDP (SSx)**

14 SECURITIES AND EXCHANGE
 15 COMMISSION,

Case No.

16 Plaintiff,

**COMPLAINT FOR VIOLATIONS
 17 OF THE FEDERAL SECURITIES
 LAWS**

18 vs.

19 MERIDIAN HOLDINGS, INC.,
 ANTHONY C. DIKE, and MICHELLE
 20 V. NGUYEN,

21 Defendants.

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1 Plaintiff Securities and Exchange Commission (the "Commission") alleges
2 as follows:

3 **JURISDICTION AND VENUE**

4 1. This Court has jurisdiction over this action pursuant to Sections
5 21(d)(1), 21(d)(3)(A), 21(e), and 27 of the Securities Exchange Act of 1934
6 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa.
7 Defendants have directly or indirectly made use of the means or instrumentalities
8 of interstate commerce, of the mails, or of the facilities of a national securities
9 exchange in connection with the transactions, acts, practices and courses of
10 business alleged in this Complaint.

11 2. Venue is proper in this district pursuant to Section 27 of the Exchange
12 Act, 15 U.S.C. § 78aa, because defendants reside and transact business within this
13 district and certain of the transactions, acts, practices and courses of conduct
14 constituting violations of the federal securities laws alleged in this Complaint
15 occurred within this district.

16 **SUMMARY**

17 3. This matter involves a financial fraud by defendants Meridian
18 Holdings, Inc. ("Meridian"), its chief executive officer and chairman of the board,
19 Anthony C. Dike ("Dike"), and its then interim chief financial officer, Michele V.
20 Nguyen ("Nguyen"). Meridian owns interests in companies that engage in e-
21 commerce in the medical industry and provides management services to its
22 affiliated companies.

23 4. In January 2004, Meridian obtained a \$30 million default judgment
24 ("Default Judgment") against two defendants. Defendants Dike and Nguyen
25 caused Meridian to recognize the Default Judgment and the accumulated interest
26 thereon as income in Meridian's financial statements included in its Forms 10-QSB
27 filed with the Commission for its second and third quarters of 2004. By
28 recognizing the Default Judgment and interest thereon as income in its 2004

1 second and third quarter reports, Meridian's earnings per share skyrocketed from
2 losses of \$0.07 and \$0.01 to earnings of \$2.12 and \$0.02, respectively.
3 Additionally, defendants Dike and Nguyen recorded the Default Judgment and
4 interest thereon as a \$31 million asset on Meridian's balance sheet, resulting in the
5 Default Judgment constituting 85% of Meridian's total assets.

6 5. The inclusion of the Default Judgment and interest in Meridian's
7 financial statements was both contrary to Generally Accepted Accounting
8 Principles ("GAAP") and materially false and misleading because the defendants
9 had no reasonable basis to conclude that the judgment was collectible.

10 Immediately following the release of the company's second quarter report filed
11 with the Commission on Form 10-QSB, and the related earnings press release,
12 Meridian's stock price increased by 100%. Immediately following the release of
13 the company's third quarter report on Form 10-QSB, Meridian's stock price
14 increased by 40%.

15 6. Included with Meridian's 2004 second and third quarter Forms 10-
16 QSB were certifications pursuant to Section 302 of the Sarbanes-Oxley Act of
17 2002, 15 U.S.C. § 7241, which were purportedly signed by both Dike and Nguyen
18 before or at the time the reports were filed. In fact, Nguyen signed the second
19 quarter certification only after the report had been filed and had never signed the
20 certification included with Meridian's third quarter report.

21 THE DEFENDANTS

22 7. **Meridian Holdings, Inc.** is a Colorado corporation with its principal
23 executive offices in Culver City, California. In 2004, Meridian maintained its
24 principal executive office in Los Angeles, California and its common stock was
25 registered with the Commission pursuant to Section 12(g) of the Exchange Act, 15
26 U.S.C. § 781(g) and listed on the NASDAQ Bulletin Board. Currently, Meridian's
27 common stock is quoted on the Pink Sheets, an electronic quotation system that
28 displays quotes for many over-the-counter securities.

1 8. **Anthony C. Dike** is a resident of Los Angeles, California. In 2004,
2 Dike was chairman and chief executive officer for Meridian. Dike was also the
3 chief executive officer for Intercare DX, a publicly traded company, as well as
4 various private companies. As of May 23, 2006, Dike owned 9,065,255 shares
5 (50%) of the 18,120,649 shares of Meridian's outstanding common stock.

6 9. **Michelle V. Nguyen** is a resident of Orange, California. As of 1996,
7 Nguyen was a certified public accountant in Maryland. Nguyen began working for
8 Meridian in July 2004 as an independent consultant. Nguyen had previously been
9 an independent contractor for Meridian's independent auditor and had performed
10 audit work for Meridian in the years before she started doing contract work directly
11 for Meridian. Her responsibilities at Meridian included preparing the condensed
12 consolidated financial information included in Meridian's periodic reports and
13 acting as Meridian's principal financial officer and interim chief financial officer
14 for purposes of the company's public filings with the Commission. In 2005,
15 Nguyen became licensed as a certified public accountant in California. Nguyen is
16 currently licensed as a certified public accountant in both Maryland and California.

17 BACKGROUND

18 **A. Meridian's Reporting Obligations**

19 10. As a public company, Meridian was required to comply with federal
20 statutes, rules, and regulations to maintain public trading of its stock and to sell its
21 securities to the public. These statutes, rules, and regulations required Meridian to,
22 among other things: (a) make and keep books, records, and accounts, which, in
23 reasonable detail, accurately and fairly reflected its transactions and dispositions of
24 assets; (b) file with the Commission accurate annual and quarterly reports on the
25 appropriate forms, which include financial statements containing the company's
26 balance sheet and statements of income and cash flows prepared in conformity
27 with GAAP.

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1 11. Pursuant to the Commission's rules and regulations, Meridian
2 reported assets and income at the end of each quarter and at the end of its fiscal
3 year. Meridian used a calendar year as its fiscal year.

4 **B. Applicable Accounting Rules**

5 12. Under GAAP and the Commission's rules and regulations, a public
6 company may only recognize a gain if its collectibility is reasonably assured.

7 13. Statement of Financial Accounting Standards No. 5, Accounting for
8 Contingencies, paragraph 17, a GAAP provision, provides that "contingencies that
9 might result in gains usually are not reflected in the accounts since to do so might
10 be to recognize revenue prior to its realization." Accounting Research Bulletin 43,
11 Chapter 1A, paragraph 1, another GAAP provision, provides that a gain is not
12 realizable unless its collectibility is reasonably assured. Thus, a company may not
13 recognize a gain unless its collectibility is reasonably assured.

14 **DEFENDANTS' FRAUDULENT CONDUCT**

15 14. On January 21, 2004, the Los Angeles County Superior Court entered
16 the Default Judgment in favor of Meridian against two defendants in a case entitled
17 *Meridian Holdings, Inc. v. Glen Crowe and Sirius Technologies of America, Inc.*,
18 Superior Court, Los Angeles County, Case No. BC256860. The Default Judgment
19 awarded Meridian \$10,684,926 in compensatory damages, \$20 million in punitive
20 damages, \$3,000 for costs, and prejudgment interest at a ten percent annual rate for
21 a total of \$30,687,926 and monthly interest.

22 **A. The Defendants Book The \$30 Million Judgment And Accrued Interest**
23 **Before The Close Of The Second Quarter 2004**

24 15. In a telephone conversation sometime between March and June 2004,
25 Dike asked Meridian's independent auditor whether the Default Judgment could be
26 included in Meridian's financial statements. Meridian's independent auditor
27 explained to Dike the criteria necessary for recognizing the Default Judgment,

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1 including the requirement that the collection of the judgment be reasonably
2 assured.

3 16. Notwithstanding the advice of Meridian's independent auditor, and
4 having no reasonable basis to conclude that Meridian would be able to collect any,
5 let alone all, of the Default Judgment and interest, Dike instructed both defendant
6 Nguyen and a Meridian internal accountant to include the \$30 million default
7 judgment and interest as assets and income in the company's general ledger. As of
8 June 30, 2004, Meridian's books and records reported the full \$30,687,926
9 judgment and monthly interest.

10 **B. The Defendants Improperly Include The \$30 Million Judgment And**
11 **Interest In Meridian's Second Quarter Financial Statements**

12 17. Meridian's consolidated financial statements for its second quarter
13 2004 included as assets and income the \$30,687,926 judgment award plus
14 \$465,318 of interest thereon. As a result, Meridian reported net income per share
15 of \$2.12 for the three months ended June 30, 2004, compared to \$0.01 for the same
16 quarter in 2003. Absent the Default Judgment and interest, Meridian would have
17 had losses per share of \$0.07. Additionally, defendants Dike and Nguyen caused
18 Meridian to record the Default Judgment and interest thereon as a \$31 million asset
19 on its balance sheet, resulting in the Default Judgment constituting 85% of
20 Meridian's total assets.

21 18. Nguyen created the condensed consolidated financial statements for
22 the second quarter 2004 report, and included the Default Judgment and interest in
23 both the income statement and balance sheet. At the time, Nguyen knew, or was
24 reckless in not knowing, that the Default Judgment should not be included in the
25 company's financial statements as an asset or income as she had no reasonable
26 basis to conclude that Meridian would be able to collect any, let alone all, of the
27 Default Judgment and interest.

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1 19. On August 13, 2004, Dike electronically filed with the Commission
2 Meridian's Form 10-QSB for the second quarter 2004, which included the Default
3 Judgment and interest in the consolidated financial statements. Dike signed the
4 report and Dike's and Nguyen's names appeared on certifications required by
5 Section 302 of the Sarbanes-Oxley Act filed with the report, which certified,
6 among other things, that the information contained in the quarterly report fairly
7 presents, in all material respects, the financial condition and results of operations
8 of the company.

9 20. On Monday, August 16, 2004, pursuant to Dike's approval and
10 authorization, Meridian issued a press release announcing its second quarter
11 financial results, trumpeting its Default Judgment under the headline "Second
12 quarter results reflect favorable court decision booked as 'judgment receivable.'"
13 Further touting the judgment in the press release, Meridian stated that it had listed
14 the amount of the judgment in its balance sheet and income statement as an
15 account receivable. In fact, at the time of the issuance of that press release, neither
16 Meridian nor Dike had any reasonable basis to believe that Meridian would be able
17 to collect any, let alone all, of the judgment and interest. Because the August 16
18 press release further reported that medical services revenues had decreased 30%
19 over the prior quarter, and 27% over the prior six months, the only "favorable"
20 news Meridian reported was its Default Judgment. The market immediately
21 reacted to Meridian's quarterly results and press release. On August 16,
22 Meridian's stock price doubled from \$0.075 to \$0.15 per share with a volume of
23 104,000 shares. The last trading activity before August 16 had been on August 5,
24 with a total volume of 510 shares.

25 **C. The Defendants Included The \$30 Million Judgment And Recognized**
26 **Additional Interest In Meridian's 2004 Third Quarter Form 10-QSB**

27 21. Nguyen prepared the consolidated financial statements included in the
28 third quarter Form 10-QSB. The financial statements included the previously

1 recognized Default Judgment and interest as well as an additional \$269,318 of
2 accumulated interest on the judgment. At the time, Nguyen had no reasonable
3 basis to conclude that Meridian would be able to collect any, let alone all, of the
4 Default Judgment and interest thereon.

5 22. With the additional interest on the Default Judgment, Meridian's
6 earnings per share for the third quarter 2004 were \$0.02 per share. Absent the
7 interest, Meridian would have had losses per share of \$0.01.

8 23. On November 15, 2004, Dike electronically filed the Form 10-QSB
9 for the third quarter of 2004. Dike signed the report and Dike's and Nguyen's
10 names appeared on certifications required by Section 302 of the Sarbanes-Oxley
11 Act filed with the report. Dike had no reasonable basis to conclude that Meridian
12 would be able to collect any, let alone all, of the Default Judgment and interest.
13 On November 16, 2004, the stock price closed at \$0.056 on a total volume of
14 147,000 shares, up from \$0.04 on a total volume of 120 shares on the previous
15 trading day.

16 **D. Meridian Fails To Produce The Original Signatures For The**
17 **Certifications Included With Its Periodic Reports**

18 24. The periodic reports Meridian electronically filed for the second and
19 third quarters of 2004 included certifications pursuant to Section 302 of the
20 Sarbanes-Oxley Act. The electronic signature pages originally filed with the
21 Commission show Dike signing the certifications as chairman and chief executive
22 officer, and Nguyen signing the certifications as the principal financial officer and
23 interim chief financial officer.

24 25. Pursuant to Section 302(b) of Regulation S-T, each signatory to an
25 electronic filing, including certifications required by Section 302 of the Sarbanes-
26 Oxley Act of 2002, is required to manually sign a signature page before or at the
27 time the electronic filing is made, and the filer is required to retain such manual
28 signature pages for a period of five years.

1 26. Nguyen did not manually sign the certifications included with
2 Meridian's second quarter 2004 report before or at the time the report was filed;
3 she did so only after the fact, at the direction of Dike. Dike knew that Nguyen had
4 not signed the certifications when he filed Meridian's 2004 second quarter report.

5 27. In addition, Nguyen never signed the certifications included with
6 Meridian's 2004 third quarter report. In fact, on December 14, 2004, Nguyen
7 emailed Dike stating that she was not in the office enough to have her name on the
8 filing and asking him to replace her name. Dike nevertheless filed Meridian's
9 2004 third quarter report with a certification purportedly signed by Nguyen.

10 28. In August 2006, the Commission staff asked Meridian to provide it
11 with the original signature pages for certain filings. None of the certifications
12 Meridian produced for the 2004 second and third quarter reports bore Nguyen's
13 original signature even though her name was electronically signed on the
14 certifications.

15 29. In addition, Meridian produced certifications for its 2004 Form
16 10-KSB bearing signatures by Dike and the purported director of finance, who
17 purportedly signed the certifications on May 13, 2005 for fiscal year 2004. The
18 purported director of finance, however, did not sign those certifications until
19 August 2006 or thereafter. On or about August 2006, the former purported director
20 of finance visited Meridian's office and Dike asked him to sign the May 13, 2005
21 certifications. The former purported director of finance signed the certifications
22 after the Commission had requested the original signature pages. Neither Meridian
23 nor Dike informed the Commission staff that the certifications had been backdated.

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1 **FIRST CLAIM FOR RELIEF**
2 **FRAUD IN CONNECTION WITH THE PURCHASE OR SALE**
3 **OF SECURITIES**
4 **Violations of Section 10(b) of the Exchange Act**
5 **and Rule 10b-5 thereunder**
6 **(Against All Defendants)**

7 30. The Commission realleges and incorporates by reference ¶¶ 1 through
8 29 above.

9 31. Defendants, and each of them, by engaging in the conduct described
10 above, directly or indirectly, in connection with the purchase or sale of a security,
11 by the use of means or instrumentalities of interstate commerce, of the mails, or of
12 the facilities of a national securities exchange, with scienter:

- 13 a. employed devices, schemes, or artifices to defraud;
- 14 b. made untrue statements of a material fact or omitted to state a
15 material fact necessary in order to make the statements made,
16 in the light of the circumstances under which they were made,
17 not misleading; or
- 18 c. engaged in acts, practices, or courses of business which
19 operated or would operate as a fraud or deceit upon other
20 persons.

21 32. By engaging in the conduct described above, defendants violated, and
22 unless restrained and enjoined will continue to violate, Section 10(b) of the
23 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R.
24 § 240.10b-5.

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1 **SECOND CLAIM FOR RELIEF**

2 **VIOLATIONS OF COMMISSION PERIODIC**

3 **REPORTING REQUIREMENTS**

4 **Violations And Aiding and Abetting Violations of**

5 **Section 13(a) of the Exchange Act, and Rules 12b-20 and 13a-13 thereunder**

6 **(Against All Defendants)**

7 33. The Commission realleges and incorporates by reference ¶¶ 1 through
8 29 above.

9 34. Defendant Meridian violated Section 13(a) of the Exchange Act and
10 Rules 12b-20 and 13a-13 thereunder, by filing with the Commission required
11 periodic reports for the second and third quarters of its fiscal year 2004 which
12 failed to include material information necessary to make the required statements, in
13 light of the circumstances under which they were made, not misleading.

14 35. Defendants Dike and Nguyen knowingly provided substantial
15 assistance to Meridian in its violation of Section 13(a) of the Exchange Act and
16 Rules 12b-20 and 13a-13 thereunder.

17 36. By engaging in the conduct described above, defendant Meridian
18 violated, and unless restrained and enjoined, will continue to violate, Section 13(a)
19 of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20 and 13a-13
20 thereunder, 17 C.F.R. §§ 240.12b-20 and 240.13a-13.

21 37. By engaging in the conduct described above and pursuant to Section
22 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), defendants Dike and Nguyen aided
23 and abetted defendant Meridian’s violations, and unless restrained and enjoined
24 will continue to aid and abet violations, of Section 13(a) of the Exchange Act, and
25 Rules 12b-20 and 13a-13 thereunder.

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1 **THIRD CLAIM FOR RELIEF**

2 **RECORD-KEEPING VIOLATIONS**

3 **Violations and Aiding and Abetting Violations of**

4 **Section 13(b)(2)(A) of the Exchange Act**

5 **(Against All Defendants)**

6 **Violations of Rule 13b2-1 thereunder**

7 **(Against Defendants Dike and Nguyen)**

8 38. The Commission realleges and incorporates by reference ¶¶ 1 through
9 29 above.

10 39. Defendant Meridian violated Section 13(b)(2)(A) of the Exchange Act
11 by failing to make or keep books, records, and accounts, which, in reasonable
12 detail accurately and fairly reflected its transactions and disposition of its assets.

13 40. Defendants Dike and Nguyen knowingly provided substantial
14 assistance to Meridian's violation of Section 13(b)(2)(A) of the Exchange Act.

15 41. By engaging in the conduct described above, defendant Meridian
16 violated, and unless restrained and enjoined will continue to violate, Section
17 13(b)(2)(A) of the Exchange Act, 15 U.S.C. § 78(b)(2)(A).

18 42. By engaging in the conduct described above and pursuant to Section
19 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), defendants Dike and Nguyen aided
20 and abetted defendant Meridian's violations, and unless restrained and enjoined
21 will continue to aid and abet violations of Section 13(b)(2)(A) of the Exchange
22 Act.

23 43. By engaging in the conduct described above, defendants Dike and
24 Nguyen violated Exchange Act Rule 13b2-1 by, directly or indirectly, falsifying or
25 causing to be falsified Meridian's books, records, or accounts subject to Section
26 13(b)(2)(A) of the Exchange Act. Unless restrained and enjoined, defendants Dike
27 and Nguyen will continue to violate Rule 13b2-1, 17 C.F.R. § 240.13b2-1.

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1 **FOURTH CLAIM FOR RELIEF**

2 **CERTIFICATION VIOLATIONS**

3 **Violations of Rule 13a-14 of the Exchange Act**

4 **(Against Dike)**

5 44. The Commission realleges and incorporates by reference ¶¶ 1 through
6 29 above.

7 45. Dike violated Rule 13a-14 by signing the certifications included with
8 Meridian's 2004 second and third quarter Forms 10-QSB certifying, among other
9 things, that the forms fully complied with the requirements of the Exchange Act
10 and fairly presented, in all material respects, the financial condition and results of
11 operations of the company, when, in fact, the reports contained untrue statements
12 of material fact and omitted material information necessary to make the reports not
13 misleading.

14 46. Dike also violated Rule 13a-14 by electronically filing a certification
15 with Nguyen's electronic signature for the 2004 third quarter Form 10-QSB, when
16 Nguyen had not manually signed that certification.

17 47. By engaging in the conduct described above, defendant Dike violated
18 Exchange Act Rule 13a-14, 17 C.F.R. § 240.13a-14. Unless restrained and
19 enjoined, defendant Dike will continue to violate Rule 13a-14, 17 C.F.R.
20 § 240.13a-14.

21 **FIFTH CLAIM FOR RELIEF**

22 **RETENTION OF SIGNATURE PAGE VIOLATIONS**

23 **Violations and Aiding and Abetting Violations of**

24 **Section 302(b) of Regulation S-T**

25 **(Against Meridian and Dike)**

26 48. The Commission realleges and incorporates by reference ¶¶ 1 through
27 29 above.

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1 49. Defendant Meridian violated Section 302(b) of Regulation S-T by
2 failing to ensure that all signatories of the certifications for its second and third
3 quarter 2004 Forms 10-QSB signed the certification pages before or at the time
4 they were electronically filed, and by failing to retain the original executed
5 documents for five years, or to provide the Commission staff with copies of the
6 documents upon request.

7 50. Defendant Dike knowingly provided substantial assistance to
8 Meridian's violation of Section 302(b) of Regulation S-T.

9 51. By engaging in the conduct described above, defendant Meridian
10 violated, and unless restrained and enjoined, will continue to violate, Section
11 302(b) of Regulation S-T, 17 C.F.R. §232.302(b).

12 52. By engaging in the conduct described above and pursuant to Section
13 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), defendant Dike aided and abetted
14 defendant Meridian's violations, and unless restrained and enjoined will continue
15 to aid and abet violations, of Section 302(b) of Regulation S-T.

16 **PRAYER FOR RELIEF**

17 WHEREFORE, the Commission respectfully requests that the Court:

18 **I**

19 Issue findings of fact and conclusions of law that the defendants committed
20 the alleged violations.

21 **II**

22 Issue judgments, in a form consistent with Fed. R. Civ. P. 65(d),
23 permanently enjoining defendant Meridian and its officers, agents, servants,
24 employees, attorneys, and those persons in active concert or participation with any
25 of them, who receive actual notice of the order by personal service or otherwise,
26 and each of them, from violating Sections 10(b), 13(a), and 13(b)(2)(A) of the
27 Exchange Act and Rules 10b-5, 12b-20, 13a-13, and Section 302(b) of Regulation
28 S-T thereunder.

1 **III**

2 Issue judgments, in a form consistent with Fed. R. Civ. P. 65(d),
3 permanently enjoining Defendant Dike and his agents, servants, employees,
4 attorneys, and those persons in active concert or participation with any of them,
5 who receive actual notice of the order by personal service or otherwise, from
6 violating Sections 10(b), 13(a) and 13(b)(2)(A) of the Exchange Act, and Rules
7 10b-5, 12b-20, 13a-13, 13a-14, 13b2-1, and Section 302(b) of Regulation S-T
8 thereunder.

9 **IV**

10 Issue judgments, in a form consistent with Fed. R. Civ. P. 65(d),
11 permanently enjoining defendant Nguyen and her agents, servants, employees,
12 attorneys, and those persons in active concert or participation with any of them,
13 who receive actual notice of the order by personal service or otherwise, from
14 violating Sections 10(b), 13(a) and 13(b)(2)(A) of the Exchange Act and Rules
15 10b-5, 12b-20, 13a-13 and 13b2-1 thereunder.

16 **V**

17 Enter an order, pursuant to Section 21(d)(2) of the Exchange Act, 15 U.S.C.
18 § 78u(d)(2), prohibiting defendants Dike and Nguyen from acting as officers or
19 directors of any issuer that has a class of securities registered pursuant to Section
20 12 of the Exchange Act, 15 U.S.C. § 78l, or that is required to file reports pursuant
21 to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

22 **VI**

23 Order defendants to pay civil penalties under Section 21(d)(3) of the
24 Exchange Act, 15 U.S.C. § 78u(d)(3).

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1 VII

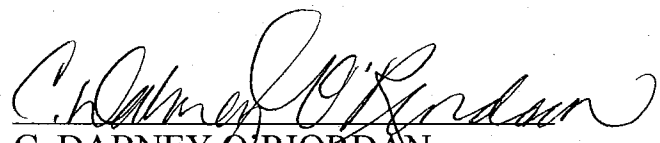
2 Retain jurisdiction of this action in accordance with the principles of equity
3 and the Federal Rules of Civil Procedure in order to implement and carry out the
4 terms of all orders and decrees that may be entered, or to entertain any suitable
5 application or motion for additional relief within the jurisdiction of this Court.

6 VII

7 Grant such other and further relief as this Court may determine to be just and
8 necessary.

9
10 DATED: September 28, 2007

Respectfully submitted,

11 

12 C. DABNEY O'RIORDAN
13 Attorney for Plaintiff
14 Securities and Exchange Commission
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