

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF PENNSYLVANIA**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

**RICHARD E. MCDONALD,
MARC D. ROUP,
DEANNA J. SERUGA, and
JOSEPH I. EMAS,**

Defendants.

**Civil Action No.
09-cv-01685-JFC**

Filed Electronically

COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”) alleges as follows:

SUMMARY

1. This matter involves a wide-ranging financial fraud at World Health Alternatives, Inc. (“World Health” or the “Company”), a now defunct medical staffing company located in Pittsburgh, Pennsylvania. Defendant Richard E. McDonald, who served at various points in time as the Company’s Chief Executive Officer (“CEO”), President, Chief Financial Officer (“CFO”), Principal Accounting Officer, and Chairman of the Board of Directors, was the principal architect of the fraud, and misappropriated \$6.4 million from World Health for his personal benefit.

2. From at least May 2003 through August 2005, McDonald, along with defendants Deanna J. Seruga, the controller, and Marc D. Roup, who served as CEO for a period of time, engaged in a wide array of fraudulent and improper conduct.

3. A key aspect of the fraud involved the manipulation of World Health's accounting entries. During the relevant time period, McDonald and Seruga repeatedly falsified accounting entries in World Health's financial books and records, understating expenses and liabilities. This made the Company appear more financially sound, and masked McDonald's misappropriation of funds.

4. Based on this and other fraudulent activity described in more detail below, McDonald caused World Health to make misrepresentations and omissions in documents publicly filed with the Commission concerning, among other things, the Company's financial performance, the registration of millions of shares of World Health stock, certain material financial transactions, the number of shares authorized and outstanding, and the Company's business plan. McDonald signed and certified these filings, knowing they contained misstatements.

5. During his tenure as CEO, defendant Roup also signed and certified false public filings, and did so with no basis to assess the veracity of the information contained therein. McDonald and Roup also failed to properly publicly report their personal sales of World Health stock to the Commission.

6. McDonald also improperly attempted to issue and register for immediate sale millions of shares of World Health stock by misusing a Form S-8 registration statement. In addition, McDonald also caused World Health to file with the Commission two false post-effective amendments drafted by defendant Joseph I. Emas, World Health's outside securities counsel.

7. Shortly after McDonald abruptly resigned from World Health in August of 2005, the Company publicly announced that it was investigating, among other things, accounting

irregularities, and apparent discrepancies in the amount of the Company's outstanding stock. World Health ultimately filed for bankruptcy on February 20, 2006.

8. As a result of the conduct described in this Complaint, defendant McDonald violated Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)]; Sections 10(b), 13(b)(5) and 16(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b), 78m(b)(5) and 78p], and Rules 10b-5, 13b2-1, 13b2-2 and 13a-14 thereunder [17 C.F.R. §§ 240.10b-5, 240.13b2-1, 240.13b2-2 and 240.13a-14]; and aided and abetted violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)], and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

9. As a result of the conduct described in this Complaint, defendant Roup violated Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)]; Sections 10(b) and 16(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78p], and Rules 10b-5 and 13a-14 thereunder [17 C.F.R. §§ 240.10b-5 and 240.13a-14]; and aided and abetted violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)], and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

10. As a result of the conduct described in this Complaint, defendant Seruga violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]; Sections 10(b) and 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78m(b)(5)], and Rules 10b-5, 13b2-1 and 13b2-2 thereunder [17 C.F.R. §§ 240.10b-5, 240.13b2-1 and 240.13b2-2]; and aided and abetted

violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)], and Rules 12b-20, 13a-1 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-13].

11. As a result of the conduct described in this Complaint, defendant Emas violated Sections 5(a), 5(c), 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), 77q(a)(2) and 77q(a)(3)].

JURISDICTION AND VENUE

12. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. § 77t(b) and 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], to enjoin such acts, transactions, practices, and courses of business; obtain disgorgement and civil penalties; and for other appropriate relief.

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

14. Venue is proper because certain of the acts, transactions, practices, and courses of business constituting the violations alleged herein occurred within the Western District of Pennsylvania. In addition, McDonald, Roup and Seruga worked and resided in the Western District of Pennsylvania and World Health had its headquarters within this district.

15. In connection with the conduct alleged in this Complaint, the defendants directly or indirectly made use of the means or instruments of transportation or communication in interstate commerce, or the means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange.

DEFENDANTS

16. **Richard E. McDonald**, age 35, is a resident of Leechburg, Pennsylvania. From in or about February 2003 until he resigned on August 15, 2005, McDonald was the Chairman of the Board of Directors and President of World Health. In addition, from in or about February 2003 through July 2005 McDonald was the CFO, and from June 2004 through August 2005 he was the CEO. He also held the title of Principal Accounting Officer.

17. **Marc D. Roup**, age 36, is a resident of Murrysville, Pennsylvania and Miami, Florida. From in or about February 2003 to June 2004, Roup was the CEO and a Board member of World Health.

18. **Deanna J. Seruga**, age 34, is a resident of Pittsburgh, Pennsylvania. From in or about February 2003 to August 2005, Seruga was World Health's controller. Seruga was a Certified Public Accountant licensed in Pennsylvania from in or about February 2004 until 2005 when her license lapsed.

19. **Joseph I. Emas**, age 55, is a resident of Surfside, Florida. From April 2004 to August 2005, Emas was World Health's outside securities counsel. Emas has been practicing law since 1995. In 1996, he earned an LL.M in Securities Regulation. At all relevant times, Emas dedicated the great majority of his practice to securities matters, primarily filing registration statements and issuing legal opinions related to financing transactions for microcap issuers – generally small companies whose stocks traded at low prices and volumes.

FACTS

I. Background of World Health

20. World Health Alternatives, Inc. was incorporated in Florida in 2002. It was initially formed as a public company with the purported purpose of selling vitamins and

homeopathic products over the Internet. However, it never sold any of these products and had no revenue or operations during its time as a purported vitamin company.

21. Better Solutions, Inc. (“Better Solutions”) was a privately-held medical staffing company formed in 1999 by defendants McDonald and Roup.

22. In or about February 2003, World Health and Better Solutions entered into a transaction known as a reverse merger, whereby World Health acquired 100 percent of the outstanding common stock of Better Solutions in exchange for newly issued shares of World Health’s common stock.

23. As a result of the merger, the new entity kept World Health’s name. The “new” World Health had its business operations centered in Pittsburgh, Pennsylvania. It became exclusively dedicated to the medical staffing business and Better Solutions became a subsidiary company. World Health’s stock traded on the Over the Counter Bulletin Board under the ticker symbol “WHAI.”

24. In February 2003, McDonald became World Health’s new President, CFO, Principal Accounting Officer and member and Chairman of the Board of Directors. Roup became the CEO and a member of the Board of Directors.

25. During the relevant time period, World Health’s Board consisted of either three or four directors.

26. From February 2003 until his ultimate resignation on or about August 15, 2005, McDonald effectively controlled all aspects of World Health’s operations, even when Roup was CEO. Roup failed to perform his duties as CEO and paid almost no attention to any aspects of corporate governance.

II. The Fraudulent Scheme

27. At all relevant times, McDonald exercised near total control of World Health and took advantage of the lack of meaningful oversight by perpetrating a series of frauds against the Company and its shareholders in a scheme in which he publicly misrepresented the financial health of the Company, and ultimately misappropriated more than \$6.4 million in Company funds for his own use.

28. As part of this fraud, as set forth in more detail below, McDonald:

- a. Directed false accounting entries that understated expenses and liabilities, and resulted in false financial statements;
- b. Directed the public filing of false financial statements and other documents with the Commission;
- c. Misappropriated over \$6.4 million for his own use;
- d. Improperly issued stock without authorization by forging resolutions of the Board of Directors;
- e. Improperly issued stock to family, friends and others;
- f. Improperly attempted to register millions of shares by falsifying public filings with the Commission; and
- g. Profited from the sale of improperly registered stock.

29. As explained below, the other defendants also were involved in the fraudulent scheme.

30. Defendant Seruga actively participated in the scheme by making false accounting entries in World Health's financial books and records.

31. Defendant Roup recklessly disregarded his duties as CEO in allowing the fraud to continue and in certifying that filings made with the Commission contained no false or misleading statements when he had no basis to make such certifications.

32. Between May and August 2005, defendant Emas, World Health's outside securities counsel, drafted and filed with the Commission two false post-effective amendments to a previously filed Form SB-2 registration statement.

A. McDonald and Seruga Falsified World Health's Financial Books and Records.

33. From May 2003 to August 2005, McDonald knowingly and intentionally made, or directed Seruga to make, numerous false and improper accounting entries. Seruga knew that the entries she was making, both on her own and at McDonald's direction, were false and improper. These false entries caused World Health to appear profitable when, in fact, it was never profitable, and were also used to hide McDonald's theft. McDonald and Seruga accomplished these goals primarily by understating expenses and liabilities in World Health's financial statements contained in the Company's public filings with the Commission.

34. Beginning in or about May 2003, because of the actions of McDonald and Seruga, every annual report on Form 10-KSB and quarterly report on Form 10-QSB that World Health filed with the Commission contained false financial statements.

35. McDonald signed and certified each of the annual and quarterly reports filed with the Commission. The certifications represented that, among other things, he reviewed each of the reports and, based on his knowledge, the reports: (i) did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and (ii) included financial statements and other financial information that fairly presented, in all material respects,

World Health's financial condition, results of operations and cash flows. McDonald made these certifications knowing they were inaccurate and that the financial statements were false and misleading.

1. McDonald and Seruga Understated Expenses and Liabilities, Making World Health Appear Profitable.

36. As stated above, as part of the fraudulent scheme, McDonald and Seruga understated World Health's expenses and liabilities by making improper accounting entries in its financial books and records. McDonald and Seruga's manipulation of the accounting records furthered the fraudulent scheme by making World Health appear profitable or in better financial health.

37. For example, McDonald and Seruga hid significant expenses by making improper accounting entries to the Loan Related Party ("LRP") account, a liability account established for the ostensible purpose of accounting for loans McDonald made to or received from the Company.

38. McDonald and Seruga improperly recorded expenses on the balance sheet as reductions to the LRP account, rather than as increases to an expense account on the profit and loss statement ("P&L statement"). McDonald and Seruga knowingly used the LRP account to hide a variety of expenses including salary and travel expenses, car payments, and credit card bills. This practice made the Company appear as if it was paying down a loan or liability rather than incurring an expense, which ultimately resulted in the false appearance of higher profits for the Company.

39. McDonald and Seruga, acting at McDonald's direction, also hid expenses by making improper accounting entries to the Additional Paid-In Capital ("APIC") account, an owner's equity account that reflected the amount paid by shareholders to the Company for stock

over and above the par value of the shares. Similar to how they used the LRP account, McDonald and Seruga used the APIC account to hide expenses by making entries on the balance sheet that reduced the value of the APIC account rather than making the appropriate entry on the P&L statement that would increase an expense account. For example, on or about September 13, 2004, McDonald wired \$173,118 to a financial advisory company providing services to World Health in response to its demands for reimbursement of expenses. McDonald improperly accounted for this by charging this amount to the APIC account, instead of to an expense account which would have been reflected on the P&L statement.

40. At times, McDonald and Seruga, acting at McDonald's direction, also failed to record any accounting entry for expenses related to the issuance of stock. For example, in July 2004 and December 2004, McDonald failed to record \$2.92 million in expenses resulting from the issuance of stock to a World Health employee.

41. As a direct result of McDonald and Seruga's improper recording of expenses, from May 2003 to May 2005, World Health's financial statements understated expenses by at least 21 percent and by as much as 1,497 percent in its quarterly and annual reports filed with the Commission.

42. McDonald and Seruga also hid liabilities by making improper entries in the LRP account. They made adjusting entries to the balance sheet that increased the liability in the LRP account and decreased the liability in the account where the liability should have been reflected.

43. McDonald and Seruga knew or were reckless in not knowing that their fraudulent accounting rendered World Health's financial statements publicly filed with the Commission false and misleading.

44. McDonald and Seruga also knowingly concealed the fact that they had falsified accounting entries contained within World Health's financial statements from the Company's Board, its audit committee, and its outside auditor.

45. For example, on October 5, 2004, in connection with the preparation of World Health's financial statements for the quarter ended September 30, 2004, in response to World Health's outside auditor's inquiry about the size of the balance in a liability account called Payroll Clearing, McDonald and Seruga moved more than \$1 million from the Payroll Clearing liability account to the LRP account and backdated the entries. As a result, the Payroll Clearing account balance appeared to the auditor to be lower than it actually was.

46. In addition, on or about April 15, 2005, in a management representation letter to World Health's auditor, McDonald and Seruga knowingly made false statements to the auditor claiming they had no knowledge of any fraud, that there were no material weaknesses in the design or operation of internal controls over financial reporting, and that all liabilities of the Company of which they were aware were included in the consolidated financial statements.

2. McDonald Misappropriated \$6.4 Million from World Health.

47. During the relevant time period, as McDonald and Seruga intentionally made fraudulent accounting entries to expense and liability accounts, McDonald also directed Seruga to use similar false accounting practices to conceal McDonald's misappropriation of approximately \$6.4 million for his personal benefit.

48. McDonald misappropriated approximately \$3.1 million from World Health by misusing the LRP account to make it appear as though the Company owed him more money than it actually did.

49. Over time, McDonald made loans to the Company of approximately \$1.7 million. These loans were reflected in the LRP account.

50. As part of their fraud, McDonald and Seruga artificially inflated the value of the LRP account by making adjusting entries to other liability accounts or owner's equity accounts.

51. For example, McDonald improperly transferred \$1.062 million from a payroll liability account, and \$2.2 million from an owner's equity account, to the LRP account.

McDonald also increased the LRP account balance by recording what should have been a liability to another creditor as a liability to the LRP account. In another instance, he recorded a loan of \$965,000 from an unaffiliated entity as a liability to the LRP account rather than as a liability to the unaffiliated entity.

52. As McDonald and Seruga increased the false balance in the LRP account, McDonald directed World Health to "repay" him this false loan balance by issuing to McDonald checks and wiring him funds.

53. In total, despite only loaning the Company approximately \$1.7 million, McDonald directed the Company to pay him approximately \$4.8 million, for a total overpayment of approximately \$3.1 million.

54. In addition, from at least November 2003 to July 2005, McDonald misappropriated \$3.3 million from World Health by selling newly issued shares of World Health to third parties and keeping the proceeds of those sales for himself instead of directing them to Company accounts.

55. For example, in November 2003, a hedge fund purchased one million shares of World Health stock at a discount through a private offering. McDonald falsely represented to the manager of the hedge fund that the fund was acquiring McDonald's personal shares. The shares

McDonald sold in this transaction, however, were not his own personal shares but newly issued shares of World Health stock.

56. Between November 2003 and January 2004, the hedge fund wired a total of \$260,000 into McDonald's personal bank account in exchange for these shares.

57. McDonald knew his misappropriation of funds rendered World Health's financial statements publicly filed with the Commission false and misleading.

58. McDonald was able to misappropriate funds without detection, in part, because of his near total control of World Health.

59. McDonald kept World Health's Board of Directors unaware of the false accounting entries used to misappropriate the funds through the LRP account and that shares were sold to third parties for McDonald's benefit.

60. Even when Board approval was needed to issue the shares that McDonald ultimately sold for his own benefit, McDonald found ways to circumvent oversight. At a time when the approval of only McDonald and one other director was needed to issue shares (a majority of the three-person Board), McDonald simply forged the signature of one of the other directors to authorize the issuance of the shares.

B. Roup Recklessly Disregarded His Duties as CEO.

61. Beginning in or about February 2003 and continuing to June 2004, defendant Roup held the title of CEO and served as a member of the Board of Directors. In these roles, he intentionally ignored or recklessly disregarded nearly all the responsibilities of a CEO or director of a public company.

62. Although Roup was a Board member, he never attended any Board meetings.

63. Roup had no understanding of the Company's accounting practices or how it obtained cash to make acquisitions.

64. Roup did not know when World Health had to file periodic reports with the Commission, had no role in their creation, and did not establish a system of internal controls to ensure that he would receive accurate information regarding World Health's financial condition.

65. Often without even reviewing them, Roup signed and certified false annual and quarterly reports filed with the Commission while he had the title of CEO. The certifications represented that, among other things, he reviewed each of the reports and, based on his knowledge, the reports: (i) did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and (ii) included financial statements and other financial information that fairly presented, in all material respects, World Health's financial condition, results of operations and cash flows.

66. During the relevant time period, Roup never took even the most minimal steps to verify whether the information contained in any of the quarterly and annual reports he signed and certified was correct. By his actions and inaction, Roup acted recklessly in not knowing that when he signed and certified public filings, World Health was making false and misleading statements.

67. At times, Roup delegated his signing authority to McDonald to sign and certify these filings on his behalf.

C. McDonald Made Material Misrepresentations and Omissions in World Health's Form S-8 Registration Statement and Post-Effective Amendments.

68. In addition to the false and misleading financial statements described above, defendant McDonald caused World Health to publicly file false and misleading documents with the Commission, attempting to improperly register and issue shares of stock for the benefit of friends, associates, and himself.

1. Misrepresentations and Misuse Relating to Form S-8.

69. A Form S-8 Registration Statement ("Form S-8") provides an abbreviated registration procedure for securities offered or sold to an issuer's employees as well as to consultants and advisers who provide *bona fide* services to the issuer and whose services are not provided in connection with capital-raising or promotional activities. In addition, Form S-8 is not available to register offers or sales of securities to either traditional employees or consultants and advisers where the issuer controls or directs the resale of the securities in the public market or the issuer or its affiliates directly or indirectly receives a percentage of the proceeds from such sales.

70. On or about June 18, 2003, World Health filed a Form S-8 with the Commission, purportedly registering 2.75 million shares of World Health stock at \$.05 per share.

71. McDonald drafted, signed and filed, and Roup approved and signed, World Health's Form S-8.

72. The Form S-8 stated that the shares were to be issued to "certain consultants and employees of World Health pursuant to written consulting and employment agreements and the 2003 Stock Grant Plan." It further stated that "[t]he written agreements and the 2003 Stock

Grant Plan are intended to compensate consultants and employees for services rendered to us.” These representations, among others, were false.

73. From on or about June 18, 2003 to in or about March 2004, McDonald caused World Health to issue a total of 2,734,100 shares pursuant to the Form S-8. However, contrary to the statements made in the Form S-8 and the provisions of World Health’s 2003 Stock Grant Plan, most of the recipients of these shares were not employees of the Company, nor were they consultants, nor did they provide *bona fide* services or other eligible services to obtain the stock.

74. For example, the day after filing the Form S-8, on or about June 19, 2003, McDonald caused World Health to issue stock to repay his friends and relatives who had invested money in Better Solutions prior to its merger with World Health. None of these individuals provided *bona fide* services to World Health. McDonald created false employment agreements for these individuals in an attempt to show that these individuals were employed by the Company and, therefore, eligible to receive the stock. They were not.

75. Similarly, on or about July 23, 2003, August 8, 2003, and March 22, 2004, McDonald caused World Health to improperly issue a total of 200,000 shares pursuant to Form S-8 to an individual who raised capital and/or promoted the Company.

76. McDonald also improperly received a percentage of the proceeds from the sale of certain stock he had distributed using Form S-8. On or about June 19, 2003, McDonald authorized the issuance of 100,000 shares to a friend. On October 28, 2003, the friend sold these shares for \$78,900. That same day, at McDonald’s direction, the friend issued a check for \$73,900 to an entity in which McDonald was a limited partner.

77. At the time McDonald drafted, signed, and filed the Form S-8 he knew, or was reckless in not knowing, that the Form S-8 contained false statements. Specifically, he knew, or

was reckless in not knowing, that the shares were being issued, and would be issued, to individuals who were not eligible recipients and that he improperly received proceeds from the sale of the stock. The Form S-8 also incorporated World Health's false financial statements prepared by McDonald.

78. Roup was reckless in not knowing that the Form S-8 contained false statements because he approved and signed the document without any review or understanding regarding the individuals and entities that were purportedly entitled to receive the stock.

2. Misrepresentations and Misuse Relating to the May 2005 and August 2005 Post-Effective Amendments to the SB-2 Registration Statement.

79. On or about October 25, 2004, World Health publicly filed an SB-2 Registration Statement ("October 2004 SB-2") with the Commission. The October 2004 SB-2 was a resale prospectus – it was filed for the stated purpose of registering for resale 31,005,185 shares of common stock that had been previously issued by World Health to investors in private placement transactions.

80. In the ten months following the filing of the October 2004 SB-2, McDonald caused World Health to file two post-effective amendments to the October 2004 SB-2. As explained below, these post-effective amendments contained misrepresentations and omissions.

81. On or about May 20, 2005, World Health publicly filed a post-effective amendment ("May 2005 Posam") with the Commission pursuant to Rule 462(c) of the Securities Act, and, on or about August 9, 2005, World Health publicly filed a post-effective amendment pursuant to Rule 462(b) of the Securities Act ("August 2005 Posam") (collectively the "post-effective amendments") with the Commission.

82. Defendant Emas, World Health's outside securities counsel, drafted and filed the post-effective amendments. Emas also drafted and signed a legal opinion which was attached to the May 2005 Posam and incorporated by reference in the August 2005 Posam.

83. The May 2005 Posam and August 2005 Posam incorporated by reference the false financial statements prepared at McDonald's direction.

84. McDonald reviewed, approved and signed the post-effective amendments, and knew they contained false and misleading statements.

85. The post-effective amendments were used as a means to attempt to improperly register 11 million newly issued shares of World Health stock.

86. The use of the May 2005 Posam and August 2005 Posam to register additional shares was improper for several reasons.

- First, Rule 413 of the Securities Act prohibits the registration of additional securities through a post-effective amendment. Rule 413 provides that a separate registration statement must be filed to register additional securities.
- Second, the nature and purpose of the October 2004 SB-2 registration statement prohibited World Health from registering any additional securities through post-effective amendments. The October 2004 SB-2 was a resale prospectus – it was filed for the purpose of registering for resale common stock that had been previously issued to investors in private placements so that these shares could be sold in the secondary market. Therefore, a post-effective amendment could not be filed to register transactions which occurred after the October 2004 SB-2 became effective. A new registration statement was required.
- Third, McDonald and Emas attempted to rely on Rules 462(b) and (c) to add the new securities to the Posams. Rules 462(b) and (c) contemplate the filing of Posams to register additional securities in certain limited situations, none of which were applicable.

87. McDonald and Emas attempted to register the newly issued securities by making misrepresentations in the post-effective amendments concerning, among other things, the true intended purpose of the filings, the circumstances in which shares were received, the number of

shares being registered for resale, and the respective security holdings of the shareholders.

Specifically, the post-effective amendments:

- misrepresented the number of shares that had already been sold by selling shareholders by representing that approximately 9 million shares had been sold, when, in fact, at least 17 million shares had been sold by the time of the May 2005 Posam and approximately 20 million by the time the Aug 2005 Posam was filed;
- overstated the number of shares attributed to certain individuals in the Selling Shareholders chart; and
- improperly asserted that no new shareholders had been added to the post-effective amendments since the October 2004 SB-2 prospectus was filed when, in fact, several new shareholders had been added, including Emas, who had received 50,000 shares as compensation for his services.

88. McDonald and Emas also made several other misrepresentations in the August 2005 Posam, including falsifying the total number of shares included in the Selling Shareholders chart. The total number of shares listed in the Selling Shareholders chart was in reality a million more than the claimed 22,010,305.

89. The explanatory note contained in the August Posam was also false. The note falsely stated, among other things, that: a) the purpose of the filing was to “amend and restate the table under the caption ‘Selling Securityholders’ to adjust the names and respective holdings of selling shareholders,” b) there was “no change in the total number of shares registered,” and c) World Health was “registering securities for the same class(es) as were included in an earlier registration statement for the same offering and declared effective by the Commission.”

90. As indicated above, Emas improperly added himself as a new shareholder in the post-effective amendment. In or about April 2005, World Health issued 50,000 shares to Emas as a bonus. Emas then inserted himself into the shareholder list in the post-effective amendment to attempt to register those shares for resale.

91. After Emas filed the post-effective amendment on behalf of World Health, Emas improperly sold 50,000 shares into the public market for a profit of \$125,783.

92. At the time Emas sold these shares, because the Posam could not register the shares, there was no registration statement in effect and no exemption to the sales of those shares applied.

93. Emas' legal opinion also contained misrepresentations and omissions about the due diligence Emas claimed to have undertaken to allow him to issue his opinion letter. Contrary to his representations, Emas did not review any Company documents related to the shares that were the subject of the post-effective amendments, including the October 2004 SB-2, that would have helped him determine the validity of the issuance of the shares.

94. McDonald knew, or was reckless in not knowing, that the post-effective amendments were materially false because he provided Emas with the erroneous shareholder information that was included in the post-effective amendments, and he approved and signed the documents. He also knew that the financial statements which were incorporated therein were materially false.

95. Emas knew or, at minimum, should have known, that the post-effective amendments and his legal opinion contained false and misleading statements because he drafted and signed the documents, and attempted to register his own shares which he knew or should have known were issued after the October 2004 SB-2 became effective. Emas also overstated the extent of his due diligence when drafting the post-effective amendments and his legal opinion.

D. McDonald Caused Material Misrepresentations and Omissions in other Public World Health Filings.

1. Failure to Disclose Material Financial Agreements and Stock Issuance.

96. McDonald caused World Health to fail to publicly disclose the following three material financing agreements: (1) a \$2.34 million Bridge Loan made by a hedge fund to World Health on November 18, 2004; (2) a \$1.5 million Bridge Loan made by a hedge fund to World Health on April 18, 2005; and (3) a \$22 million Debenture and Warrant Offering made by several hedge funds on May 17, 2005.

97. Because he controlled the content of World Health filings, McDonald knew, or was reckless in not knowing, that World Health failed to disclose each of these transactions when he prepared, signed, and certified World Health's public filings with the Commission. McDonald negotiated each of the financing transactions, and authorized and signed documentation concerning each transaction.

98. McDonald also caused World Health to fail to disclose the issuance of Series B Preferred Stock.

99. On or about February 23, 2005, McDonald, on behalf of World Health, issued 3,000 shares of Series B Preferred Stock to a hedge fund. On June 28, 2005, the hedge fund converted those shares to common stock and McDonald instructed World Health's transfer agent to issue 1,578,947 shares of common stock to the hedge fund. McDonald forged a Board member's signature on the Board resolution he submitted to the transfer agent authorizing the issuance of those shares. McDonald never disclosed the issuance of the Series B Preferred Stock or the issuance of common stock after the conversion.

100. As he prepared, signed, and certified World Health's public filings with the Commission, McDonald knew, or was reckless in not knowing, that World Health failed to disclose the issuance of this Series B stock.

101. In addition, McDonald deliberately concealed the agreements and preferred stock issuance from World Health's audit committee, the outside directors and the auditor. He also forged one of the director's signatures on all of the relevant Board resolutions he sent to the transfer agent to authorize the issuance of the shares related to the financings.

2. Misrepresentation of Number of Outstanding Shares.

102. McDonald caused World Health to materially misrepresent the number of shares outstanding in every quarterly and annual report filed with the Commission from May 2003 to May 2005. World Health underreported the number of shares issued and outstanding in material amounts ranging from 6.93 percent to 49.40 percent from August 2003 to May 2005.

103. McDonald knew, or was reckless in not knowing, when he signed and certified the annual and quarterly reports filed with the Commission that the number of shares outstanding were misrepresented. McDonald was directly responsible for issuing World Health shares and reporting issuances to World Health's transfer agent.

104. Roup was reckless in not knowing, when he signed and certified the annual and quarterly reports filed with the Commission, that the number of shares outstanding were misrepresented.

3. Misrepresentation of World Health's Business Plan.

105. In World Health's quarterly reports for the quarters ended March 31, 2003, June 30, 2003, and September 30, 2003, it falsely stated that World Health intended to sell vitamins and nutritional products by operating a website advertising business. Each of the reports were

signed by McDonald and Roup and certified by Roup when both knew, or were reckless in not knowing, that World Health never intended and never did operate such a business.

E. McDonald and Roup Fail to Report Their Securities Transactions.

106. As officers and directors of World Health, McDonald and Roup were each required to publicly file reports with the Commission disclosing their change in beneficial ownership of World Health stock.

107. From November 2003 to September 2004, McDonald engaged in four private transfers of World Health stock. McDonald did not file any reports with the Commission reflecting a change in beneficial ownership for any of these four private transfers.

108. In or about June 2003 to at least July 2004, Roup engaged in at least two private transfers of World Health stock

109. Roup did not file any reports with the Commission reflecting a change in beneficial ownership for any of these private transfers.

III. Defendants Profited From their Misconduct.

110. As detailed above, defendant McDonald misappropriated approximately \$6.4 million as part of his fraudulent scheme. In addition, he received salary and car payments from World Health. His total ill-gotten gains were at least \$6,454,665.

111. During the relevant time period, the other defendants also profited from their misconduct.

112. Defendant Seruga profited by at least \$383,662 which consisted of salary, payments made to her by McDonald, and the proceeds from her sales of World Health stock.

113. Defendant Roup profited by at least \$4,235,000 in ill-gotten gains from the private sale of his World Health stock while CEO, including from stock derived from the improper use of Form S-8.

114. Defendant Emas received approximately \$135,782 for services he rendered to World Health, and as the proceeds of his sale of unregistered World Health stock.

IV. The Collapse of World Health.

115. World Health continued operating as a medical staffing company until approximately August 15, 2005, when McDonald abruptly resigned from all of his positions at World Health. When World Health announced the resignation, on August 16, 2005, the Company's stock price closed at \$2.34 per share, a 48 percent drop from the previous trading day's closing price.

116. On August 19, 2005, World Health issued a press release announcing that it was investigating apparent discrepancies in the amount of the Company's shares outstanding, accounting irregularities, the underpayment of tax liabilities in excess of \$4 million, and irregularities related to its lending arrangements that resulted in the infusion of \$6.5 million in capital by third party lenders.

117. By August 26, 2005, World Health's stock price had declined to \$.25 a share. The stock price continued to decline until the Company filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code on or about February 20, 2006. On March 22, 2006, World Health deregistered its stock pursuant to Section 12(g) of the Exchange Act and Rule 12g-4(a) thereunder.

FIRST CLAIM

Violations of Sections 5(a) and 5(c) of the Securities Act

118. Paragraphs 1 through 117 are realleged and incorporated herein by reference.

119. As a result of the conduct alleged herein, defendants McDonald, Roup and Emas, 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 to sell securities, or to carry or cause such securities to be carried through the mails or in interstate commerce for the purpose of sale or for delivery after sale.

120. No valid registration statement has been filed with the Commission or has been in effect with respect to any offering or sale alleged herein.

121. By engaging in the foregoing conduct, defendants McDonald, Roup and Emas violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

SECOND CLAIM

Violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder

122. Paragraphs 1 through 121 are realleged and incorporated herein by reference.

123. As a result of the conduct alleged herein, defendants McDonald, Roup and Seruga, directly or indirectly, by use of the means or instruments of transportation and communication in interstate commerce, or the means and instrumentalities of interstate commerce, or of the mails, or the facilities of a national securities exchange, in the offer or sale or in connection with the purchase or sale of World Health securities, knowingly or recklessly: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of, and made, untrue statements of material fact or omitted to state material facts necessary in

order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon offerees, purchasers and prospective purchasers of securities.

124. By engaging in the foregoing conduct, defendants McDonald, Roup and Seruga violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

THIRD CLAIM

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act

125. Paragraphs 1 through 124 are realleged and incorporated herein by reference.

126. As a result of the conduct alleged herein, defendant Emas, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce, or by use of the mails, in connection with the offer or sale of securities, knowingly, recklessly, or negligently: (a) obtained money or property by means of untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (b) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of World Health securities.

127. By engaging in the foregoing conduct, defendant Emas violated Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and (a)(3)].

FOURTH CLAIM

Violations of Section 13(b)(5) of the Exchange Act and Rule 13b2-1 thereunder

128. Paragraphs 1 through 127 are realleged and incorporated herein by reference.

129. As a result of the conduct alleged herein, defendants McDonald and Seruga, directly or indirectly, knowingly circumvented or knowingly failed to implement a system of internal accounting controls or knowingly falsified books, records or accounts subject to Section 13(b)(2) of the Exchange Act [15 U.S.C. § 78m(b)(2)].

130. By engaging in the foregoing conduct, defendants McDonald and Seruga violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)], and Exchange Act Rule 13b2-1 thereunder [17 C.F.R. § 240.13b2-1].

FIFTH CLAIM

Violations of Exchange Act Rule 13b2-2

131. Paragraphs 1 through 130 are realleged and incorporated herein by reference.

132. As a result of the conduct alleged herein, defendants McDonald and Seruga, directly or indirectly: (i) made, or caused to be made, materially false or misleading statements; or (ii) omitted to state, or caused others to omit to state, material facts necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading, to an accountant in connection with an audit, review, or examination of financial statements or the preparation or filing of a document or report required to be filed with the Commission.

133. By engaging in the foregoing conduct, defendants McDonald and Seruga violated Exchange Act Rule 13b2-2 [17 C.F.R. § 240.13b2-2].

SIXTH CLAIM

Violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder

134. Paragraphs 1 through 133 are realleged and incorporated herein by reference.

135. Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)], and Exchange Act Rules 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§ 240.13a-1, 240.13a-11 and 240.13a-13], require issuers of registered securities to file with the Commission factually accurate quarterly, annual, and current reports. Exchange Act Rule 12b-20 [17 C.F.R. § 240.12b-20] further provides that, in addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they were made, not misleading.

136. From at least May 2003 through August 2005, World Health filed with the Commission and disseminated to investors false and misleading quarterly, annual and current reports. In doing so, World Health violated Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13.

137. By engaging in the foregoing conduct, defendants McDonald and Roup aided and abetted violations of Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13.

138. By engaging in the foregoing conduct, defendant Seruga aided and abetted violations of Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1 and 13a-13.

SEVENTH CLAIM

Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act

139. Paragraphs 1 through 138 are realleged and incorporated herein by reference.

140. Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)] requires issuers to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of its assets. Section 13(b)(2)(B) of the

Exchange Act [15 U.S.C. § 78m(b)(2)(B)] requires issuers to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain the accountability of assets.

141. By reason of the foregoing, World Health violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

142. By engaging in the foregoing conduct, defendants McDonald and Roup aided and abetted violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

EIGHTH CLAIM

Violations of Exchange Act Rule 13a-14

143. Paragraphs 1 through 142 are realleged and incorporated herein by reference.

144. Defendants McDonald and Roup each certified in World Health's quarterly reports on Form 10-QSB and annual reports on Form 10-KSB that, among other things, he reviewed each of the reports and, based on his knowledge, the reports: (i) did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and (ii) included financial statements and other financial information that fairly presented, in all material respects, World Health's financial condition, results of operations and cash flows.

145. By engaging in the foregoing conduct, defendants McDonald and Roup violated Exchange Act Rule 13a-14 [17 C.F.R. § 240.13a-14].

NINTH CLAIM

Violations of Section 16(a) of the Exchange Act

146. Paragraphs 1 through 145 are realleged and incorporated herein by reference.

147. Section 16(a) of the Exchange Act [15 U.S.C. § 78p(a)] requires that any person that directly or indirectly beneficially owns more than 10 percent of a company's class of stock registered under Section 12 of the Exchange Act, or who is an officer or director, notify the Commission by filing a statement before the end of the second business day following a change in ownership of such company's stock.

148. Defendants McDonald and Roup failed to make any reports under Section 16(a) of the Exchange Act when they transferred World Health stock in order to conceal transactions from the investing public.

149. By engaging in the foregoing conduct, defendants McDonald and Roup violated Section 16(a) of the Exchange Act [15 U.S.C. § 78p(a)].

WHEREFORE, the Commission respectfully requests that this Court:

I.

Issue an injunction permanently restraining and enjoining defendant McDonald from violating Sections 5(a), 5(c) and 17(a) of the Securities Act, Sections 10(b), 13(b)(5) and 16(a) of the Exchange Act and Rules 10b-5, 13b2-1, 13b2-2 and 13a-14 thereunder; and from aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder.

II.

Issue an injunction permanently restraining and enjoining defendant Roup from violating Sections 5(a), 5(c) and 17(a) of the Securities Act, Sections 10(b) and 16(a) of the Exchange Act and Rules 10b-5 and 13a-14 thereunder; and from aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder.

III.

Issue an injunction permanently restraining and enjoining defendant Seruga from violating Section 17(a) of the Securities Act, Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13b2-1 and 13b2-2 thereunder; and from aiding and abetting violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder.

IV.

Issue an injunction permanently restraining and enjoining defendant Emas from violating Sections 5(a), 5(c), 17(a)(2) and 17(a)(3) of the Securities Act.

V.

Order defendants McDonald, Seruga, Roup and Emas to disgorge all ill-gotten gains derived from the activities set forth in this Complaint, together with prejudgment interest.

VI.

Order defendants McDonald, Seruga, Roup and Emas to pay civil penalties, pursuant to Section 20(d) of the Securities Act and/or Section 21(d)(3) of the Exchange Act, as a result of the violations set forth herein.

VII.

Pursuant to Section 20(e) of the Securities Act and Section 21(d)(2) of the Exchange Act, prohibit defendants McDonald and Roup from acting as officers or directors of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act.

VIII.

Order such other and further relief as this Court may deem just and appropriate.

Respectfully submitted,

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