

2. Defendant Ilona Kay Collins (“Collins”) was Quovadx’s Controller during the relevant time, and she reported directly to Quovadx’s Chief Financial Officer. Collins approved the recognition of revenue from the third quarter 2003 MicroStar transactions when she knew or was reckless in not knowing that MicroStar was merely holding the software until it was resold to other customers the next quarter, and that there was no likelihood of otherwise collecting those revenues from MicroStar. In February 2004, after one of the customers refused to buy from MicroStar and bought from Quovadx instead, Collins participated in a plan to channel payment from that Quovadx customer to MicroStar, which created the false appearance that Quovadx had collected part of the MicroStar revenue. Collins also signed a management representation letter for 2003 sent to Quovadx’s outside auditor that failed to disclose the true facts and circumstances of the MicroStar transactions.

3. By the conduct described below, Collins violated, or aided and abetted violations of the antifraud, reporting, books and records, and internal controls provisions of the federal securities laws. Unless enjoined by order of this Court, Collins is likely to commit such violations in the future. The Commission seeks a judgment permanently enjoining the defendant from further securities law violations and imposing an officer and director bar and a civil money penalty.

JURISDICTION

4. This Court has jurisdiction pursuant to Section 22 of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77v(a)] and Sections 21 and 27 of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u and 78aa].

February 4, 2004. On February 6, 2004, MicroStar wired back \$247,000 to Quovadx, keeping \$10,000 as payment for holding the licenses for Quovadx. By channeling the payment through MicroStar, Quovadx created the false impression that MicroStar had made a substantial payment for the software it was holding and that MicroStar had the ability to pay the balance. At Collins' direction, Quovadx's employees continued to search for additional opportunities to channel software license sales to MicroStar to eliminate the remaining balance.

14. On or about February 10, 2004, in conjunction with the audit of Quovadx's annual report for 2003, Quovadx's then-Chief Executive Officer, Quovadx's then-Chief Financial Officer, and Collins signed a management representation letter to Quovadx's auditor. The letter represented that Quovadx's financial statements were prepared in conformity with generally accepted accounting principles. This representation was false and misleading with regard to the revenue reported for the MicroStar transactions because MicroStar had been holding the licenses for Quovadx to resell to other customers and there was no likelihood that MicroStar could otherwise pay for them.

15. In August 2004, after Collins ceased working at Quovadx, Quovadx reversed all three of the software license sales to MicroStar.

FIRST CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and 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]

16. The Commission realleges and incorporates herein by reference paragraphs 1 through 15 above.

17. Section 17(a) of the Securities Act prohibits a person from engaging in any transaction, practice, or course of business which would operate as a fraud or deceit upon a

purchaser in the offer or sale of any securities. One of the ways a person violates Section 17(a) is to engage in transactions, practices or courses of business that result in materially false or misleading statements or material omissions in Commission filings or in other statements disseminated to investors. Section 10(b) of the Exchange Act and Rule 10b-5 thereunder prohibit materially false or misleading statements or omissions made in connection with the purchase or sale of securities.

18. Collins approved the recognition of revenue from the third quarter 2003 MicroStar transactions knowing, or recklessly disregarding, that MicroStar was merely holding the licenses for Quovadx to resell to other customers and there was no likelihood that Quovadx would otherwise collect the revenue. Further, in February 2004, Collins knowingly or recklessly participated in a plan to channel an unrelated payment from another Quovadx customer to MicroStar which then used those funds to make a payment to Quovadx, creating a false appearance that MicroStar made a substantial payment and had the ability to pay the balance.

19. By engaging in the conduct described above, Collins knowingly or recklessly violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

SECOND CLAIM FOR RELIEF

Violation of Section 13(b)(5) of the Exchange Act and Rules 13b2-1 and 13b2-2, thereunder [15 U.S.C. § 78m(b)(5), 17 C.F.R. §§ 240.13b2-1 and 240.13b2-2]

20. The Commission realleges and incorporates herein by reference paragraphs 1 through 15 above.

21. Section 13(b)(5) of the Exchange Act prohibits any person from knowingly circumventing or knowingly failing to implement a system of internal

accounting controls or knowingly falsifying any book, record or account.

22. Exchange Act Rule 13b2-1 prohibits any person from directly or indirectly falsifying or causing to be falsified, any book, record or account subject to Section 13(b)(2)(A) of the Exchange Act.

23. Exchange Act Rule 13b2-2 prohibits any director or officer of an issuer from directly or indirectly making or causing to be made misleading statements to an accountant in connection with an audit.

24. In February 2004, Collins participated in a plan to channel payment from another Quovadx customer to MicroStar, which created the false appearance that Quovadx had collected part of the MicroStar revenue.

25. Collins also made materially false or misleading statements and omitted to disclose material information to Quovadx's auditor in the management representation letter she signed on February 10, 2004. Contrary to her representations in that letter, Collins knew or recklessly disregarded the facts that: (1) a substantial portion of the MicroStar receivable had been paid with proceeds from an unrelated transaction; and (2) any further payment from MicroStar depended upon Quovadx identifying customers to purchase the software licenses from MicroStar.

26. By reason of the foregoing, Collins therefore violated Section 13(b)(5) and Exchange Act Rules 13b2-1 and 13b2-2, thereunder.

THIRD CLAIM FOR RELIEF

Aiding and Abetting Violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-11 and 13a-13 [17 C.F.R. §§ 240.12b-20, 13a-11 and 13a-13]

27. The Commission realleges and incorporates herein by reference paragraphs 1 through 15 above.

32. Section 13(b)(2)(A) of the Exchange Act requires that issuers with securities registered under Section 12 of the Exchange Act, such as Quovadx, make and keep books, records, and accounts that accurately and fairly represent the transactions of the company. Section 13(b)(2)(B) of the Exchange Act requires that issuers devise and maintain systems of internal accounting controls sufficient to provide reasonable assurances that, among other things, transactions are recorded as necessary to permit preparation of financial statements in conformance with GAAP and to maintain accountability of assets.

33. Quovadx's books and records were materially inaccurate during the relevant period because they overstated software licensing revenue and did not accurately or fairly reflect the transactions of the company. Quovadx also failed to maintain internal controls sufficient to ensure that revenue recognition would occur properly and that its financial statements would be prepared in conformance with GAAP. Accordingly, Quovadx violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

34. By improperly approving the recognition of revenue from the MicroStar parking arrangements for the third quarter of 2003 and channeling an unrelated payment through MicroStar in February 2004 that made it appear that MicroStar had partially paid for the licenses, Collins knowingly provided substantial assistance to Quovadx in its violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

35. By reason of the foregoing, Collins aided and abetted Quovadx's violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

