

ALABAMA SECURITIES COMMISSION
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California Residents Plead Guilty to Violations of the Alabama Securities Act

MONTGOMERY, ALABAMA (February 13, 2009) Steven T. Marshall, District Attorney for the 27th Judicial Circuit, Marshall County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC), announce that of Randy Morton, 51; and, Candice Lynn Lewis, 42, residents of Orange County, California, pled guilty to violations of the Alabama Securities Act.

Morton pled guilty to one count of Securities Fraud in that the funds raised went to unrelated and/or personal expenses. Lewis pled guilty to one count of Sale of Unregistered Securities to citizens of Alabama. Both Morton and Lewis were released on bond and they will appear before Marshall County authorities for sentencing at a later date.

On December 18, 2007, ASC Enforcement Agents, with the assistance of the Orange County, California Sheriff' s Department Economic Crimes Unit, served arrest warrants obtained by the ASC against several associates of Lifeline Imaging Systems, Inc., located in Orange, California. The arrests stemmed from indictments handed down in Marshall County Grand Jury in November 2007.

Morton and Lewis were principles in Lifeline Imaging Systems, Inc. that purportedly operated a number of "body imaging centers" in California, Arizona and Texas. Indictments alleged that the two attempted to raise capital to fund the business and, together with Daniel Caterino from California, established a call center employing a number of unregistered sales agents. The unregistered sales agents then allegedly made "cold calls" to several Alabama residents and solicited funds, in violation of Alabama securities law. It is alleged that approximately \$15,000,000 in capital was raised nationwide to fund Lifeline Imaging Systems, Inc., and some of the money was purportedly used by the three for personal or unrelated business expenses. Daniel Caterino is awaiting trial.

The offering of Lifeline Imaging Systems, Inc securities was based upon a securities registration exemption set forth under Regulation D, Rule 506 of the Securities Act of 1933, exempting from registration certain securities marketed through private offerings. Typically, investors who are offered an opportunity to purchase such a security must have either a pre-existing business relationship with a broker or the issuer of the security and the offering cannot involve any form of general solicitation such as through newspapers, television or radio advertising nor any type of mass marketing solicitation. Under exemption provisions of federal law, state and federal securities regulators are not afforded an opportunity for substantive review of these offerings to discern potential misrepresentations prior to their solicitation to investors. Since implementation of this preemption, scammers nationwide have gravitated to this type offering because it presents the appearance of legitimacy while not requiring documentation or other details of the offerings to come under the direct scrutiny of regulators. The exemption, as in this case, has been used successfully to steal millions of dollars from investors through false and misleading representations.

The issue of securities registration exemption set forth under Regulation D, Rule 506 of the Securities Act of 1933, exempting from registration certain securities marketed through private offerings has surfaced throughout the United States. Director Borg said, " This exemption is currently being used to hide under the radar of

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justice. Just last month, in Shelby County, Alabama, Stanley H. Johnson and his wife Easter L. Johnson pled guilty to involvement in illegal securities offerings with a company called Advance Body Imaging located in Orange County, California. The Lifeline Imaging Systems, Inc. and Advance Body Imaging cases have ties and ongoing investigations will result in more cases."

The ASC cautions potential investors to thoroughly scrutinize and research any investment opportunity or offer. Contact the ASC with inquiries concerning securities broker-dealers, agents, investment advisors, investment advisor representatives, financial planners, registration status of securities, to report suspected fraud or to obtain consumer information.

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