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### **Californians Pled Guilty to Illegal Offering of Securities - Hidden Under SEC Exemption**

MONTGOMERY, ALABAMA (January 14, 2009) Robert E. Owens, Jr., District Attorney for the 18<sup>th</sup> Judicial Circuit, Shelby County, Alabama; and, Joseph Borg, Director of the Alabama Securities Commission (ASC) announce that Stanley H. Johnson and his wife Easter L. Johnson have pled guilty to involvement in illegal securities offerings with a company called Advance Body Imaging located in Orange County, California.

Stanley H. Johnson pled guilty to one count of Securities Fraud in Alabama (Class C Felony) and Easter L. Johnson pled guilty to Conspiracy to Sell Unregistered Securities in Alabama (Class A Misdemeanor), January 12, 2009. Sentencing is being delayed pending restitution issues and cooperation with an ongoing investigation.

The offering of Advance Body Imaging 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 has been used successfully by scam artists to steal millions of dollars from investors through false and misleading representations. The Johnsons' guilty plea relates to a particular offer which was revealed in an investigation of a "boiler room" operation in California that marketed numerous such potentially fraudulent offers.

Based on an investigation by ASC, indictments were handed down in the January 2008 session of the Shelby County Grand Jury. On January 30, 2008, the Orange County, California Sheriff's Department, Criminal Investigations Division, Economic Crimes Detail, with the assistance of ASC Enforcement Agents, served arrest warrants, obtained by the ASC, on the Johnsons and Natalie A. Romo all residents of Orange County, California for alleged violations of the Alabama Securities Act. Stanley and Easter Johnson were alleged principals of Advance Body Imaging and Romo a sales agent for the company.

Indictments alleged that the Johnsons attempted to raise capital to fund the business and employed Romo to help solicit investments from residents in Alabama and other states. It is alleged that approximately \$3 million in capital was raised nationwide to fund Advance Body Imaging, and some of the money may have been used for personal or unrelated business expenses.

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While many Regulation D, Rule 506 offerings are legitimate, 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. ASC provides free investor education and fraud prevention materials in print and on our website. The ASC also makes educational presentations upon request. Call 1-800-222-1253; Email: [asc@asc.alabama.gov](mailto:asc@asc.alabama.gov); Website: [www.asc.alabama.gov](http://www.asc.alabama.gov) .

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