

ALABAMA SECURITIES COMMISSION

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Hawaii Man Pleads Guilty to Securities Violations – Hidden Under SEC Exemption

MONTGOMERY, ALABAMA (April 13, 2009) Steven T. Marshall, District Attorney for the 27th Judicial Circuit, Marshall County, Alabama; and, Joseph P. Borg, Director of the Alabama Securities Commission (ASC), announce that Randle William Villa, 54, a resident of Maui County, Hawaii, pled guilty to a violation of the Alabama Securities Act.

Villa's plea was heard in Marshall County, Alabama Circuit Court earlier this week when he pled guilty to one count of Sale of a Security by an Unregistered Agent, a Class C felony under Alabama law. Villa was extradited to Marshall County in September, 2008 and has been incarcerated in the Marshall County jail since that time. He was sentenced to five years in prison, given credit for time served and released on three years' probation by the court. Villa was also ordered to pay \$25,000 in restitution to Alabama investors who were victimized in an illegal scheme to solicit money for investments in Lifeline Imaging Systems, Inc., formerly of Orange County, California, where he was employed as a sales agent to make "cold calls" to potential Alabama investors.

Lifeline Imaging Systems, Inc. was described as a series of "body imaging centers," with locations in several states. Money was solicited from investors across the country, including Alabama, and some of the money was purportedly used by the owners of the company for personal or unrelated business expenses. Together with Villa, an Orange County, California trio, Randy Morton, Daniel Caterino and Candice Lynn Lewis, all principles in the company, have been indicted by a Marshall County Grand Jury and arrested in relation to the company's activities in Alabama. Morton and Lewis have pled guilty to securities fraud and await sentencing; Caterino's case is pending.

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 has been used successfully by scam artists to steal millions of dollars from investors through false and misleading representations. Villa's 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.

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; Website: www.asc.alabama.gov . # # #

For further information contact DanLord, Education and Public Affairs Manager, (334) 353-4858.