

## **ALABAMA SECURITIES COMMISSION**

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### **California Man Pleads Guilty to Violation of the Alabama Securities Act**

MONTGOMERY, ALABAMA (May 9, 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 Daniel Caterino, an Orange County, California resident, pled guilty to a violation of the Alabama Securities Act.

On April 29, 2009, Caterino turned himself in to Marshall County authorities and on May 4, 2009, pled guilty in Marshall County Circuit Court to one count of Sale of an Unregistered Security, a Class C felony under Alabama law. He will be sentenced on July 27, 2009. The charge and plea stem from his role as an unregistered sales agent for Lifeline Imaging Systems, Inc., a California company. The company purportedly operated a number of "body imaging centers" in California, Arizona and Texas. Caterino's plea was the culmination of an indictment handed down by a Marshall County Grand Jury in November 2007 resulting from an ASC investigation alleging that Caterino, together with three co-defendants illegally solicited money from investors across the country, including Alabama. It was alleged that investors' money was used for personal or unrelated business expenses. Neither the company nor Caterino were licensed and registered to conduct securities business in Alabama.

The offering of Lifeline Imaging Systems, Inc. securities was based on 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 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, swindlers nationwide have been drawn 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 to steal millions of dollars from investors through false and misleading representations. Caterino's guilty plea relates to a particular offer which was revealed in an investigation into a "boiler room" operation in California that marketed such potentially fraudulent offers.

While many Regulation D, Rule 506 offerings are legitimate, the ASC cautions potential investors to thoroughly scrutinize and research this or any investment opportunity or offer. Contact the ASC with inquiries concerning securities broker-dealers, agents, investment advisers, investment adviser representatives, financial planners, registration status of securities, to report suspected fraud or to obtain consumer information. The ASC provides free investor education and fraud prevention materials in print, on our website and through educational presentations upon request.

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