

2. In early 2002, RTIN, managed by the Swansons, acquired the rights to a wireless medical prescription transmission technology and operating software. Soon thereafter, RTIN began selling licenses to the wireless technology in the form of territorial franchises. The franchise purchasers were newly formed entities unable to make good on their franchise installment payments.

3. The defendants immediately recognized as revenue the initial franchise installment on each "sale." RTIN's recognition of revenue from the franchise sales was improper due to the uncollectibility of the purchase price of the RTIN franchise.

4. Despite this fact, RTIN portrayed the franchise agreements as profitable in press releases and in its 2002 and 2003 Commission filings. As a result, RTIN inflated its net income in its 2002 and 2003 Commission filings by amounts ranging from 26% to 998%.

5. Even after RTIN's franchisees defaulted on their payment obligations, RTIN failed to correct its improper recognition of the revenue and income associated with these transactions. Instead, the Swansons, at times assisted by Cavender, concealed the overstatement by means of a series of fraudulent note restructurings.

6. To prevent discovery of their fraudulent scheme, the Swansons, Cavender and Borman deceived RTIN's auditors by providing false information regarding the receipt of franchise installment payments and the creditworthiness of the RTIN franchisees. RTIN's auditors have since resigned and have withdrawn their 2001 and 2002 audit reports.

7. By reason of these activities, Defendant RTIN has violated Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§77e(a) and 77e(c)] and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 ("Exchange

Act”) [15 U.S.C. §§78j(b), 78m(a), 78(b)(2)(A) and 78m(b)(2)(B)] and Rules 10b-5, 12b-20, 13a-1, and 13a-13 thereunder [17 C.F.R. §§240.10b-5, 240.12b-20, 240.13a-1, and 240.13a-13]. Further, Defendants C. Swanson, S. Swanson and Cavender have violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§77e(a) and 77e(c)] and Sections 10(b) and 13(b)(5) of the Exchange Act [15 U.S.C. §§78j(b) and 78m(b)(5)] and Rules 10b-5, 13b2-1, 13b2-2 and 13a-14 thereunder [17 C.F.R. §§240.10b-5, 240.13b2-1, 240.13b2-2 and 240.13a-14], and have aided and abetted RTIN’s violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§78j(b), 78m(a), 78(b)(2)(A) and 78m(b)(2)(B)] and Rules 10b-5, 12b-20, 13a-1 and 13a-13 thereunder [17 C.F.R. §§240.10b-5, 240.12b-20, 240.13a-1 and 240.13a-13]. Finally, Defendant Borman has violated Exchange Act Rule 13b2-2 [17 C.F.R. §240.13b2-2] and has aided and abetted RTIN’s violations of Sections 10(b) and 13(a) of the Exchange Act [15 U.S.C. §§78j(b) and 78m(a)] and Rules 10b-5, 12b-20 and 13a-1 thereunder [17 C.F.R. §§240.10b-5, 240.12b-20 and 240.13a-1]. The Commission, in the interest of protecting the public from any further fraudulent activity, brings this action against Defendants seeking permanent injunctive relief, and seeking against Defendants C. Swanson, S. Swanson, Cavender and Borman, an officer and director bar, disgorgement plus pre-judgment interest, and a civil money penalty, and seeking additionally, against C. Swanson, S. Swanson, and Cavender, an accounting of all ill-gotten gains from the conduct alleged herein.

II. JURISDICTION

8. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)] to enjoin the Defendants from future violations of the federal securities

laws. The Commission also seeks disgorgement of ill-gotten gains from the Defendants C. Swanson, S. Swanson, Cavender and Borman, plus prejudgment interest, and civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)].

9. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and Section 27 of the Securities Exchange Act [15 U.S.C. §78(aa)] and Title 28 U.S.C. §1331. Defendants, directly and indirectly, made use of the mails and of the means and instrumentalities of interstate commerce in connection with the acts, practices and courses of business described in this *Complaint*.

10. Venue is proper because many of the transactions, acts, practices and courses of business described below occurred within the jurisdiction of the Eastern District of Texas.

III. DEFENDANTS

11. RTIN is a Texas corporation based in Longview, Texas, registered with the Commission under Section 12(g) of the Exchange Act on November 4, 1997. In December 2003, RTIN changed its name to Safescript Pharmacies, Inc. RTIN's securities were de-listed from the OTC Bulletin Board and are now quoted on the Pink Sheets under the symbol "SAFSQ."

12. S. Swanson, age 59, is a resident of Missoula, Montana. S. Swanson was RTIN's president and chief executive officer ("CEO") from 1990 until 1999, when he resigned as president, and became chairman of RTIN's board of directors, a position he held, in addition to his CEO position, until his resignation on July 11, 2003. During the Commission's investigation

of this matter, rather than providing sworn testimony, S. Swanson asserted his Fifth Amendment privilege against self-incrimination.

13. C. Swanson, age 35, also a resident of Missoula, Montana, and S. Swanson's son, held numerous positions within RTIN. Starting in 1990, C. Swanson was RTIN's chief financial officer ("CFO") and a director; in 1999, he became RTIN's president, while remaining RTIN's CFO and an RTIN director. After S. Swanson left the company on July 11, 2003, C. Swanson became CEO, and Cavender replaced C. Swanson as CFO. He resigned from his officer and director positions at RTIN on February 2, 2004. During the Commission's investigation of this matter, rather than providing sworn testimony, C. Swanson asserted his Fifth Amendment privilege against self-incrimination.

14. Cavender, age 44, of Corsicana, Texas, began working as an RTIN consultant in the second half of 2002. On February 1, 2002, Cavender, a former banking executive, was cited by the Office of the Comptroller of Currency ("OCC") for violating his officer and director duties and banking laws in a matter that involved Fresh-N-Lite, RTIN's predecessor. By April 2003, Cavender functioned as acting CFO of RTIN, and he officially replaced C. Swanson as CFO in July 2003. Cavender resigned from his position as RTIN's CFO on February 2, 2004. During the Commission's investigation of this matter, rather than providing sworn testimony, Cavender asserted his Fifth Amendment privilege against self-incrimination.

15. Borman, age 51, of Longview, Texas, became a director of RTIN and was appointed to serve on RTIN's audit committee on January 22, 2003. Borman is also president and CEO of Mid America, a privately held RTIN franchisee. Borman resigned from his RTIN board positions on February 2, 2004.

IV. STATEMENT OF FACTS

A. RTIN's Franchise Sale to RxSystems

16. In February 2002, RTIN obtained the rights to license the use of a wireless transmission technology, which was designed to enable doctors to transmit prescriptions directly to franchise pharmacies. RTIN sold these licenses as part of a franchise that gave the franchisee exclusive rights to use the software, to access RTIN's software support resources, and to build pharmacies within a prescribed territory.

17. Unfortunately however, the franchisees could not meet their financial obligations under the franchise agreements, setting the stage for the fraudulent revenue recognition scheme perpetrated by the defendants.

18. On March 26, 2002, RTIN issued a misleading press release announcing that it had sold a franchise to RxSystems, for which it would receive \$500,000 in cash and \$4.5 million of RxSystems' stock. The press release was misleading because RTIN did not disclose that RxSystems was a poorly financed start-up company with no assets and little possibility of fulfilling its obligations under the agreement.

19. RxSystems was so cash-strapped that it could only make a payment of \$50,000 at the time the franchise agreement was executed on March 20, 2002. To make up the balance of the \$500,000 "cash" payment, RxSystems executed a \$450,000 promissory note payable to RTIN in installments through May 2002. In addition, RxSystems gave RTIN 100,000 shares of preferred stock. However, as RxSystems' stock was not yet publicly traded, there was no reasonable basis for its \$4.5 million valuation.

20. The Swansons were well aware of RxSystems' precarious financial condition and that the company could not make the note payments without raising funds from investors. Indeed, in the second quarter of 2002, C. Swanson directed RTIN's investment relations officer to assist RxSystems in its fund raising efforts.

21. Significantly, the Swansons knew at the time they signed and filed RTIN's Form 10-QSB for the first quarter 2002 that all efforts to capitalize RxSystems had failed and that it had defaulted on each of the four note installments then due.

22. By e-mails, telephone calls and letters, the Swansons repeatedly demanded payment on the RxSystems' note, and at times threatened cancellation of the franchise agreement if the installment payments were not brought current. Nonetheless, RTIN recorded the RxSystems' transaction in its 2002 first quarter Form 10-QSB at the deal's full contractual value.

23. As a result, the Swansons overstated RTIN's revenue by 5,051% and understated its net loss by 79%.

24. By May 28, 2002, RxSystems was again poised to default on its note. To avert another default, C. Swanson modified the note's terms, extending the deadline for the final payment from the original due date of May 31, 2002, to July 1, 2002, also extending the deadlines for the intervening installment payments.

25. After RxSystems failed to make its installment payments pursuant to the May 28th extension, C. Swanson restructured the entire franchise agreement on June 30, 2002, reducing the original purchase price of \$5 million to \$3.5 million and substituting a \$3.405 million, no-interest promissory note maturing on December 31, 2002, in lieu of the original \$450,000 note and RxSystems' stock.

26. By August 2002, RxSystems had again failed to secure investors to fund its obligations to RTIN, and its president had exhausted his personal funds. Furthermore, there was no reasonable basis to assume that matters would improve by August 31st, when RxSystems' first payment under the June 30th note, in the amount of \$150,000, became due.

27. The RxSystems' note accounted for 90% of RTIN's current assets reflected in its Form 10-QSB for the first quarter of 2002.

28. The restructuring of the franchise agreement and the note, evidence the improbability that RTIN would ever collect on the RxSystems' note, and the resulting impropriety of recognizing this amount as income in RTIN's first quarter financial statements. RTIN ignored this evidence, included the note as an asset, and only reduced its revenue by \$1.5 million, the negotiated decrease in the purchase price of the franchise.

29. Worse yet, RTIN's original \$4.5 million impairment charge, associated with RTIN's reflecting the 100,000 RxSystems' preferred shares as an asset, was reversed, with the effect that a \$4.5 million "non-operating" gain was recorded for the second quarter of 2002.

30. The combined impact of the fraudulent revenue recognition scheme pursued by the defendants caused RTIN to overstate its second quarter 2002 net income by 998%. In addition, RTIN's March 31 and June 30, 2002 balance sheets were materially overstated by including the \$450,000 and \$3,405,000 RxSystems' notes as assets.

31. RxSystems' imminent default on the June 30th restructured note increased the pressure on RTIN's management to legitimize the amounts RTIN reported in its financial statements. In response, the Swansons fraudulently contrived to justify RTIN's recognition of revenue from the RxSystems' franchise agreement.

32. In August 2002, C. Swanson procured a \$250,000 loan from Timothy A. Hayes (“Hayes”), at the time an RTIN shareholder. In accord with C. Swanson’s instructions, Hayes wire transferred the loan to RTIN’s bank account.

33. On August 28, 2002, C. Swanson proposed to David Parker, president of RxSystems, a low-interest, 12-month \$250,000 loan to RxSystems, which he claimed to be brokering on behalf of Hayes. C. Swanson told Parker that the proceeds of the loan to RxSystems were to be paid directly to RTIN, as payment on the RxSystems’ note.

34. On August 20, 2002, with resignation of its auditors looming due to non-payment of audit fees, RTIN engaged the auditing firm of Heard, McElroy & Vestal (“HMV”) as its auditor and filed a Form 8-K with the Commission disclosing this change. On August 21, 2002, the Commission's Division of Corporation Finance issued a comment letter regarding, among other things, the auditor change and the basis for RTIN’s recognition of revenue from the RxSystems’ transaction. In response, C. Swanson falsely claimed that all of RTIN’s notes receivable were in good standing and provided a payment schedule that included \$250,000 of fictitious RxSystems’ payments.

35. Additionally, C. Swanson assured the Commission that RTIN’s new auditors had reviewed RTIN’s 2002 Form 10-QSB filings and determined that RTIN properly recognized revenue from the franchise agreements. In response to further comment letters issued in January and March 2003, C. Swanson reaffirmed the false RxSystems’ payments, and that RTIN’s officers remained “confident that the financial statements for 2001 and 2002 fairly and accurately reflect the financial condition of the Company as of the reporting period.”

36. At the same time, C. Swanson fraudulently altered RTIN's August and September 2002 bank statements to create the appearance that the wire transfers to RTIN originated from RxSystems, rather than their actual source – Hayes. He accomplished this deception by cutting, pasting and supplementing genuine RTIN bank statements, and then copying the carefully altered final product.

37. The altered bank statements contained C. Swanson's handwritten notation identifying RxSystems as the source of the payments. Likewise, they reflected the source of the \$250,000 in wire transfers as a bank account RxSystems had previously used in its dealings with RTIN. Therefore, all the RTIN bank documentation was consistent with C. Swanson's claim that RxSystems made a \$250,000 payment on its note, and RTIN's bookkeeper recorded this amount on the company's books. Conversely, the bookkeeper did not record the loan from Hayes because she was unaware it existed. Thus, C. Swanson's scheme not only caused RTIN to record false revenue, but also concealed a material liability, namely RTIN's \$250,000 debt to Hayes.

38. To sustain the illusion that RxSystems had made timely payments on its restructured note, the Swansons concealed from RTIN's auditors RxSystems' repeated defaults and the loan from Hayes to RTIN.

39. To bolster the illusion that the RxSystems' note was collectible, C. Swanson gave RTIN's auditors a forged June 30, 2002 RxSystems' financial statement listing \$3.8 million in total assets. At the time, RxSystems had virtually no assets or net worth.

40. RTIN's financial statements continued to reflect the RxSystems' note as an asset, but failed to include the loan from Hayes, causing RTIN's net income to be overstated by 26% in its 2002 third quarter Form 10-QSB filed with the Commission.

41. Pursuant to the June 30th restructured note, RxSystems was to make a \$255,000 installment payment to RTIN on October 1, 2002 and a \$405,000 payment on December 31, 2002. Not surprisingly, RxSystems defaulted on both note payments.

42. RTIN responded, as it had in each previous quarter, by restructuring RxSystems' note terms, this time delaying the commencement of installment payments until May 2003 and reconfiguring the terms to require monthly payments of only \$25,000 through maturity at December 31, 2004.

43. Shortly after this note restructuring, Cavender began functioning as RTIN's CFO and became the auditors' principal contact during their 2002 audit of RTIN. The Swansons and Cavender signed RTIN's management representation letters to the auditors confirming that RTIN's financial statements were fairly presented in conformity with Generally Accepted Accounting Principles ("GAAP").

44. Despite RxSystems' recurring delinquency and the December 31st note extension, RTIN continued to present the RxSystems' note on its financial statements as a fully realizable asset. To justify treating the note as collectible, in connection with the 2002 year-end audit, Cavender provided the auditors with false information that RxSystems had \$12 million in assets and a net worth of \$8.9 million.

45. In the fourth quarter of 2002, Hayes agreed to purchase two million shares of RTIN common stock for \$700,000.

46. In an unwritten side agreement, RTIN credited Hayes's second quarter \$250,000 loan to RTIN towards this stock purchase, and Hayes paid the \$450,000 balance directly to RTIN or to its vendors. However, RTIN did not record on its books the payments or the stock purchase, and did not otherwise disclose them to its auditors or in Commission filings. As a result, RTIN's net income was overstated by as much as 21% in RTIN's 2002 Form 10-KSB.

B. RTIN's Franchise Sale to Mid America

47. On December 5, 2002, RTIN sold a franchise to Mid America for \$924,000. The franchise agreement, executed by C. Swanson and Borman (Mid America's CEO), required payment by December 11, 2002, and subjected Mid America to a \$5,000 per-day, non-payment penalty.

48. Like RxSystems, Mid America was newly formed company and lacked assets or financing, aside from a purported \$2 million loan agreement with United Indian Credit Union ("UICU").

49. No one at RTIN or Mid America claimed to have verified UICU's authenticity; UICU never funded the loan and Mid America never paid RTIN \$924,000.

50. Nevertheless, on December 11, 2002, C. Swanson drafted and caused RTIN to issue a press release announcing that RTIN had received \$924,000 in cash from Mid America in connection with Mid America's purchase of an RTIN franchise.

51. Borman, who had agreed to RTIN's issuing this release only after UICU provided funding for Mid America's franchise payment, complained to Cavender when he discovered that RTIN issued the release. Other than complaining, Borman took no steps to cause RTIN to retract

or correct the press release. Only six weeks later, on January 22, 2002, Borman joined RTIN's board of directors.

52. Between December 2002 and January 2003, correspondence from Borman to the Swansons discussed the highly tenuous status of Mid America's unfunded "loan" from UICU. Borman suggested that UICU could issue to RTIN a \$924,000 UICU certificate of deposit ("CD") until the UICU loan to Mid America was funded. This CD was issued to RTIN on December 17, 2002.

53. This UICU CD was a sham and simply another device designed to substantiate RTIN's fraudulent recognition of \$924,000 in revenue from the franchise sale to Mid America.

54. The defendants falsified RTIN's year-end books and records by reporting the CD as an asset and reporting \$924,000 of corresponding revenue.

55. The defendants then misled the auditors in connection with RTIN's 2002 annual audit. In March 2003, the auditors enlisted the assistance of Cavender, then RTIN's CFO, to obtain confirmation of the CD from UICU. Cavender, in turn, sought help from Borman, who had by then become a member of RTIN's audit committee. Borman, like the Swansons and Cavender, intentionally failed to disclose to the auditors that UICU had never funded the UICU loan or the real reason for the CD.

56. Further undisclosed to RTIN's auditors, during early April 2003, C. Swanson, S. Swanson and Borman met with principles of UICU and discussed the status of the still un-funded Mid American loan. After the April meeting, C. Swanson and Cavender orchestrated an additional subterfuge to create the appearance of \$284,000 of successful withdrawals against the CD, which were purportedly deposited in RTIN accounts.

57. Those deposits came, not from UICU, but from Perissos Investments, Inc. (“Perissos”), an entity controlled by the Swansons and Cavender. C. Swanson manufactured the deceptive origin of the deposits by annotating RTIN’s bank statements with instructions that the \$284,000 in deposits be recorded as CD withdrawals. Cavender then used the deposits to justify to RTIN’s auditors the recognition of the Mid America revenue, and to reassure the auditors that the CD was liquid.

C. Fraudulent Stock Transactions

58. In the first quarter of 2003, RTIN’s management again overstated the company’s earnings; this time via a treasury stock purchase. On February 19, 2003, RTIN entered into a purported settlement agreement with a large RTIN shareholder, in which RTIN acquired 600,000 shares of its common stock.

59. C. Swanson, then RTIN’s CFO, directed the bookkeeper, in violation of GAAP, to improperly record, as a gain, \$1.4 million on RTIN’s books, causing RTIN’s net income to be overstated by 150% for the first quarter of 2003.

60. Between November 2002 and July 2003, C. Swanson caused RTIN to issue 422,900 unregistered shares of RTIN common stock to Cavender’s wife. C. Swanson induced the transfer agent to issue the shares without a restrictive legend by falsely asserting that previously issued preferred shares were being converted into common stock.

61. After depositing the shares in his wife’s account, Cavender immediately sold the stock on the OTC Bulletin Board.

62. The profits from these stock sales totaled \$771,000. Cavender kept \$126,000 of the proceeds, and funneled \$155,000 to C. Swanson, \$5,000 to S. Swanson and \$485,000 to RTIN or its vendors on RTIN's behalf.

63. RTIN's management then falsified bank statements to conceal these illicit payments from RTIN's bookkeeper, and as a result, they were not recorded or included in RTIN's financial statements.

64. The failure to record compensation expense in connection with these stock issuances to Cavender caused RTIN's net income to be overstated in the fourth quarter of 2002 by 31%, and in the three quarters of 2003 by 28%, 10% and 73%, respectively.

65. On June 27, 2003, RTIN issued to the Swansons a total 2.2 million shares of unregistered RTIN common stock. These shares were issued upon the exercise of options granted to the Swansons on May 6, 2002, purportedly in lieu of their accrued and unpaid salaries totaling \$528,000.

66. Although the options were to have expired on April 30, 2003, the Swansons exercised them on June 27, 2003. After duping the transfer agent, with a forged Rule 144(k) Seller's Representation Letter, into reissuing the shares as unrestricted, the Swansons sold 850,000 of the shares and realized approximately \$3.4 million in excess undisclosed compensation.

67. S. Swanson had his shares issued directly to Safe Med Solutions, L.L.C., a company controlled by his wife and daughter. Between August 21, 2003 and January 30, 2004, S. Swanson sold almost 500,000 of the shares realizing \$1.886 million. C. Swanson sold 150,000 shares between September 24, 2003 and October 13, 2003, another 1,518 shares on

October 16, 2003 and another 200,000 shares on January 26, 2004. C. Swanson's net proceeds from these sales totaled \$1.450 million.

68. RTIN failed to recognize any compensation expense in connection with the extended options, causing its net income for the second quarter of 2003 to be overstated by 92%. Moreover, S. Swanson was paid another \$210,635 for accrued salary pursuant to his July 11, 2003 severance agreement.

69. RTIN's fraudulent revenue recognition scheme resulted in material misstatements in each of its 2002 and 2003 periodic reports to the Commission.

70. Further, none of RTIN's quarterly reports were reviewed by its auditors prior to filing – a fact RTIN also failed to disclose to investors.

71. As CFO, C. Swanson drafted RTIN's financial statements, and he and S. Swanson signed each periodic report filed during 2002 and the first quarter of 2003. For the periods after S. Swanson left RTIN – the second and third quarters of 2003 – C. Swanson continued to draft financial statements, sometimes with the assistance of Cavender. Both C. Swanson and Cavender signed RTIN's second and third quarter 2003 periodic reports.

72. RTIN's second quarter 2002 Form 10-QSB failed to contain the required certification pursuant to Rule 13a-14 of the Exchange Act. The Swansons executed the certification for RTIN's 2002 third quarter and 2003 first quarter Forms 10-QSB, and C. Swanson and Cavender executed the certification for RTIN's 2003 second and third quarter Forms 10-QSB.

CLAIMS

FIRST CLAIM

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by Defendants RTIN, C. Swanson, S. Swanson, Cavender and Aiding and Abetting Violations by Defendants C. Swanson, S. Swanson, Cavender and Borman

73. Plaintiff Commission repeats and incorporates paragraphs 1 through 72 of this *Complaint* by reference as if set forth *verbatim*.

74. Defendants RTIN, C. Swanson, S. Swanson and Cavender, and in the case of Defendant RTIN, aided and abetted by defendants C. Swanson, S. Swanson, Cavender and Borman, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails (a) have employed devices, schemes and artifices to defraud, (b) have made untrue statements of material facts and have omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading and (c) have engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

75. As a part of and in furtherance of their scheme to defraud, Defendants RTIN, C. Swanson, S. Swanson and Cavender, and in the case of Defendant RTIN, aided and abetted by defendants C. Swanson, S. Swanson, Cavender and Borman, directly and indirectly, prepared, disseminated, used, issued or certified materially false and misleading financial information in its quarterly and annual periodic reports contracts, written offering documents, promotional materials, investor and other correspondence, press releases and oral presentations.

76. Defendants RTIN, C. Swanson, S. Swanson and Cavender, and in the case of Defendant RTIN, aided and abetted by defendants C. Swanson, S. Swanson, Cavender and Borman, made these misrepresentations and omissions knowingly or with reckless disregard for the truth.

77. By reason of the foregoing, Defendants RTIN, C. Swanson, S. Swanson and Cavender have violated and, unless enjoined, will continue to violate, and Defendants C. Swanson, S. Swanson, Cavender and Borman have aided and abetted violations of, and unless enjoined, will continue to aid and abet violations of, Sections 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder.

SECOND CLAIM

Violations of Sections 5(a) And 5(c) of the Securities Act by Defendants RTIN, C. Swanson, S. Swanson and Cavender

78. Plaintiff Commission repeats and incorporates paragraphs 1 through 72 of this *Complaint* by reference as if set forth *verbatim*.

79. Defendants RTIN, C. Swanson, S. Swanson and Cavender, directly or indirectly, singly or in concert with others, have been offering to sell, selling and delivering after sale, certain securities and have been, directly and indirectly, (a) making use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, through the use of written contracts, offering documents and otherwise, (b) carrying and causing to be carried through the mails and in interstate commerce by the means and instruments of transportation such securities for the purpose of sale and for delivery after sale, and (c) making use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

80. No registration statement has been filed with the Commission or is otherwise in effect with respect to the offer and sale of any securities described herein.

81. By reason of the foregoing, Defendants RTIN, C. Swanson, S. Swanson and Cavender have violated and, unless enjoined, will continue to violate Section 5(a) and 5(c) of the Securities Act [15 U.S.C. §§77e(a) and 77e(c)].

THIRD CLAIM

Violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder by Defendant RTIN and Aiding and Abetting Violations by Defendants C. Swanson, S. Swanson, Cavender and Borman

82. Plaintiff Commission repeats and incorporates paragraphs 1 through 72 of this *Complaint* by reference as if set forth *verbatim*.

83. Defendant RTIN is a public company whose common stock is registered with the Commission and is required to file annual and quarterly reports with the Commission in accordance with Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 respectively. Exchange Act Rule 12b-20 requires that such reports contain, in addition to disclosures expressly required by statute and rules, such other information as is necessary to ensure that the statements made are not, under the circumstances, misleading.

84. From March 2002 to the present, RTIN's annual and quarterly Commission filings were false and misleading in that they materially overstated revenue, understated debt, and omitted material disclosures. C. Swanson, S. Swanson, and Cavender each willfully aided and abetted these violations by participating in RTIN's revenue recognition schemes. Each executed RTIN Commission filings either knowing that they contained materially false and misleading information and omissions, or at least acting with severe recklessness in not knowing.

85. Borman also aided and abetted RTIN's violations of Section 13(a) of the Exchange Act and Rules 13a-1 and 12b-20 thereunder with respect to the Mid America franchise transaction, which caused RTIN's 2002 Form 10-KSB to overstate net income by 193%. By this time, Borman was a member of RTIN's board of directors and a member of its audit committee. In connection with RTIN's year-end audit, Borman withheld from auditors the fact that the CD was not funded and perpetuated the illusion that the CD was liquid by assisting the efforts to obtain a "confirmation" of the CD.

86. By reason of the foregoing, Defendant RTIN has violated and, unless enjoined, will continue to violate, and Defendants C. Swanson, S. Swanson, Cavender and Borman have aided and abetted violations of, and unless enjoined, will continue to aid and abet violations of, Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)] and Rules 12b-20, 13a-1 and 13a-13 [17 C.F.R. §§17 C.F.R. 240.12b-20, 240.13a-1 and 240.13a-13] thereunder.

FOURTH CLAIM

Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act by Defendant RTIN and Aiding and Abetting Violations by Defendants C. Swanson, S. Swanson and Cavender

87. Plaintiff Commission repeats and incorporates paragraphs 1 through 72 of this *Complaint* by reference as if set forth *verbatim*.

88. Defendant RTIN, aided and abetted by defendants C. Swanson, S. Swanson and Cavender, having a class of securities registered pursuant to Section 12 of the Exchange Act, in the manner set forth above, failed to:

(A) make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of its assets;

(B) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that—

- (i) transactions are executed in accordance with management's general or specific authorization;
- (ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets;
- (iii) access to assets is permitted only in accordance with management's general or specific authorization; and
- (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

89. By reason of the foregoing, Defendant RTIN has violated and, unless enjoined, will continue to violate and Defendants C. Swanson, S. Swanson, Cavender and Borman have aided and abetted violations of, and unless enjoined, will continue to aid and abet violations of Section 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§78m(b)(2)(A) and 78m(b)(2)(B)].

FIFTH CLAIM

Violations of Section 13(b)(5) of the Exchange Act Rule 13b2-1 thereunder by Defendants C. Swanson, S. Swanson and Cavender

90. Plaintiff Commission repeats and incorporates paragraphs 1 through 72 of this *Complaint* by reference as if set forth *verbatim*.

91. Section 13(b)(5) of the Exchange Act requires that no person shall knowingly circumvent or knowingly fail to implement a system of internal accounting controls or knowingly falsify any book, record, or account required to be kept by a registrant under Section 13(b)(2) of the Exchange Act.

92. Defendants C. Swanson, S. Swanson and Cavender, knowingly failed to implement a system of internal accounting controls. By falsifying RTIN's books and records, including its general ledger and underlying documentation such as bank statements, the Swansons and Cavender falsified RTIN's books, records and accounts. Moreover, the Swansons and Cavender routinely circumvented such meager internal controls as did exist.

93. By reason of the foregoing, Defendants C. Swanson, S. Swanson and Cavender have violated and, unless enjoined, will continue to violate Section 13(b)(5) of the Exchange Act [15 U.S.C. §78m(b)(5)] and Rule 13b2-1 [17 C.F.R. §§240.13b2-1] thereunder.

SIXTH CLAIM

Violations of Exchange Act Rule 13a-14 by Defendants C. Swanson, S. Swanson and Cavender

94. Plaintiff Commission repeats and incorporates paragraphs 1 through 72 of this *Complaint* by reference as if set forth *verbatim*.

95. Exchange Act Rule 13a-14 requires, that principal officers of an issuer certify, in regard to each periodic report filed with the Commission, that, among other things, he or she has reviewed the report and that the report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; the financial statements, and other financial information included in the report, fairly present in all material respects the financial

condition, results of operations and cash flows of the issuer; and that he or she has designed such disclosure controls and procedures to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during periods in which the periodic reports are being prepared; and that he or she has disclosed to the issuer's auditors and the audit committee of the board of directors any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls.

96. As set forth above, RTIN's second quarter 2002 Form 10-QSB failed to contain the required certification pursuant to Rule 13a-14 of the Exchange Act. Further, C. Swanson and S. Swanson signed the certification for RTIN's 2002 third quarter Form 10-QSB, 2002 Form 10-KSB, and its 2003 first quarter Form 10-QSB, and C. Swanson and Cavender signed the certification for RTIN's 2003 second and third quarter Forms 10-QSB. However, each of these certifications was false because C. Swanson, S. Swanson, and Cavender knew that each of these reports contained materially false statements and omissions.

97. By reason of the foregoing, Defendants C. Swanson, S. Swanson and Cavender have violated and, unless enjoined, will continue to violate Exchange Act Rule 13a-14 [17 C.F.R. §240. 13a-14] thereunder.

SEVENTH CLAIM

Violations of Exchange Act Rule 13b2-2 by Defendants C. Swanson, S. Swanson, Cavender and Borman

98. Plaintiff Commission repeats and incorporates paragraphs 1 through 72 of this *Complaint* by reference as if set forth *verbatim*.

99. Exchange Act Rule 13b2-2 prohibits officers and directors of an issuer from directly or indirectly making or causing to be made a materially false or misleading statement or omitting to state, or causing another person to omit to state, any material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading to an accountant in connection with any audit or examination of the issuer's required financial statements or the preparation of any document or report filed with the Commission.

100. Defendants C. Swanson, S. Swanson, Cavender, and Borman each engaged in efforts either to conceal material information from RTIN's auditors or to provide them with false information and forged or falsified documents. The Swansons, Cavender and Borman withheld from RTIN's auditors the fact that the CD was not funded. Disguising the deception, Cavender and Borman helped the auditors obtain a false confirmation of the CD. Defendants C. Swanson, S. Swanson, Cavender, and Borman did not disclose to the auditors the various fraudulent revenue recognition schemes at RTIN. The Swansons executed management representation letters falsely affirming that RTIN's financial statements were stated in accordance with GAAP, and C. Swanson and Cavender provided false summaries of RxSystems' financial statement to auditors.

101. By reason of the foregoing, Defendants C. Swanson, S. Swanson, Cavender, and Borman violated and, unless enjoined, will continue to violate Exchange Act Rule 13b2-2 [17 C.F.R. §240.13b2-2].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a judgment:

(i) permanently enjoining defendant RTIN, and its agents, servants, employees, attorneys, and those in active concert or participation with it, who receive actual notice by personal service or otherwise, from violating Sections 5(a) and 5(c) of the Securities Act and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, and 13a-13 thereunder;

(ii) permanently enjoining defendants C. Swanson, S. Swanson and Cavender, and their agents, servants, employees, attorneys, and those in active concert or participation with them, who receive actual notice by personal service or otherwise, from violating Sections 5(a) and 5(c) of the Securities Act and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13b2-1, 13b2-2 and 13a-14 thereunder, and aiding and abetting RTIN's violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, and 13a-13 thereunder;

(iii) permanently enjoining defendant Borman, and his agents, servants, employees, attorneys, and those in active concert or participation with him, who receive actual notice by personal service or otherwise, from violating Exchange Act Rule 13b2-2, and aiding and abetting RTIN's violations of Sections 10(b) and 13(a) of the Exchange Act and Rules 10b-5, 12b-20 and 13a-1 thereunder;

(iv) ordering defendants C. Swanson, S. Swanson, and Cavender to provide an accounting of all ill-gotten gains from the conduct alleged herein;

(v) ordering defendants C. Swanson, S. Swanson, Cavender and Borman to disgorge all ill-gotten gains from the conduct alleged herein, with prejudgment interest;

(vi) ordering defendants C. Swanson, S. Swanson, Cavender and Borman to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)];

(vii) permanently barring defendants C. Swanson, S. Swanson, Cavender and Borman from serving as an officer or director of a publicly traded company pursuant to Section 20(e) of the Securities Act [15 U.S.C. §77t(e)] and Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)]; and

(viii) granting such other relief as this Court may deem just and appropriate.

DATED: October 4, 2004.

Respectfully submitted,

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