



U.S. Securities and Exchange Commission

U.S. SECURITIES AND EXCHANGE COMMISSION

Litigation Release No. 20676 / August 8, 2008

Securities and Exchange Commission v. Alliance Transcription Services, Inc., Clifford A. Lewis, Richard A. Dabney, Raymond C. Dabney, Philip M. Young, Charles J. Smith, and William D. O'Neal, 2:08-CV-01464-NVW (District of Arizona, Complaint filed August 8, 2008)

SEC Charges Participants in Fraudulent Scheme to Manipulate Stock Price and Evade Registration Requirements and Settles Charges Against Attorney

The Securities and Exchange Commission today charged Alliance Transcription Services, Inc. and others in connection with a scheme to manipulate Alliance's stock price and trading volume through false and misleading public disclosures and to issue and sell Alliance's common stock in an unregistered distribution. Alliance is a Nevada corporation, formerly known as Strategy X, Inc., that was headquartered in the State of Maine from at least December 2004 through August 2007, and is now located in Ranch Palos Verdes, California. Also charged for various roles in the scheme were Clifford A. Lewis of Huntsville, Alabama; Richard A. Dabney of Rancho Palos Verdes, California; Raymond C. Dabney of Vancouver, British Columbia; Philip M. Young of Phoenix, Arizona; Charles J. Smith of Reno, Nevada; and William D. O'Neal of Fountain Hills, Arizona. The Commission settled charges against O'Neal, an attorney who allegedly issued a series of legal opinions that enabled Alliance to illegally issue purportedly unrestricted shares of its stock in unregistered transactions. O'Neal agreed to pay more than \$220,000 in disgorgement of ill-gotten gains, prejudgment interest and civil penalties, and to be prohibited from issuing similar legal opinions in the future or accepting securities of Pink Sheets issuers in consideration for legal services.

According to the Commission's complaint, filed in the United States District Court for the District of Arizona, Alliance, Richard Dabney, and Lewis manipulated the market for Alliance's stock by issuing press releases that made false and misleading claims about the company's contracts and revenues. The complaint alleges that the press releases issued by Alliance were published through business newswire services and on Alliance's website from at least April 2005 through at least September 2006.

The Commission's complaint further alleges that, from July 2005 to September 2006, Alliance, Richard Dabney, Raymond Dabney, Young, Smith,

and O'Neal participated in an unregistered distribution of Alliance securities through a series of purported stock offerings by Alliance to North American Funding, Inc. ("NAF"), a Texas corporation controlled by Smith. According to the complaint, Raymond Dabney, Young, and Smith arranged for Alliance to issue stock to NAF in offerings that purportedly were exempt from registration. The complaint alleges that, in fact, the transactions between Alliance and NAF were not exempt from registration and were merely a device to evade the registration provisions of the federal securities laws. According to the Commission's complaint, the stock was immediately distributed to third parties and sold into the market, without being paid for by NAF. Richard Dabney, an officer and director of Alliance, and O'Neal enabled Alliance to engage in those transactions by providing the necessary corporate resolutions and legal opinions, respectively. The Commission's complaint also alleges that Young, Smith, and O'Neal received some of the Alliance stock through the unregistered distribution and sold it into the market without registration or a valid exemption from registration. According to the complaint, Lewis, Richard Dabney, and Raymond Dabney received a portion of the proceeds that Young obtained by selling the Alliance stock.

The Commission's complaint charges Alliance, Lewis, and Richard Dabney with violating the antifraud provisions of the federal securities laws (Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder) and charges Alliance, Richard Dabney, Raymond Dabney, Young, Smith, and O'Neal with violating the securities registration provisions of the federal securities laws (Section 5 of the Securities Act of 1933 ("Securities Act")). In its complaint, the Commission seeks permanent injunctions against all the defendants, disgorgement plus prejudgment interest and civil monetary penalties against Lewis, Richard Dabney, Raymond Dabney, Young, Smith, and O'Neal, officer and director bars against Lewis and Richard Dabney, and penny stock bars against Lewis, Richard Dabney, Raymond Dabney, Young, and Smith.

The Commission previously issued an Order on October 4, 2007 suspending trading in the securities of Alliance.

Upon the filing of the Commission's complaint, and without admitting or denying the allegations in the complaint, O'Neal consented to the entry of a final judgment permanently enjoining him from violating Section 5 of the Securities Act, ordering him to pay disgorgement of \$163,246.22 and prejudgment interest of \$33,000.78 plus a civil penalty of \$25,000. In addition, the final judgment prohibits O'Neal from issuing any legal opinions to the effect that unregistered offerings are exempt from SEC registration under Rule 504 of Regulation D under the Securities Act and that securities issued in such Rule 504 offerings are unrestricted. The final judgment also prohibits O'Neal from accepting securities of any Pink Sheets issuer in consideration for legal or consulting services rendered.

For further information, see Litigation Release No. [19870](#) (October 16, 2006) [subpoena enforcement action] and Securities Exchange Act Release No. [56610](#) (October 4, 2007) [order suspending trading in Alliance securities].

<http://www.sec.gov/litigation/litreleases/2008/lr20676.htm>

[Home](#) | [Previous Page](#)

Modified: 08/08/2008