

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION  
December 17, 2004

Administrative Proceedings  
File No. 3-11776

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In the Matter of	:	Order Instituting Proceedings
	:	Pursuant to
LONNIE DRAGON,	:	Section 15(b) of
	:	the Securities Exchange
Respondent.	:	Act of 1934
	:	
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I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") against Lonnie Dragon ("Respondent").

II.

After an investigation, the Division of Enforcement alleges that:

1. Respondent Lonnie Dragon is a resident of the San Diego, California area.
2. From approximately June 2000 through September 2000 Respondent publicly offered and sold securities in LevelRed Investments, Inc. while not associated with a registered broker-dealer.
3. On November 18, 2004, the United States District Court for the Southern District of California entered an order permanently enjoining and restraining Respondent from violating Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933; and Sections 10(b) and 15(a) of the Exchange Act, and Rule 10b-5 thereunder (SEC v. Brian Lee, et al. 03-CV-1957-JH (JFS)). That order was entered by default on Respondent.
4. The Commission's complaint alleged, inter alia, that between approximately June 2000 and September 2000, Respondent and others raised approximately \$887,503 in an unregistered, non-exempt offering of stock for LevelRed Investments, Inc., and that the offering was fraudulent because the offering materials failed to disclose, among other things, the true control persons of the company and the amount of the offering proceeds that were paid as sales commissions.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it appropriate and in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II. are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act.

#### IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f), and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f), and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making"

within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Jonathan G. Katz  
Secretary