

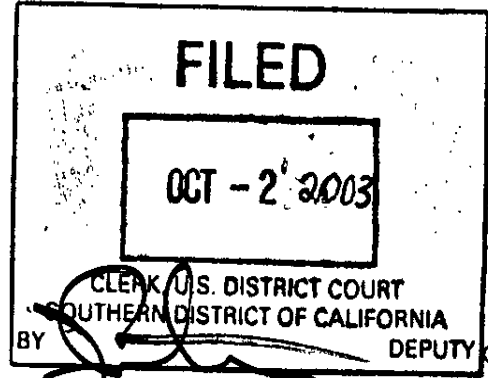
USDC SCAN INDEX SHEET



JPP 10/7/03 9:43  
3:03-CV-01957 SECURITIES V. LEE  
\*1\*  
\*CMP.\*

1 ROBERT M. FUSFELD  
2 ELIZABETH ESPINOSA KRUPA  
3 Securities and Exchange Commission  
4 1801 California Street, Suite 1500  
5 Denver, Colorado 80202  
6 Telephone: (303) 844-1000  
7 Facsimile: (303) 844-1068

8 THOMAS A. ZACCARO (Ca. Bar No. 183241)  
9 Securities and Exchange Commission  
10 5670 Wilshire Boulevard, 11<sup>th</sup> Floor  
11 Los Angeles, California 90036-3648  
12 Telephone: (323) 965-3812  
13 Attorneys for United States  
14 Securities and Exchange Commission



15 UNITED STATES DISTRICT COURT  
16 SOUTHERN DISTRICT OF CALIFORNIA

17 SECURITIES AND EXCHANGE COMMISSION, :

18 Plaintiff, :

19 v. :

20 BRIAN LEE (AKA BRIAN LEE PETROSIAN), :  
21 TODD DIROBERTO, :  
22 LONNIE DRAGON AND :  
23 TREVOR WATSON, :

24 Defendants. :

Docket Number:

03 CV 1957 H (JFS)  
COMPLAINT

25 Plaintiff Securities and Exchange Commission ("Commission") for  
its complaint alleges as follows:

I. SUMMARY OF THE ACTION

1. From November 1998 through March 2000, Defendants Brian  
Lee, Todd DiRoberto and Trevor Watson raised approximately \$5  
million in an unregistered, non-exempt offering of stock for

ORIGINAL

CR

1 Zandria Entertainment Networks, Inc. ("ZEN"), a privately held  
2 company that purported to be developing two Internet web sites  
3 dedicated to youth culture, music, film, sports and clothing.

4 2. The ZEN offering was fraudulent because the offering  
5 materials listed Watson as the company's chief executive officer  
6 ("CEO") and sole director but failed to disclose that Lee and  
7 DiRoberto, both convicted felons, were ZEN's majority owners and  
8 actual control persons. The ZEN offering also was fraudulent  
9 because the offering materials failed to disclose that Lee and  
10 DiRoberto kept as commissions and other fees approximately \$2.1  
11 million, or 42 percent of the funds raised.

12 3. In a second offering fraud between approximately June  
13 2000 and September 2000, Defendants Lee, Dragon and Watson raised  
14 approximately \$887,503 in an unregistered, non-exempt offering of  
15 stock for LevelRed Investments, Inc., a privately held company  
16 that purported to be to investing its net offering proceeds in a  
17 subsidiary of ZEN's successor corporation, Zandria Corp.

18 4. The LevelRed Investments offering was fraudulent because  
19 the offering materials failed to disclose, among other things,  
20 that convicted felons Lee and DiRoberto still owned a majority of  
21 the stock and controlled Zandria and LevelRed.com. LevelRed  
22 Investments offering was also fraudulent because the offering  
23 materials failed to disclose that Lee and Dragon kept  
24 approximately \$397,503, or 45 percent of the funds raised as  
25 commissions and other fees.

1           5. In offering and selling ZEN and LevelRed Investments  
2 stock for the accounts of others, Lee, DiRoberto and Dragon also  
3 violated the broker registration provisions of the federal  
4 securities laws.

5           6. Defendants Lee, DiRoberto and Dragon have, directly and  
6 indirectly, engaged in, and unless restrained and enjoined by this  
7 Court will engage in, transactions, acts, practices, and courses  
8 of business that violate Sections 5(a), 5(c) and 17(a) of the  
9 Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a),  
10 77e(c) and 77q(a)] and Sections 10(b) and 15(a) of the Securities  
11 Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b) and 15  
12 U.S.C. § 78o(a)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-  
13 5].

14           7. Defendant Watson has, directly and indirectly, engaged  
15 in, and unless restrained and enjoined by this Court will engage  
16 in, transactions, acts, practices, and courses of business that  
17 violate Sections 5(a), 5(c) and 17(a) of the Securities Act [15  
18 U.S.C. §§ 77e(a), 77e(c) and 77q(a)] and Section 10(b) of the  
19 Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17  
20 C.F.R. § 240.10b-5].

21           8. The Commission brings this action pursuant to the  
22 authority conferred upon it by Section 20 of the Securities Act  
23 [15 U.S.C. § 77t] and Section 21(d) and (e) of the Exchange Act  
24 [15 U.S.C. §§ 78u(d) and (e)] for an order permanently  
25

1 restraining and enjoining Defendants and granting other equitable  
2 relief.

3 **II. JURISDICTION AND VENUE**

4 9. This Court has jurisdiction over this action pursuant to  
5 Section 22(a) of the Securities Act [15 U.S.C. § 77u(a)] and  
6 Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e)  
7 and 78aa].

8 10. In connection with the transactions, acts, practices,  
9 and courses of business described in this Complaint, each of the  
10 defendants, directly and indirectly, has made use of the means or  
11 instrumentalities of interstate commerce, of the mails, and/or of  
12 the means and instruments of transportation or communication in  
13 interstate commerce.

14 11. Venue lies in this Court pursuant to Section 22(a) of  
15 the Securities Act [15 U.S.C. § 77u(a)] and Section 27 of the  
16 Exchange Act [15 U.S.C. § 78aa].

17 12. All of the defendants reside within this judicial  
18 district. The principal place of business of ZEN, Zandria,  
19 LevelRed.com and LevelRed Investments were each within this  
20 judicial district. Additionally, certain of the transactions,  
21 acts, practices and courses of business constituting the  
22 violations of law alleged herein occurred within this judicial  
23 district.

24 **III. DEFENDANTS**

1           13. Brian Lee (aka Brian Lee Petrosian) is a resident of San  
2 Diego, California. At times relevant to the Commission's  
3 Complaint, Lee co-owned both First Choice Productions, Inc. (dba  
4 First Choice Financial) and Monte Christo, Inc. Lee is the sole  
5 owner of Web Design, Inc. (dba Venture Tech Funding Group). In  
6 1993, Lee was convicted of conspiracy to distribute narcotics and  
7 served approximately one year in prison. In July 2003, Lee  
8 signed a plea agreement with the United States Attorney's Office,  
9 Southern District of California wherein he agreed to plead guilty  
10 to one count of tax fraud relating to his mischaracterization of  
11 ZEN and/or LevelRed Investments offering proceeds as insurance  
12 premiums paid to an offshore insurance company that Lee  
13 controlled. Lee has never been registered with the Commission as  
14 a broker or dealer or associated with a registered broker or  
15 dealer.

16           14. Todd DiRoberto is a resident of San Diego, California.  
17 At times relevant to the Commission's Complaint, DiRoberto co-  
18 owned both First Choice Productions, Inc. (dba First Choice  
19 Financial) and Monte Christo, Inc. From approximately January  
20 2000 through June 2003, DiRoberto was incarcerated in the Federal  
21 Correctional Institution at La Tuna, Texas following a 1999  
22 conviction for conspiracy to distribute narcotics. DiRoberto has  
23 never been registered with the Commission as a broker or dealer  
24 or associated with a registered broker or dealer.

1 15. Lonnie Dragon is a resident of San Diego, California.  
2 At times relevant to the Commission's Complaint, Dragon co-owned  
3 First Choice. In approximately May 2000, Dragon formed and  
4 became the sole owner of Technology Ventures Group, Inc. Dragon  
5 has never been registered with the Commission as a broker or  
6 dealer or associated with a registered broker or dealer.

7 16. Trevor Watson is a British citizen and a full-time  
8 resident of San Diego, California. Watson served as the CEO and  
9 the sole director of ZEN and LevelRed Investments during their  
10 respective offerings and served on Zandria's board of directors  
11 from approximately April 2000 through November 2000. Watson has  
12 never been registered with the Commission as a broker-dealer.

13 **IV. RELATED PARTIES**

14 17. Zandria Corp. is a Nevada corporation, and its principal  
15 place of business was formerly in San Diego, California. Zandria  
16 was formed when public shell Longhorn, Inc. purchased the assets  
17 of ZEN, a privately held Florida corporation and the company  
18 changed its name to Zandria. From approximately January 2000  
19 through November 2000, Zandria conducted daily operations through  
20 its wholly owned subsidiary, LevelRed.com, Inc. On February 18,  
21 2003, the United States Bankruptcy Court, Southern District of  
22 California granted the petition of three creditors to place  
23 Zandria in involuntary bankruptcy.

24 18. LevelRed Investments, Inc. was a California corporation  
25 with its principal place of business in San Diego, California.

1 LevelRed Investments is defunct and its status as a corporation  
2 has been suspended by the state of California.

3 19. First Choice Productions, Inc. (dba First Choice  
4 Financial), was a California corporation with its principal place  
5 of business in La Jolla, California. First Choice was initially  
6 co-owned by Lee and DiRoberto and later by Lee and Dragon. Lee  
7 and DiRoberto offered and sold ZEN stock doing business as First  
8 Choice. First Choice is defunct and its status as a corporation  
9 has been suspended by the state of California.

10 20. Web Design, Inc. (dba Venture Tech Funding Group  
11 ("VTFG")), a Nevada corporation with its principal place of  
12 business in La Jolla, California, is solely owned by Lee. Lee  
13 offered and sold LevelRed Investments stock doing business as  
14 VTFG.

15 21. Technology Ventures Group, Inc. ("TVG"), was a  
16 California corporation with its principal place of business in La  
17 Jolla, California, owned solely by Dragon. Dragon offered and  
18 sold LevelRed Investments stock doing business as TVG. TVG is  
19 defunct and its status as a corporation has been suspended by the  
20 state of California.

21 22. Advanced Web Technologies, Inc. (dba Sunset Consulting,  
22 Inc.), was a Nevada corporation with its principal place of  
23 business in La Jolla, California, owned by Lee and DiRoberto.  
24 Although Advanced Web Technologies purported to be in the  
25 business of Internet web design and programming, in reality it



1 was a shell company used by Lee and DiRoberto to disguise  
2 commissions and other fees received in the ZEN and LevelRed  
3 Investments offerings. Advanced Web Technologies is defunct and  
4 its status as a corporation has been suspended by the state of  
5 Nevada.

6 23. Monte Christo, Inc., was a Nevada corporation with its  
7 principal place of business in La Jolla, California, owned by Lee  
8 and DiRoberto. Monte Christo was a holding company through which  
9 Lee and DiRoberto purchased their majority interest in ZEN.  
10 Monte Christo is defunct and its status as a corporation has been  
11 suspended by the state of Nevada.

12 24. B. Roland Frasier, III, is a resident of Rancho Santa  
13 Fe, California. Frasier was formerly a partner in the San Diego  
14 law firm Gage, Frasier & Teeple LLP. Frasier is licensed to  
15 practice law in California and served as counsel to First Choice,  
16 Monte Christo, ZEN, Zandria, LevelRed Investments, DiRoberto and  
17 Dragon.

18 **V. FACTS**

19 **A. The ZEN Offering Fraud**

20 **Lee And DiRoberto Acquired ZEN**

21 25. Lee and DiRoberto co-owned Monte Christo, Inc., a  
22 holding company. In approximately November 1998, through Monte  
23 Christo, Inc., Lee and DiRoberto acquired 4.2 million shares, or  
24 eighty-five percent of the 5 million total outstanding shares of  
25 ZEN, a privately held company that purported to be developing two

1 Internet web sites, Z-LandFilm.com and Z-LandMusic.com, where  
2 users could download film clips and music samples.

3 26. At the time Lee and DiRoberto purchased their majority  
4 interest, ZEN had no employees or significant assets.

5 27. In approximately February 1999, Lee and DiRoberto  
6 installed Watson as ZEN's CEO and sole director.

7 28. In approximately August 1999, Lee and DiRoberto  
8 purchased the rights to the Internet URL for LevelRed.com. Lee  
9 and DiRoberto then changed the business plan for ZEN to develop a  
10 single web site, LevelRed.com, dedicated to youth culture, music,  
11 film, sports and clothing.

12 Lee, DiRoberto & Watson Drafted, Reviewed And Approved

13 The ZEN Offering Materials

14 29. Lee and DiRoberto drafted, reviewed and approved for  
15 dissemination to investors and potential investors the ZEN  
16 offering materials.

17 30. The ZEN offering materials fraudulently listed Watson as  
18 ZEN's sole officer and director. Watson reviewed and approved  
19 the portions of the ZEN offering materials that listed him as  
20 ZEN's sole officer and director, in control of all ZEN  
21 activities, including financial obligations.

22 Lee, DiRoberto & Watson Offered & Sold ZEN Stock

23 31. Lee and DiRoberto offered and sold ZEN stock through the  
24 telemarketing company that they co-owned, First Choice  
25

1 Productions, Inc. The ZEN offering purported to be a private  
2 placement of 1 million shares of stock at \$5 per share.

3 32. Lee and DiRoberto paid themselves commissions based upon  
4 a percentage of ZEN stock sold to investors. Lee and DiRoberto  
5 purchased lead lists of potential investors and cold-called them  
6 to solicit them to buy ZEN stock.

7 33. Also, from approximately January 1999 through March  
8 2000, Lee and DiRoberto hired approximately a dozen sales agents  
9 to assist them in offering and selling ZEN stock from First  
10 Choice's offices in La Jolla. Lee and DiRoberto designed and  
11 implemented a plan to sell ZEN stock in which they provided sales  
12 agents with lead lists, talking points and offering materials.  
13 Lee and DiRoberto paid the sales agents commissions based upon a  
14 percentage of funds received from ZEN investors and the agents'  
15 role in the sale.

16 34. Lee, DiRoberto and the sales agents that worked at their  
17 direction used high-pressure sales tactics to sell ZEN stock.  
18 When prospective investors expressed interest in purchasing ZEN  
19 stock, Lee and DiRoberto caused ZEN offering materials and other  
20 promotional information to be mailed to them.

21 35. From approximately November 1998 through April 1999, ZEN  
22 investors sent their checks to purchase ZEN stock directly to  
23 First Choice or Monte Christo, which were co-owned by Lee and  
24 DiRoberto. Lee and DiRoberto deposited ZEN investors' funds in  
25 First Choice bank accounts and forwarded a portion of the funds

1 to ZEN. Beginning in approximately May 1999, ZEN investors sent  
2 their checks to purchase ZEN stock directly to the company, where  
3 Watson deposited the funds in ZEN bank accounts.

4 The ZEN Offering Was Not Registered and Failed To  
5 Qualify For Any Exemption From Registration

6 36. Between November 1998 and March 2000, Lee, DiRoberto and  
7 Watson offered and sold approximately \$5 million in ZEN stock to  
8 more than 250 investors nationwide. Lee, DiRoberto and Watson  
9 used the mails or other interstate means to offer and sell ZEN  
10 stock. None of these transactions were registered with the  
11 Commission.

12 37. The ZEN offering materials sent to investors did not  
13 include audited financial statements for the company or any of  
14 the detailed financial information typically found in a  
15 registration statement.

16 The ZEN Offering Was Fraudulent

17 38. The ZEN offering materials fraudulently concealed Lee  
18 and DiRoberto's majority ownership of the company and their roles  
19 as its actual controlling officers and directors. For example,  
20 the ZEN offering materials represented that VTFG owned 65 percent  
21 of the company. However, the ZEN offering materials failed to  
22 disclose that VTFG was a fictitious business name for Monte  
23 Christo, co-owned by Lee and DiRoberto.

24 39. The ZEN offering materials failed to disclose that Lee  
25 and DiRoberto, both convicted felons, owned a majority interest

1 in ZEN and controlled the company's management. Instead, the ZEN  
2 offering materials represented that Watson was ZEN's sole officer  
3 and director and that Watson "oversees all areas of company  
4 operations and company departments and approves all financial  
5 obligations." This statement was materially false.

6 40. Lee and DiRoberto served as ZEN's actual officers and  
7 directors and made all significant financial and managerial  
8 decisions for the company, including, but not limited to,  
9 dictating the commissions and other fees paid by ZEN to  
10 themselves and the entities they controlled. Lee and DiRoberto  
11 made an actual rubber stamp of Watson's signature that they used  
12 to continue to sign checks to themselves and their entities from  
13 ZEN bank accounts.

14 41. Lee and DiRoberto also held themselves out as ZEN  
15 directors or employees while soliciting investors and negotiating  
16 contracts on behalf of ZEN.

17 42. Lee and the individuals working for Lee and DiRoberto  
18 also made a myriad of materially false verbal statements when  
19 soliciting investors to purchase ZEN stock. For example, in  
20 telephone solicitations of investors, Lee claimed ZEN planned an  
21 initial public offering of stock ("IPO") immediately following  
22 the conclusion of the purported private placement and that he had  
23 bought 50,000 shares of ZEN at \$5 per share. Both of these  
24 statements were materially false. When Lee made this statement,  
25

1 ZEN had not taken any steps to conduct an IPO. In fact, Lee  
2 purchased his ZEN shares for \$.0125 per share.

3 43. The sales agents working for Lee and DiRoberto also made  
4 materially false statements to investors regarding ZEN's plans to  
5 complete an IPO. Among other things, the sales agents falsely  
6 claimed that: ZEN's stock would split five to one following the  
7 imminent IPO; and ZEN had funding commitments exceeding \$25  
8 million from venture capital firms and from well-known Hollywood  
9 movie studios such as Paramount and USA Networks. In several  
10 instances, Lee participated in the telephone solicitation of  
11 investors and reaffirmed the false claims made by his agents.

12 44. The ZEN offering documents materially misrepresented the  
13 commissions and other fees Lee and DiRoberto siphoned from the  
14 offering proceeds. The description of use of proceeds contained  
15 false and internally inconsistent percentages to be paid for  
16 various offering expenses and misrepresented the true nature of  
17 funds paid to entities controlled by Lee and DiRoberto.

18 45. The ZEN offering materials claimed that 68 percent of  
19 the offering proceeds would be used to develop ZEN's web sites  
20 and otherwise implement the company's business plan. This  
21 representation was materially false and misleading. Of the  
22 approximately \$5 million raised in the ZEN offering, Lee,  
23 DiRoberto and their associates kept approximately \$2.1 million,  
24 leaving ZEN with only approximately \$2.9 million, or 58 percent  
25 of the proceeds.

1           46. The ZEN offering materials represented that 32 percent  
2 of the proceeds would be used for the following offering  
3 expenses: syndication, organization and offering costs (10  
4 percent); due diligence and compliance (5 percent); purchase of  
5 accounts (5 percent); and marketing fees (12 percent).

6           47. Each of the offering expense categories in turn carried  
7 footnotes with vague descriptions of the services included. The  
8 ZEN offering materials represented that funds allocated to "due  
9 diligence and compliance," for example, were "reserved for all  
10 matters of federal and state qualification and blue sky laws &  
11 securities registration." Similarly, the ZEN offering materials  
12 claimed that marketing fees would be used to increase "the  
13 general public's awareness of ZEN's web sites."

14           48. The ZEN offering materials were false and misleading  
15 because the offering expenses kept by Lee and DiRoberto were used  
16 for sales commissions and expenses, rather than the purportedly  
17 legitimate offering expense categories described in the offering  
18 materials. For example, Lee and DiRoberto did not register ZEN  
19 securities with the Commission or any state as represented in the  
20 due diligence and compliance category of offering expenses. The  
21 ZEN offering materials were also false and misleading in that  
22 individuals working for Lee and DiRoberto were paid commissions  
23 only upon receipt of funds from ZEN investors and thus were not  
24 paid for promoting the company's products or increasing "the  
25 general public's awareness of ZEN's web sites."

1 49. The ZEN offering materials further stated that of the 68  
2 percent purportedly to be used to implement the company's  
3 business plan, 30 percent would be used for "development  
4 programming" to be completed by Advanced Web Technologies, Inc.

5 50. The ZEN offering documents were materially misleading  
6 because they failed to disclose that Advanced Web Technologies  
7 was co-owned by convicted felons Lee and DiRoberto. The ZEN  
8 offering materials were also false and misleading because  
9 Advanced Web Technologies performed no substantive programming  
10 for ZEN, but instead served as a vehicle through which Lee and  
11 DiRoberto received approximately \$600,000 in ZEN offering  
12 proceeds.

13 51. Lee and DiRoberto ordered Watson to pay Advanced Web  
14 Technologies and other fictitious business entities controlled by  
15 Lee and DiRoberto offering proceeds for computer programming and  
16 consulting services that were exaggerated or were never  
17 performed. Watson approved payments of ZEN proceeds to entities  
18 controlled by Lee and DiRoberto for services he knew were  
19 misstated or were not performed.

20 52. ZEN Became Zandria, A Public Company, Through A  
21 Transaction With A Public Shell Corporation

22 53. In approximately October 1999, DiRoberto authorized  
23 attorney B. Roland Frasier, III to arrange a transaction whereby  
24 a public shell corporation, Longhorn, Inc., acquired all of the  
25



1 assets of ZEN. The resulting public company then changed its  
2 name to Zandria Corp.

3 54. In April 2000, Zandria began trading on the Over-The-  
4 Counter Bulletin Board, (a quotation service operated by the  
5 NASD). Zandria conducted daily operations through its wholly  
6 owned subsidiary, LevelRed.com.

7 Lee and Dragon's Formed Separate Telemarketing  
8 Companies To Raise Additional Funds

9 55. In approximately January 2000, DiRoberto began serving a  
10 five-year sentence in a federal corrections facility stemming  
11 from a felony narcotics conviction in 1999. At or around that  
12 time, DiRoberto sold his 50 percent interest in First Choice to  
13 Lonnie Dragon.

14 56. In approximately May 2000, Lee and Dragon agreed to  
15 divide First Choice and conduct the LevelRed Investments offering  
16 through separate entities. Dragon formed and owned Technology  
17 Ventures Group ("TVG"), while Lee began operating as Venture Tech  
18 Funding Group ("VTFG"), a fictitious business name for his  
19 company, Web Design, Inc.

20 **B. The LevelRed Investments Offering Fraud**

21 Lee & Dragon Formed LevelRed Investments and Drafted  
22 Its Offering Materials

23 57. In approximately May 2000, Lee and Dragon sought to  
24 raise more money for Zandria. Because Zandria was already a  
25 public company, Lee and Dragon caused Frasier to form a new

1 corporation, LevelRed Investments, Inc. so that Lee and Dragon  
2 could raise additional funds through a purported private  
3 placement of stock. The LevelRed Investments offering materials  
4 represented that the company would invest 76 percent of the  
5 offering proceeds in Zandria's subsidiary, LevelRed.com, Inc., in  
6 exchange for an equity stake in Zandria.

7 58. Lee and Dragon installed Watson as LevelRed Investments'  
8 sole officer and director.

9 59. Using the ZEN offering materials as a model, Lee and  
10 Dragon drafted, reviewed and approved for dissemination to  
11 investors and potential investors the LevelRed Investments  
12 offering materials.

13 60. The LevelRed Investments offering materials fraudulently  
14 listed Watson as LevelRed Investments' sole officer and director.  
15 Watson reviewed and approved for public dissemination the  
16 LevelRed Investments offering materials that listed him as the  
17 company's sole officer and director.

18 Lee, Dragon & Watson Offered And Sold LevelRed  
19 Investments Stock

20 61. Lee and Dragon offered and sold LevelRed Investments  
21 stock through their respective telemarketing entities, VTFG and  
22 TVG. The LevelRed Investments offering purported to be a private  
23 placement of 2 million shares of stock at \$2.50 per share.

24 62. Lee and Dragon paid themselves commissions based upon a  
25 percentage of LevelRed Investments stock sold to investors. Lee

1 and Dragon purchased lead lists of potential investors and cold-  
2 called them to solicit them to buy LevelRed Investments stock.

3 63. Also, from approximately June 2000 through September  
4 2000, Lee and DiRoberto hired a handful of sales agents to assist  
5 them in offering and selling LevelRed Investments stock from  
6 their respective VTFG and TVG offices. Lee and Dragon designed  
7 and implemented a plan to sell LevelRed Investments stock in  
8 which they provided their sales agents with lead lists, talking  
9 points and offering materials. Lee and Dragon paid the agents  
10 commissions based upon a percentage of funds received from  
11 LevelRed Investments investors and the agents' role in the sale.

12 64. Lee, Dragon and the sales agents that worked at their  
13 direction used high-pressure sales tactics to sell LevelRed  
14 Investments stock. When prospective investors expressed interest  
15 in purchasing LevelRed Investments stock, Lee and Dragon caused  
16 LevelRed Investments offering materials and other promotional  
17 information to be mailed to them.

18 65. At the direction of Lee, Dragon and their respective  
19 sales agents, LevelRed Investments investors sent their checks to  
20 purchase LevelRed Investments stock directly to the company,  
21 where Watson deposited the funds in LevelRed Investments bank  
22 accounts.

1                   The LevelRed Investments Offering Was Not Registered

2                   And Did Not Qualify for Any Exemption From Registration

3                   66. Between June 2000 and September 2000, Lee and Dragon  
4 sold \$887,503 in LevelRed Investments stock to 27 investors in  
5 numerous states. Lee, Dragon and Watson used the mails or other  
6 interstate means to offer and sell LevelRed Investments stock.  
7 None of these transactions were registered with the Commission.

8                   67. The LevelRed Investments offering materials sent to  
9 investors included audited financial statements for LevelRed  
10 Investments. However, LevelRed Investments was essentially a  
11 holding company with no assets or operations. The LevelRed  
12 Investments offering materials failed to include any financial  
13 information concerning Zandria Corp., its subsidiary  
14 LevelRed.com, or any of the detailed financial information  
15 typically found in a registration statement.

16                   The LevelRed Investments Offering Was Fraudulent

17                   68. The LevelRed Investments offering materials fraudulently  
18 represented that 76 percent of the proceeds would be provided to  
19 LevelRed.com to be used for the company's operations, while the  
20 remaining 24 percent would be used for the expenses relating to  
21 the offering.

22                   69. In total, of the \$887,503 raised in the LevelRed  
23 Investments offering, Lee, Dragon and the entities they  
24 controlled pocketed \$397,503, or approximately 45 percent of the  
25

1 proceeds, leaving only \$490,000, or 55 percent of the proceeds  
2 for LevelRed.com.

3 70. The LevelRed Investments offering materials also  
4 fraudulently represented that the 24 percent used for offering  
5 expenses comprised 20 percent for "advertising/consulting" and 4  
6 percent for "marketing fees."

7 71. LevelRed Investments entered into sham contracts for  
8 "consulting" or "marketing" services with Lee's entity, Web  
9 Design, Inc., and Dragon's entity, TVG. Pursuant to these  
10 contracts, LevelRed Investments paid Lee and Dragon various fees  
11 between June and September 2002 for purported investor relations  
12 or consulting services that were exaggerated or were never  
13 provided.

14 72. Despite knowing that Lee and Dragon misstated or failed  
15 to provide investor relations or other consulting services,  
16 Watson executed the sham agreements and made payments on behalf  
17 of LevelRed Investments to Lee, Dragon and their respective  
18 entities.

19 73. Lee and Dragon also made material verbal  
20 misrepresentations to prospective LevelRed Investments investors.  
21 For example, Dragon falsely claimed that Zandria's web site  
22 expenses were "paid for" by advertising revenues and fraudulently  
23 claimed that Zandria would post annual revenues of \$200,000 to  
24 \$500,000 by the end of 2000. Dragon had no reasonable basis to  
25 make such claims and projections. In fact, at the end of 2000,

1 Zandria's annual expenses had exceeded \$800,000, while its annual  
2 revenues totaled just \$41,800.

3 **FIRST CLAIM FOR RELIEF**

4 **(Violations by Lee, DiRoberto, Dragon and Watson**

5 **of Exchange Act § 10(b) and Rule 10b-5**

6 **[15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5]**

7 74. Paragraphs 1 through 73 are hereby realleged and  
8 incorporated by reference.

9 75. Defendants Lee, DiRoberto, Dragon and Watson, with  
10 scienter, in connection with the purchase or sale of securities,  
11 by the use of means or instrumentalities of interstate commerce  
12 or of the mails, directly or indirectly: (a) employed devices,  
13 schemes or artifices to defraud; (b) made untrue statements of  
14 material facts or omitted to state material facts necessary in  
15 order to make the statements made, in the light of the  
16 circumstances under which they were made, not misleading; or (c)  
17 engaged in acts, practices or courses of business which operated  
18 or would operate as a fraud or deceit upon purchasers of  
19 securities in violation of Section 10(b) of the Exchange Act and  
20 Rule 10b-5 thereunder.

21 76. By reason of the foregoing, Defendants Lee, DiRoberto,  
22 Dragon and Watson violated, and unless restrained and enjoined  
23 will violate Section 10(b) of the Exchange Act and Rule 10b-5  
24 thereunder.  
25

1 SECOND CLAIM FOR RELIEF

2 (Violations by Lee, DiRoberto, Dragon and Watson of Securities

3 Act § 17(a)(1)

4 [15 U.S.C. § 77q(a)(1)]

5 77. Paragraphs 1 through 73 are hereby realleged and  
6 incorporated by reference.

7 78. Defendants Lee, DiRoberto, Dragon and Watson, with  
8 scienter, in the offer or sale of securities, by the use of means  
9 or instruments of transportation or communication in interstate  
10 commerce, or by the use of the mails, directly or indirectly  
11 employed devices, schemes or artifices to defraud in violation of  
12 Section 17(a)(1) of the Securities Act.

13 79. By reason of the foregoing, Defendants Lee, DiRoberto,  
14 Dragon and Watson violated, and unless restrained and enjoined  
15 will violate Section 17(a)(1) of the Securities Act.

16  
17 THIRD CLAIM FOR RELIEF

18 (Violations by Lee, DiRoberto, Dragon and Watson of Securities

19 Act § 17(a)(2) and (3)

20 [15 U.S.C. § 77q(a)(2) & (3)]

21 80. Paragraphs 1 through 73 are hereby realleged and  
22 incorporated by reference.

23 81. Defendants Lee, DiRoberto, Dragon and Watson, in the  
24 offer or sale of securities, by the use of means or instruments  
25 of transportation or communication in interstate commerce, or by

1 the use of the mails, directly or indirectly (a) obtained money  
2 or property by means of untrue statements of material facts or  
3 omissions to state material facts necessary in order to make the  
4 statements made, in the light of the circumstances under which  
5 they were made, not misleading, or (b) engaged in transactions,  
6 practices or courses of business which operated or would operate  
7 as a fraud or deceit upon purchasers of securities in violation  
8 of Section 17(a) (2) and (3) of the Securities Act.

9 82. By reason of the foregoing, Defendants Lee, DiRoberto,  
10 Dragon and Watson violated, and unless restrained and enjoined  
11 will violate Section 17(a) (2) and (3) of the Securities Act.

12 **FOURTH CLAIM FOR RELIEF**

13 **(Violations By Lee, DiRoberto and Dragon Of Section 15(a) Of The**  
14 **Exchange Act)**

15 **[15 U.S.C. § 78o(a)]**

16 83. Paragraphs 1 through 73 are hereby realleged and  
17 incorporated by reference.

18 84. Defendants Lee, DiRoberto and Dragon, while engaged in  
19 the business of effecting transactions in securities for the  
20 account of others or for their own accounts, have made use of the  
21 mails or the means or instrumentalities of interstate commerce to  
22 effect transactions in, or to induce the purchase of, securities,  
23 without being registered as brokers or dealers with the  
24 Commission.  
25



1 85. Defendants Lee, DiRoberto and Dragon violated, and  
2 unless restrained and enjoined, will violate Section 15(a) of the  
3 Exchange Act.

4 **FIFTH CLAIM FOR RELIEF**

5 **(Violations By Lee, DiRoberto and Watson Of Sections 5(a) And**

6 **5(c) Of The Securities Act as to ZEN**

7 **[15 U.S.C. §§ 77e(a) and (c)]**

8 86. Paragraphs 1 through 73 are hereby realleged and  
9 incorporated by reference.

10 87. Defendants Lee, DiRoberto and Watson, directly and  
11 indirectly, made use of the means or instruments of  
12 transportation and communication in interstate commerce and of  
13 the mails to offer to sell or offer to buy through the use or  
14 medium of any prospectus or otherwise ZEN securities, without a  
15 registration statement having been filed with the Commission as  
16 to such securities in violation of Sections 5(a) and 5(c) of the  
17 Securities Act.

18 88. No registration statements have been filed with the  
19 Commission or are otherwise in effect with respect to the ZEN  
20 stock offered by Lee, DiRoberto and Watson.

21 89. By reason of the foregoing, Defendants Lee, DiRoberto  
22 and Watson violated and unless restrained and enjoined, will  
23 violate Sections 5(a) and 5(c) of the Securities Act.

SIXTH CLAIM FOR RELIEF

(Violations By Lee, Dragon and Watson Of Sections 5(a) And 5(c)

Of The Securities Act as to LevelRed Investments

[15 U.S.C. §§ 77e(a) and (c)]

90. Paragraphs 1 through 73 are hereby realleged and incorporated by reference.

91. Defendants Lee, Dragon and Watson, directly and indirectly, made use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise LevelRed Investments securities, without a registration statement having been filed with the Commission as to such securities in violation of Sections 5(a) and 5(c) of the Securities Act.

92. No registration statements have been filed with the Commission or are otherwise in effect with respect to the LevelRed Investments stock offered by Lee, Dragon and Watson.

93. By reason of the foregoing, Defendants Lee, Dragon and Watson violated, and unless restrained and enjoined, will violate Sections 5(a) and 5(c) of the Securities Act.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

1 Find that the Defendants, and each of them, committed the  
2 violations alleged.

3 II.

4 Enter an Injunction, in a form consistent with Rule 65(d) of  
5 the Federal Rules of Civil Procedure, permanently restraining and  
6 enjoining each defendant, their subsidiaries, officers,  
7 directors, agents, servants, employees, and attorneys-in-fact, and  
8 all persons in active concert or participation with them, from  
9 violating, directly or indirectly, the provisions of law and  
10 rules alleged in this complaint.

11 III.

12 Order Defendants and their respective agents, servants,  
13 employees and attorneys to account for and disgorge all ill-  
14 gotten gains received or benefits in any form derived from the  
15 illegal conduct alleged in this Complaint, together with pre-  
16 judgment and post-judgment interest as provided by law.

17 IV.

18 Order Defendants to pay third tier civil penalties pursuant  
19 to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]  
20 and Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] in  
21 an amount to be determined by the Court.

22 V.

23 Enter an Order barring Lee, DiRoberto and Dragon from  
24 participating in an offering of penny stock pursuant to Section  
25 20 of the Securities Act and Section 21(d) of the Exchange Act.

1 VI.

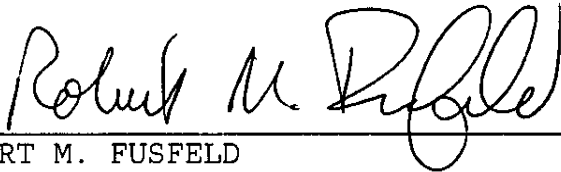
2 Enter an Order barring Lee, DiRoberto and Dragon from  
3 serving as officers or directors of any publicly held company  
4 pursuant to Section 20(e) of the Securities Act and Section  
5 21(d)(2) of the Exchange Act and the Court's equitable authority.

6 VII.

7 Grant such other relief as this Court may deem just or  
8 appropriate.

9 Dated: October 1, 2003

10  
11 Respectfully submitted,

12  
13 

14 ROBERT M. FUSFELD  
15 ELIZABETH ESPINOSA KRUPA  
16 THOMAS A. ZACCARO  
Attorneys for Plaintiff  
Securities and Exchange Commission

JS44  
(Rev. 07/89)

CIVIL COVER SHEET

**FILED**

OCT -2 2003  
JFS

'03 CV 1957 H

BRIAN LEE, U.S. DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA  
BY *[Signature]* DEPUTY

sheet. (SEE INSTRUCTIONS ON THE SECOND PAGE OF THIS FORM.)

I (a) PLAINTIFFS  
SECURITIES AND EXCHANGE  
COMMISSION

DEFENDANTS  
BRIAN LEE (AKA BRIAN LEE PETROCEAN, U.S. DISTRICT COURT  
DIROBERTO, LONNIE DRAGON SOUTHERN DISTRICT OF CALIFORNIA  
WATSON

(b) COUNTY OF RESIDENCE OF FIRST LISTED  
PLAINTIFF  
(EXCEPT IN U.S. PLAINTIFF CASES)

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT  
(IN U.S. PLAINTIFF CASES ONLY) San Diego

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED

(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)  
Robert M. Fusfeld/Elizabeth Espinosa Krupa, Securities and Exchange Commission, 1801 California Street, Suite 1500, Denver, CO 80202-2656. Phone: (303) 844-1000

ATTORNEYS (IF KNOWN) Brian Lee: Stanley C. Morris, Esq. Corrigan & Morris 201 N. Figueroa Street, Suite 690 Los Angeles, CA 90012 Phone (213) 482-3241  
Todd DiRoberto - Pro Se 3894 Quarter Mile Drive, San Diego, CA 92130  
Lonnie Dragon: Thomas M. Brown, Esq., Sheppard Mullin Richter & Hampton LLP, 333 South Hope Street, Forty-Eighth Floor, Los Angeles, CA 90071, (213) 617-5479; Trevor Watson - Pro-Se, 4686 Narragansett Avenue, San Diego, CA 92107, (619) 294-2309

II. BASIS OF JURISDICTION (PLACE AN X IN ONE BOX ONLY)

- 1 U.S. Government Plaintiff
  - 3 Federal Question (U.S. Government Not a Party)
- 2 U.S. Government Defendant
  - 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (PLACE AN X IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT)

	PT		DEF		PT		DEF	
Citizen of This State	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Citizen of Another State	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Citizen or Subject of a Foreign Country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IV. CAUSE OF ACTION (CITE THE US CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE. DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY).

15 USC 78j(b), securities fraud

V. NATURE OF SUIT (PLACE AN X IN ONE BOX ONLY)

CONTRACT	TORTS		FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<ul style="list-style-type: none"> <li><input type="checkbox"/> 110 Insurance</li> <li><input type="checkbox"/> 120 Marine</li> <li><input type="checkbox"/> 130 Miller Act</li> <li><input type="checkbox"/> 140 Negotiable Instrument</li> <li><input type="checkbox"/> 150 Recovery of Overpayment &amp; Enforcement of Judgment</li> <li><input type="checkbox"/> 151 Medicare Act</li> <li><input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans)</li> <li><input type="checkbox"/> 153 Recovery of Overpayment of Veterans Benefits</li> <li><input type="checkbox"/> 160 Stockholders Suits</li> <li><input type="checkbox"/> 190 Other Contract</li> <li><input type="checkbox"/> 195 Contract Product Liability</li> </ul>	<p><b>PERSONAL INJURY</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 310 Airplane</li> <li><input type="checkbox"/> 315 Airplane Product Liability</li> <li><input type="checkbox"/> 320 Assault, Libel &amp; Slander</li> <li><input type="checkbox"/> 330 Federal Employers' Liability</li> <li><input type="checkbox"/> 340 Marine</li> <li><input type="checkbox"/> 345 Marine Product Liability</li> <li><input type="checkbox"/> 350 Motor Vehicle</li> <li><input type="checkbox"/> 355 Motor Vehicle Product Liability</li> <li><input type="checkbox"/> 360 Other Personal Injury</li> </ul>	<p><b>PERSONAL INJURY</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 362 Personal Injury-Medical Malpractice</li> <li><input type="checkbox"/> 365 Personal Injury - Product Liability</li> <li><input type="checkbox"/> 368 Asbestos Personal Injury Product Liability</li> </ul> <p><b>PERSONAL PROPERTY</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 370 Other Fraud</li> <li><input type="checkbox"/> 371 Truth in Lending</li> <li><input type="checkbox"/> 380 Other Personal Property Damage</li> <li><input type="checkbox"/> 385 Property Damage Product Liability</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> 610 Agriculture</li> <li><input type="checkbox"/> 620 Other Food &amp; Drug</li> <li><input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC881</li> <li><input type="checkbox"/> 630 Liquor Laws</li> <li><input type="checkbox"/> 640 RR &amp; Truck</li> <li><input type="checkbox"/> 650 Airline Regs</li> <li><input type="checkbox"/> 660 Occupational Safety/Health</li> <li><input type="checkbox"/> 690 Other</li> </ul> <p><b>LABOR</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 710 Fair Labor Standards Act</li> <li><input type="checkbox"/> 720 Labor/Mgmt. Relations</li> <li><input type="checkbox"/> 730 Labor/Mgmt. Reporting &amp; Disclosure Act</li> <li><input type="checkbox"/> 740 Railway Labor Act</li> <li><input type="checkbox"/> 790 Other Labor Litigation</li> <li><input type="checkbox"/> 791 Empl. Ret. Inc. Security Act</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> 422 Appeal 28 USC 158</li> <li><input type="checkbox"/> 423 Withdrawal 28 USC 157</li> </ul> <p><b>PROPERTY RIGHTS</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 820 Copyrights</li> <li><input type="checkbox"/> 830 Patent</li> <li><input type="checkbox"/> 840 Trademark</li> </ul> <p><b>SOCIAL SECURITY</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 861 HIA (13958)</li> <li><input type="checkbox"/> 862 Black Lung (923)</li> <li><input type="checkbox"/> 863 DIWC/DIWW (405(g))</li> <li><input type="checkbox"/> 864 SSID Title XVI</li> <li><input type="checkbox"/> 865 RSI (405(r))</li> </ul> <p><b>FEDERAL TAX SUITS</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant)</li> <li><input type="checkbox"/> 871 IRS - Third Party 26 USC 7609</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> 400 State Reappointment</li> <li><input type="checkbox"/> 410 Annuity</li> <li><input type="checkbox"/> 430 Banks and Banking</li> <li><input type="checkbox"/> 450 Commerce/ICC Rates/etc.</li> <li><input type="checkbox"/> 460 Deportation</li> <li><input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations</li> <li><input type="checkbox"/> 810 Selective Service</li> <li><input checked="" type="checkbox"/> 850 Securities/Commodities Exchange</li> <li><input type="checkbox"/> 875 Customer Challenge 12 USC</li> <li><input type="checkbox"/> 891 Agricultural Acts</li> <li><input type="checkbox"/> 892 Economic Stabilization Act</li> <li><input type="checkbox"/> 893 Environmental Matters</li> <li><input type="checkbox"/> 894 Energy Allocation Act</li> <li><input type="checkbox"/> 895 Freedom of Information Act</li> <li><input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice</li> <li><input type="checkbox"/> 950 Constitutionality of State</li> <li><input type="checkbox"/> 890 Other Statutory Actions</li> </ul>
<p><b>REAL PROPERTY</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 210 Land Condemnation</li> <li><input type="checkbox"/> 220 Foreclosure</li> <li><input type="checkbox"/> 230 Rent Lease &amp; Ejectment</li> <li><input type="checkbox"/> 240 Tort to Land</li> <li><input type="checkbox"/> 245 Tort Product Liability</li> <li><input type="checkbox"/> 290 All Other Real Property</li> </ul>	<p><b>CIVIL RIGHTS</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 441 Voting</li> <li><input type="checkbox"/> 442 Employment</li> <li><input type="checkbox"/> 443 Housing/Accommodations</li> <li><input type="checkbox"/> 444 Welfare</li> <li><input type="checkbox"/> 440 Other Civil Rights</li> </ul>	<p><b>PRISONER PETITIONS</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 510 Motions to Vacate Sentence Habeas Corpus</li> <li><input type="checkbox"/> 530 General</li> <li><input type="checkbox"/> 535 Death Penalty</li> <li><input type="checkbox"/> 540 Mandamus &amp; Other</li> <li><input type="checkbox"/> 550 Civil Rights</li> <li><input type="checkbox"/> 555 Prisoner Conditions</li> </ul>			

VI. ORIGIN (PLACE AN X IN ONE BOX ONLY)

- 1 Original Proceeding
- 2 Removal from State Court
- 3 Remanded from Appellate Court
- 4 Reinstated or Reopened
- 5 Transferred from another district (specify)
- 6 Multidistrict Litigation
- 7 Appeal to District Judge from Magistrate Judgment

VII. REQUESTED IN COMPLAINT:  CHECK IF THIS IS A CLASS ACTION UNDER f.r.c.p. 23 DEMAND \$ \_\_\_\_\_ Check YES only if demanded in complaint: JURY DEMAND:  YES  NO

VIII. RELATED CASE(S) IF ANY (See Instructions): \_\_\_\_\_ JUDGE \_\_\_\_\_ Docket Number \_\_\_\_\_ DATE 9/27/03 SIGNATURE OF ATTORNEY OF RECORD *[Signature]*

ORIGINAL

CR