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3:03-CV-01957 SECURITIES V. LEE
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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

v. :

BRIAN LEE (AKA BRIAN LEE PETROSIAN), :
TODD DIROBERTO, AND :
LONNIE DRAGON :

Defendants. :

Docket Number:
03-CV-1957-JAH (JFS)

FINAL JUDGMENT AS TO
LONNIE DRAGON

The Securities and Exchange Commission, having filed a Complaint and Defendant
Lonnie Dragon ("Defendant") having entered a general appearance; having waived service of
summons; having failed to file an answer; and the Clerk of the Court having entered default
against Defendant on August 30, 2004; and for good cause shown:

ENTERED ON NOV 18 2004

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I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security: (a) to employ any device, scheme, or artifice to defraud; (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

II.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly: (a) to employ any device, scheme, or artifice to defraud; (b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the

1 circumstances under which they were made, not misleading; or (c) to engage in any transaction,
2 practice, or course of business which operates or would operate as a fraud or deceit upon the
3 purchaser.

4 III.

5 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant
6 and Defendant's agents, servants, employees, attorneys, and all persons in active concert or
7 participation with them who receive actual notice of this Final Judgment by personal service or
8 otherwise are permanently restrained and enjoined from violating Section 5 of the Securities Act
9 [15 U.S.C. § 77e] by, directly or indirectly, in the absence of any applicable exemption: (a)
10 Unless a registration statement is in effect as to a security, making use of any means or
11 instruments of transportation or communication in interstate commerce or of the mails to sell
12 such security through the use or medium of any prospectus or otherwise; (b) Unless a registration
13 statement is in effect as to a security, carrying or causing to be carried through the mails or in
14 interstate commerce, by any means or instruments of transportation, any such security for the
15 purpose of sale or for delivery after sale; or (c) Making use of any means or instruments of
16 transportation or communication in interstate commerce or of the mails to offer to sell or offer to
17 buy through the use or medium of any prospectus or otherwise any security, unless a registration
18 statement has been filed with the Commission as to such security, or while the registration
19 statement is the subject of a refusal order or stop order or (prior to the effective date of the
20 registration statement) any public proceeding of examination under Section 8 of the Securities
21 Act [15 U.S.C. § 77h].
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IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 15(a) of the Exchange Act [15 U.S.C. § 78o] by acting as a broker or dealer (other than such a broker or dealer whose business is exclusively intrastate and who does not make use of any facility of a national securities exchange) and make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security (other than an exempted security or commercial paper, bankers' acceptances, or commercial bills) unless such broker or dealer is registered as provided by law.

V.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], Defendant is prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

VI.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is permanently barred from participating in an offering of penny stock, including engaging in activities with a broker, dealer, or issuer for purposes of issuing, trading, or inducing or attempting to induce the purchase or sale of any penny stock. A penny stock is any equity

1 security that has a price of less than five dollars, except as provided in Rule 3a51-1 under the
2 Exchange Act [17 C.F.R. 240.3a51-1].

3 VII.

4 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant
5 is liable for disgorgement of \$133,250.00, representing profits gained as a result of the conduct
6 alleged in the Complaint, together with prejudgment interest thereon in the amount of
7 \$35,263.00, for a total of \$168,513.00. The Commission may enforce the Court's judgment for
8 disgorgement and prejudgment interest by moving for civil contempt (and/or through other
9 collection procedures authorized by law) at any time after ten days following entry of this Final
10 Judgment. In response to any such civil contempt motion by the Commission, the defendant
11 may assert any legally permissible defense. Payments under this paragraph shall be made to the
12 Clerk of this Court, together with a cover letter identifying Lonnie Dragon as a defendant in this
13 action; setting forth the title and civil action number of this action and the name of this Court;
14 and specifying that payment is made pursuant to this Final Judgment. Defendant shall
15 simultaneously transmit photocopies of each such payment and letter to the Commission's
16 counsel in this action. Defendant relinquishes all legal and equitable right, title, and interest in
17 such payments, and no part of the funds shall be returned to Defendant. The Clerk shall deposit
18 the funds into an interest bearing account with the Court Registry Investment System ("CRIS").
19 These funds, together with any interest and income earned thereon (collectively, the "Fund"),
20 shall be held by the CRIS until further order of the Court. In accordance with 28 U.S.C. § 1914
21 and the guidelines set by the Director of the Administrative Office of the United States Courts,
22 the Clerk is directed, without further order of this Court, to deduct from the income earned on the
23 money in the Fund a fee equal to ten percent of the income earned on the Fund. Such fee shall

1 not exceed that authorized by the Judicial Conference of the United States. The Commission
2 may propose a plan to distribute the Fund subject to the Court's approval.

3 VIII.

4 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant
5 shall pay a civil penalty in the amount of \$110,000.00 pursuant to Section 21(d)(3) of the
6 Exchange Act [15 U.S.C. § 78u(d)(3)] and Section 20(d) of the Securities Act [15 U.S.C. §
7 77t(d)]. Defendant shall make this payment within ten (10) business days after entry of this
8 Final Judgment by certified check, bank cashier's check, or United States postal money order
9 payable to the Securities and Exchange Commission. The payment shall be delivered or mailed
10 to the Office of Financial Management, Securities and Exchange Commission, Operations
11 Center, 6432 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be
12 accompanied by a letter identifying Lonnie Dragon as a defendant in this action; setting forth the
13 title and civil action number of this action and the name of this Court; and specifying that
14 payment is made pursuant to this Final Judgment.

15 IX.

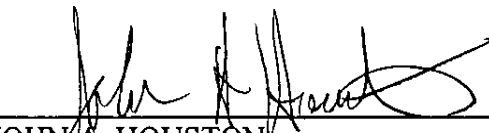
16 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that this Court
17 shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final
18 Judgment.

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X.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated: 11-15, 2004.



JOHN A. HOUSTON
UNITED STATES DISTRICT JUDGE

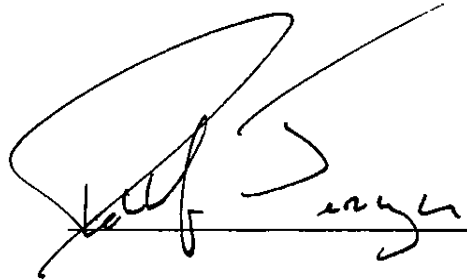
Certificate of Service

I certify that on September 28, 2004, a copy of the foregoing **FINAL JUDGMENT AS TO LONNIE DRAGON** was served, by first class U.S. mail, postage prepaid to the following:

Stanley Morris, Esq.
Corrigan & Morris LLP
201 Santa Monica Blvd., Suite 475
Santa Monica, CA 90401-2212
(counsel for Brian Lee Petrosian)

L. Michael Wilson, Esq.
1475 6th Avenue, Suite 301
San Diego, CA 92101
(counsel for Todd DiRoberto)

Lonnie Dragon, Pro Se
900 F. Street, #405
San Diego, CA 92101

A handwritten signature in black ink, appearing to read "Stanley Morris", is written over a horizontal line.