

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 82880 / March 15, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18404

In the Matter of

DAVID GRAY,

Respondent.

ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934 AND NOTICE OF HEARING

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 David Gray (“Respondent” or “Gray”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. From approximately 2015 to 2017 Gray was the Chief Executive Officer, President, and Chairman of the Board of Directors of LottoNet and the owner of more than half of LottoNet’s common stock. For a portion of the time in which he engaged in the conduct underlying the complaint described below. He has never been registered with the Commission in any capacity and has no disciplinary history. Gray, age 39, is a resident of Lighthouse Point, Florida.

B. ENTRY OF THE INJUNCTION

2. On March 20, 2017, the Commission filed a complaint alleging that LottoNet, Gray and a LottoNet sales agent, Joseph Vitale, violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled *Securities and Exchange Commission v. LottoNet Operating Corp, et al.*, Civil Action No. 17-CV-21044-LENARD, in the United States District Court for the Southern District of Florida. The complaint also alleged that LottoNet and Vitale violated Section 15(a) of the Exchange Act, and Gray aided and abetted LottoNet and Vitale’s violations. The Commission’s complaint alleged that the defendants misrepresented to investors that their money would be used to develop and market LottoNet’s business, which purportedly facilitated online and cell phone sales of lottery tickets in various states, and that sales agents did not receive commissions. In fact, at least 35 percent of investor proceeds were allegedly paid to boiler room sales agents in the form of commissions, and Gray allegedly siphoned investor funds from LottoNet for personal spending on clothing, wedding-related expenses, and strip clubs.

3. On February 26, 2018, a final default judgment was entered against Gray, permanently enjoining him from future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rules 10b-5(a) and (b) thereunder, in the civil action entitled *Securities and Exchange Commission v. LottoNet Operating Corp, et al.*, Civil Action No. 17-21033-CIV-LENARD/GOODMAN, in the United States District Court for the Southern District of Florida.

III.

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

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

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

C. Whether, pursuant to Section 15(b) of the Exchange Act, it is appropriate and in the public interest to suspend or bar Respondent from participating in any offering of penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock; or inducing or attempting to induce the purchase or sale of any penny stock.

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 as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2), the Administrative Law Judge shall issue an initial decision no later than [75] days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B) Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a motion pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250; or (C) The determination by the hearing officer that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155 and no hearing is necessary.

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.

Brent J. Fields
Secretary