

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 83956 / August 27, 2018**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-18404**

**In the Matter of**  
  
**DAVID GRAY,**  
  
**Respondent.**

**ORDER MAKING FINDINGS AND  
IMPOSING REMEDIAL SANCTIONS  
PURSUANT TO SECTION 15(b) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**I.**

On March 18, 2018, the Securities and Exchange Commission (“Commission”) instituted proceedings pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Respondent David Gray (“Gray” or “Respondent”).

**II.**

Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in paragraphs III.3 below, and consents to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Order”), as set forth below.

**III.**

On the basis of this Order and Respondent’s Offer, the Commission finds that:

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. Respondent participated in an offering of LottoNet stock, which is a penny stock. During the time in which he engaged in the conduct underlying the facts described below, Gray was associated with an unregistered broker-dealer. He has never been registered with the Commission

in any capacity and has no disciplinary history with the Commission. Gray is currently incarcerated in a Federal Correctional Institute in Estill, South Carolina.

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.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Gray’s Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act, that Respondent Gray be, and hereby is barred from association with any broker, dealer, investment advisor, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

Pursuant to Section 15(b)(6) of the Exchange Act, that Respondent Gray be, and hereby is barred from participating in any offering of a 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.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a

customer, whether or not related to the conduct that served as the basis for the Commission order;  
and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct  
that served as the basis for the Commission order.

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

Brent J. Fields  
Secretary