



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
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January 14, 2016

Via Overnight Delivery

Mr. Brent J. Fields
Office of the Secretary
U.S. Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549-1090

Re: In the Matter of Joseph J. Fox
Administrative Proceeding File No. 3-16795

Dear Mr. Fields:

Please find enclosed the Division of Enforcement's Reply in Support of its Motion for Summary Judgment. Feel free to call me if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Jedediah B. Forkner".

Jedediah B. Forkner

Enclosures

JAN 15 2016
OFFICE OF THE SECRETARY

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-16795

In the Matter of

Joseph J. Fox,

Respondent.

**DIVISION OF ENFORCEMENT'S
REPLY IN SUPPORT OF ITS
MOTION FOR SUMMARY DISPOSITION**

The Division of Enforcement ("the Division") respectfully submits this Reply in Support of its Motion for Summary Disposition against Respondent Joseph J. Fox ("Fox").

I. PRELIMINARY STATEMENT

In his response to the Division's Motion for Summary Disposition, Fox completely misses the purpose of this proceeding and fails to raise any genuine issue with regard to any material fact. Because the parties' settlement agreement established a set of undisputed facts that Fox has agreed not to contest, liability has been established in this case, and the only remaining issue to be decided is whether remedial sanctions should be imposed under Section 15(b)(6) of the Securities Exchange Act of 1934 ("Exchange Act"). The findings set forth in the Order Instituting Proceedings ("Order") clearly demonstrate that a collateral bar against Fox is in the public interest. In contrast, Fox's Response Brief attempts to relitigate the Commission's findings and focuses on extraneous subjects that are either not at issue in or irrelevant to this proceeding. Fox further fails to articulate a valid reason why he should

not face collateral and penny stock bars. Although Fox indicates that he does not plan to affiliate with a registered broker-dealer in the future, he provides no similar assurances against associating himself with other industry participants or penny stocks in the future. Given his lengthy career in the penny stock world and the securities industry, the Court should grant the Division's Motion for Summary Disposition and impose a collateral associational bar and a penny stock bar against Fox, with the right to apply for reentry after five years.

II. ARGUMENT

To defeat a motion for summary disposition, the opposing party must demonstrate with specificity a genuine issue for a hearing and "may not rest upon the mere allegations or denials of its pleadings." See In the Matter of Currency Trading Int'l, Inc., Rel. No. 263, 2004 WL 2297418, at *2 (Oct. 12, 2004). A motion for summary disposition should be granted when there is "no genuine issue with regard to any material fact and the party making the motion is entitled to a summary disposition as a matter of law." Rule of Practice 250(a).

The Commission's Order establishes that for the purposes of this proceeding, the "findings of this Order shall be accepted as and deemed true by the hearing officer." Order §V(c). As a result, the only issue left to be determined in these proceedings is whether a sanction under Section 15(b)(6) of the Exchange Act is in the public interest according to "the factors identified in Steadman v. SEC: the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of his conduct, and the likelihood that the respondent's occupation will

present opportunities for future violations.” In the Matter of Gary M. Kornman, Exchange Act Rel. No. 59403, 2009 WL 367635, at *6 (Feb. 13, 2009).

Fox’s violations of the securities registration requirements were egregious and recurrent. Over the course of four years, Fox assisted Ditto Holding’s in raising \$10 million from more than two hundred investors, including more than fifty non-accredited investors. Not a single non-accredited investor received the financial information to which he or she was entitled. In fact, Fox and Ditto Holdings did not even keep complete and accurate financial records during the entirety of the offerings. In addition to leading Ditto Holding’s fundraising efforts, Fox also sold \$1.25 million of unregistered securities to twenty-eight individuals for his own benefit without meeting any of the requirements of an exemption from registration. Fox failed to even attempt to determine whether any of the individuals were sophisticated investors or to provide any of the individuals with the financial and other information that would have been required in order to qualify for an exemption from registration.

Fox’s occupation will provide him with significant opportunities for future violations. Fox has spent a substantial portion of his career in the securities industry as the Chief Executive Officer of two registered broker-dealers. Further, Fox has founded and spearheaded securities offerings for at least three separate companies. Given this history, there is a strong likelihood that Fox will continue to work in the financial industry and attempt to raise additional funds from investors.

In addition, Fox’s Response Brief is chock-full of excuses and rationalizations for his misconduct. He has not provided any assurances against future violations or accepted any responsibility for his actions. Instead, he continues to try to explain away and lay the blame for his violations on others.

Contrary to Fox's assertion that "no shareholders were harmed, intentionally or otherwise" as a result of his violations, each and every individual who purchased Ditto Holdings stock stands to lose most, if not all, of their investment money because they now hold shares of stock in a company whose only operating subsidiary is defunct. If Fox had complied with Section 5 of the Securities Act of 1933, then these investors would have received far more information about Ditto Holdings before investing or would not have invested at all. Therefore, Fox's violations directly contributed to the investors' losses.

While Fox spends the majority of his Response Brief and all of its attachments addressing extraneous topics such as his feud with a former co-worker, the bulk of those arguments are completely irrelevant to the determination of whether further sanctions are appropriate in this case. In addressing the Steadman factors, Fox exclusively relies on "mere allegations" and self-serving statements that are unsupported by evidence in the record. Consequently, Fox fails to raise any genuine issue with regard to any material fact. For all of the reasons set forth above and in the Division's Motion for Summary Disposition and Brief in Support, collateral and penny stock bars, with the right to reapply after 5 years, against Fox are necessary and in the public interest.


III. CONCLUSION

For these reasons and the reasons set forth above and in the Division's Motion for Summary Disposition and Brief in Support, the Division hereby respectfully requests that the Court issue an order barring Fox from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally

recognized statistical rating organization and from participating in any offering of penny stock with the right to apply for reentry after five years.

Dated: January 14, 2016

Respectfully submitted,



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Before the
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ADMINISTRATIVE PROCEEDING
File No. 3-16795

In the Matter of

JOSEPH J. FOX,

Respondent.

CERTIFICATE OF SERVICE

Jedediah B. Forkner, an attorney, certifies that on January 14, 2016, he caused a true and correct copy of the **Division of Enforcement's Reply in Support of its Motion for Summary Judgment** to be served on the following Respondent by United Parcel Service Overnight Delivery and e-mail delivery:

Mr. Joseph J. Fox

██
Long Beach, CA ██████████
jfox@sovestech.com

By:


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Securities and Exchange Commission
175 West Jackson Boulevard, Suite 900
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Dated: January 14, 2016