

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

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21788**

**In the Matter of**

**Bradley M. Holts,**

**Respondent.**

**MOTION FOR ENTRY OF  
DEFAULT AND IMPOSITION  
OF REMEDIAL SANCTIONS**

The Division of Enforcement (“Division”), pursuant to Rules 154, 155(a)(2), and 220(f) of the Commission’s Rules of Practice (“Practice Rules”)<sup>1</sup>, respectfully moves the Securities and Exchange Commission (“Commission”) for an order finding Respondent Bradley M. Holts (“Holts”) in default and imposing remedial sanctions against him, and submits this Memorandum of Law and exhibits thereto in support thereof.

**BACKGROUND**

On February 27, 2023, the Commission filed a Complaint in the United States District Court for the Eastern District of Texas, Beaumont Division, against Holts alleging that he violated Section 17(a) of the Securities Act of 1933 (“Securities Act”), and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder.<sup>2</sup> After being personally served with the Summons and Complaint in *SEC v. Holts*, Holts defaulted, failing to answer or otherwise defend the civil injunctive case.<sup>3</sup> On August 28, 2023, in response to the SEC’s motion, the Honorable Zack Hawthorn, U.S. Magistrate Judge, issued a *Report and Recommendation*

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<sup>1</sup> 17 C.F.R. §§ 201.154, 201.55(a)(2) and 201.220(f).

<sup>2</sup> **Exh. 1**, Complaint in *SEC v. Bradley Morgan Holts*, Case No. 1:23-cv-00081 (E.D. Tex.) (“*SEC v. Holts*”).

<sup>3</sup> **Exh. 2**, *Clerk’s Entry of Default* in *SEC v. Holts*.

*Granting Motion for Default Judgment* (“Report and Recommendation”).<sup>4</sup> On October 11, 2023, the district court adopted the Report and Recommendation<sup>5</sup> and entered a final judgment by default against Holts that (1) permanently enjoins him from violations of Section 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; (2) orders Holts to pay disgorgement in the amount of \$186,382 plus prejudgment interest in the amount of \$18,005.31; and (3) imposes a civil penalty on Holts in the amount of \$186,382.<sup>6</sup>

Based upon entry of the injunction, the Commission commenced this proceeding against Holts on October 30, 2023, by issuing an *Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Notice of Hearing* (“OIP”).<sup>7</sup> The OIP alleges, in summary, that Holts misappropriated \$186,382 from three elderly investors while a registered representative associated with a broker-dealer between February and May 2021, and was enjoined by the district court based on that conduct.<sup>8</sup>

#### **I. Holts Did Not Answer the OIP.**

On or about January 18, 2024, Holts was personally served with the OIP, as well as a copy of the production letter required by Practice Rule 230,<sup>9</sup> at Orangefield Middle School, located at 7745 Sand Bar Road, Orange, Texas 77630.<sup>10</sup>

In the OIP, Holts was directed to file an Answer within 20 days after service of the OIP.<sup>11</sup> Under these provisions, Holts’ Answer was due no later than February 8, 2024. Holts did not file

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<sup>4</sup> **Exh. 3**, Report and Recommendation in *SEC v. Holts*.

<sup>5</sup> **Exh. 4**, *Order Adopting Report and Recommendation* in *SEC v. Holts*.

<sup>6</sup> **Exh. 5**, *Final Judgment* in *SEC v. Holts*.

<sup>7</sup> Exchange Act Rel. No. 98823 (Oct. 30, 2023).

<sup>8</sup> *Id.*

<sup>9</sup> 17 C.F.R. § 201.230.

<sup>10</sup> *Notice of Service Upon Respondent* (filed with Commission on January 22, 2024).

<sup>11</sup> OIP at IV; *see also* Rules of Practice 160(a) and 220(b), 17 C.F.R. §§ 201.160(a) and 201.220(b).

or serve an Answer; did not move for any extension of time to Answer; nor did he otherwise communicate with the Division.

The Commission issued an *Order to Show Cause* on March 18, 2024.<sup>12</sup> Therein, the Commission ordered Holts to show cause “why he should not be deemed to be in default and why this proceeding should not be determined against him due to his failure to file an answer and to otherwise defend this proceeding.”<sup>13</sup> Holts’ deadline to respond to the Order was April 1, 2024.<sup>14</sup> Again, no response was filed.

The Division now moves for a finding that Holts is in default, and for the imposition of remedial sanctions. Specifically, the Division requests that the Commission order that Holts be barred from associating with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization. The Division also requests that Holts be 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.

## ARGUMENT

### I. **Holts Should be Deemed in Default.**

Practice Rule 220(f) provides that if a “respondent fails to file an answer [...] within the time provided, such person may be deemed in default pursuant to Rule 155(a).”<sup>15</sup> In turn, Practice Rule 155(a) states:

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<sup>12</sup> *Order to Show Cause* (filed by Commission on March 18, 2024).

<sup>13</sup> *Id.* at p. 1.

<sup>14</sup> *Id.*

<sup>15</sup> 17 C.F.R. § 201.220(f).

A party to a proceeding may be deemed to be in default and the Commission or the hearing officer may determine the proceeding against that party upon consideration of the records, including the order instituting proceedings, the allegations of which may be deemed to be true, if that party fails: [...]

(2) to answer, to respond to a dispositive motion within the time provided, or otherwise to defend the proceeding ...<sup>16</sup>

The OIP specifically provides that “[i]f Respondent fails to file the directed Answer...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 ....”<sup>17</sup>

Practice Rule 141(a)(2)(i) sets forth permissible methods of service of the OIP upon individuals, which include “delivering a copy of the order instituting proceedings to the individual.” Here, as noted above, Holts was personally served with the OIP on January 18, 2024, in Orange, Texas.<sup>18</sup>

The Division requests that Holts be deemed in default. Holts failed to timely respond to the OIP after having been served pursuant to Practice Rule 141 and further failed to respond to the Commission’s *Order to Show Cause*.

## II. Undisputed Facts

The following facts are based on undisputed pleaded facts, declarations, and documentary evidence of facts officially noted pursuant to Practice Rule 323.<sup>19</sup> While the Commission may

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<sup>16</sup> 17 C.F.R. § 201.155(a).

<sup>17</sup> OIP at IV (citing Practice Rules 155(a), 220(f), 221(f), and 310).

<sup>18</sup> *Notice of Service Upon Respondent* (filed with Commission on January 22, 2024).

<sup>19</sup> 17 C.F.R. § 201.323. In support of this Motion, the Division submits the following exhibits that are listed in the attached Appendix: the Complaint and default pleadings in *SEC v. Holts* (**Exhs. 1-5**); brokerage reports detailing Holts’ registration and employment history (**Exhs. 6-7**); investigative testimony (**Exhs. 8, 10, 12, and 20**); investor account applications (**Exhs. 9, 11, and 13**); correspondence from Holts’ previous employer (**Exh. 14**); copies of investor checks (**Exhs. 15 and 17**); Holts’ bank account information (**Exhs. 16 and 18**); a Declaration from J. Lee

accept as true the allegations from the OIP and *SEC v. Holts* due to Holts' default, because the underlying injunctive order was decided on default, the Division submits the following evidence that Holts violated Securities Act Section 17(a) and Exchange Act 10(b) and Rule 10b-5 thereunder.<sup>20</sup>

1. From October 2020 to July 2021, Holts was associated as a registered representative, commonly referred to as a stockbroker, with a broker-dealer based in Denver, Colorado (the "Broker-Dealer").<sup>21</sup>
2. Prior to working with the Broker-Dealer, Holts worked for other broker-dealers and investment advisers starting in July 2010.<sup>22</sup>
3. In the summer and fall of 2020, Holts convinced three elderly investor customers (the "Three Investors") to hire him as their stockbroker to open mutual fund accounts with Invesco Ltd. ("Invesco").<sup>23</sup>
4. On October 15, 2020, the Broker Dealer sent Holts a letter stating in part, "As you are aware, our policy at [the Broker-Dealer] when taking physical checks from

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Robinson, previously submitted in *SEC v. Holts* (**Ex. 19**); and documents reflecting Holts' failure to participate in the SEC's investigation (**Exs. 21-22**).

<sup>20</sup> See *In the Matter of Gary L. McDuff*, Exchange Act Rel. No. 74803, at p. 2 (Apr. 23, 2015) (where underlying final order was decided on default, ALJ could not rely solely on factual allegations in that order); see also *Nishimatsu Const. Co. v. Houston Nat'l Bank*, 5151 F.2d 1200, 1206 (5th Cir. 1975) (holding that a defendant, by default, "admits the plaintiff's well-pleaded allegations of fact, is concluded on those facts by judgment, and is barred from contesting on appeal the facts thus established"); see also *Frame v. S-H, Inc.*, 967 F.2d 194, 205 (5th Cir. 1992) (holding that "conduct on which liability is based may be taken as true as a consequence of default").

<sup>21</sup> **Exh. 6**, p. 7, FINRA BrokerCheck Report for Bradley M. Holts; see also **Exh. 7**, p. 3, CRD Snapshot Report for Bradley M. Holts; see also **Exh. 1** at ¶ 8 and OIP at II.A.1.

<sup>22</sup> **Exh. 6** at 7; **Exh. 7** at pp. 3-4; see also **Exh. 1** at ¶ 8 and OIP at II.B.3.

<sup>23</sup> **Exh. 8**, 7:1-16, Testimony of Investor 1; **Exh. 9**, Investor 1 Invesco Individual Account Application; **Exh. 10**, 5:22-24, 7:5-11, Testimony of Investor 2; **Exh. 11**, Investor 2 Invesco Individual Account Application; **Exh. 12**, 6:15-18, 7:10-25, 8:1-25, 10:10-13, Testimony of Investor 3; **Exh. 13**, Investor 3 Invesco Individual Account Application; see also **Exh. 1** at ¶ 10 and OIP at II.D.8.

customers for new business or for additional purchases in pre-existing accounts, is that checks must be forwarded to [the Broker-Dealer] so we can book it here at the home office [and] then forward it on to the fund company.”<sup>24</sup>

5. On or before February 15, 2021, Holts verbally represented to two of the Three Investors (“Investor 1” and “Investor 2”), separately, that if they made further investments through him, then he would add the funds to the investors’ existing Invesco mutual fund investments.<sup>25</sup> Investors 1 and 2 both reside in Beaumont, Texas, and are now 92 and 72 years old, respectively.<sup>26</sup>
6. Based on those representations, on February 15, 2021, Investor 1 and Investor 2 provided checks to Holts in the amounts of \$17,575 and \$10,000 respectively.<sup>27</sup>
7. The memo lines for the two checks provided by Investor 1 and Investor 2 each contained the word “investment,” and the checks were made payable to “Invesco Investments Texas.”<sup>28</sup>
8. On February 17, 2021, Holts opened a bank account in the name of “Bradley Morgan Holts d/b/a Invesco Investment Texas” (“IIT”).<sup>29</sup>
9. Holts was the only signatory on the IIT account, and he listed his home address on the account application.<sup>30</sup>

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<sup>24</sup> **Exh. 14**, Letter from Broker-Dealer to Holts dated October 15, 2020; *see also* **Exh. 1** at ¶ 43 and OIP at II.D.31.

<sup>25</sup> **Exh. 8**, 10:24-25, 11:1; **Exh. 10** at 11:14-17, 12:14-18, 13:1-7; *see also* **Exh. 1** at ¶ 18 and OIP at II.D.13.

<sup>26</sup> **Exh. 9** at pp. 1-2; **Exh. 10** at 5:16-24; *see also* **Exh. 1** at ¶ 18 and OIP at II.D.13.

<sup>27</sup> **Exh. 15**, Copies of Checks from Investor 1 and Investor 2 dated February 15, 2021 and Deposit Slip dated February 17, 2021; *see also* **Exh. 1** at ¶ 19 and OIP at II.D.14.

<sup>28</sup> *Id.*; *see also* **Exh. 1** at ¶ 20 and OIP at II.D.14.

<sup>29</sup> **Exh. 16**, Receipt from Bank Re: Opening of Checking Account dated February 17, 2021; *see also* **Exh. 1** at ¶ 13 and OIP at II.D.11.

<sup>30</sup> *See id.* at pp. 1-2; *see also* **Exh. 1** at ¶ 15 and OIP at II.D.11.

10. The IIT name used by Holts on the bank account is deceptively similar to Invesco's name.<sup>31</sup> However, Invesco had no relationship to ITT nor control over the IIT bank account.<sup>32</sup>
11. Holts then deposited the two checks from Investor 1 and Investor 2—totaling \$27,575—into his ITT account on February 17, 2021, as the initial deposit to open the ITT account.<sup>33</sup> Holts knew this was improper in light of the October 15, 2020 letter he received from the Broker-Dealer.<sup>34</sup>
12. On or before May 24, 2021, Holts verbally represented to the third of the Three Investors (“Investor 3”) that if she made a further investment through him, Holts would add the funds to Investor 3’s existing Invesco mutual fund account to increase her balance above \$1,000,000 and thereby avoid an additional Invesco sales charge. Investor 3 resides in Orange, Texas, and is currently 79 years old.<sup>35</sup>
13. On May 24, 2021, Investor 3 delivered two cashier’s checks to Holts that totaled approximately \$158,806.64.<sup>36</sup>
14. Holts deposited the checks into his ITT account that same day and withdrew \$19,000 of that deposit in cash.<sup>37</sup>
15. Holts did not invest the money received from the Three Investors with Invesco as represented. Rather, he misappropriated the funds to pay for a variety of personal

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<sup>31</sup> See *id.* at p. 1; see also **Exh. 1** at ¶ 16 and OIP at II.D.11.

<sup>32</sup> See *id.* at p. 2 (indicating Holts is the person “authorized to exercise the powers....”); see also **Exh. 1** at ¶ 16 and OIP at II.D.11.

<sup>33</sup> **Exh. 15**; see also **Exh. 1** at ¶ 21 and OIP at II.D.15.

<sup>34</sup> **Exh. 14**; see also **Exh. 1** at ¶ 43 and OIP at II.D.31.

<sup>35</sup> **Exh. 12** at 6:5-17, 11:18-24, 13:15-22, 16:17-23, 18:14-25, 19:1-7; see also **Exh. 1** at ¶ 23 and OIP at II.D.17.

<sup>36</sup> **Exh. 17**, Copies of Checks from Investor 3 dated May 24, 2021 and Deposit Slip dated May 24, 2021; see also **Exh. 1** at ¶ 24 and OIP at II.D.18.

<sup>37</sup> *Id.*; see also **Exh. 1** at ¶ 25 and OIP at II.D.19.

expenses, including for clothing, tanning salons, adult and dating websites, and a divorce lawyer.<sup>38</sup>

16. The checks provided by the Three Investors comprised approximately 99.7% of the deposits into Holts' IIT bank account between February and November 2021.<sup>39</sup>

17. Holts did not return any of the Three Investors' funds that he misappropriated.<sup>40</sup>

18. As a result of Holts' fraud, the Three Investors lost a total of \$186,382.<sup>41</sup>

### III. The Appropriate Remedial Sanctions in this Case

#### A. The Undisputed Facts Establish a Statutory Basis for a Bar Under Exchange Act Section 15(b)(6)

The Commission has typically considered the *Steadman* factors when determining appropriate public-interest remedies.<sup>42</sup> Those factors are: (1) the egregiousness of Respondents' actions; (2) the isolated or recurrent nature of the infractions; (3) the degree of scienter involved; (4) the sincerity of Respondents' assurances against future violations; (5) Respondents' recognition of the wrongful nature of their conduct; and (6) the likelihood that Respondents' occupations will present opportunities for future violations.<sup>43</sup> The *Steadman* factors are flexible and no one factor is dispositive.<sup>44</sup> Additionally, the Commission must consider whether the

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<sup>38</sup> See **Exh. 18**, Holts' ITT Checking Account Summaries from February 28 to November 30, 2021; see also **Exh. 1** at ¶¶ 22, 28, and 37 and OIP at II.D.16, II.D.22 and II.D.27.

<sup>39</sup> *Id.*; see also **Exh. 1** at ¶ 34 and OIP at II.D.26.

<sup>40</sup> **Exh. 8** at 11:14-25, 12:1-6; **Exh. 10** at 25:4-7; **Exh. 12** at 24:16-25, 25:1-2; see also **Exh. 1** at ¶ 38 and OIP at II.D.28.

<sup>41</sup> **Exh. 19**, ¶ 4, Declaration of J. Lee Robinson; see also **Exhs. 15** and **17**; see also **Exh. 1** at ¶ 39 and OIP at II.D.28.

<sup>42</sup> *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981).

<sup>43</sup> *Id.*

<sup>44</sup> See *In the Matter of Gary M. Kornman*, SEC Rel. No. 2840, 95 S.E.C. Docket 601, 2009 WL 367635, \*6-7 (Feb. 13, 2009).



sanction will have a deterrent effect.<sup>45</sup> The Commission also considers the age of the violations, the degree of harm to investors and the marketplace resulting from the violations, and the deterrent effect of administrative sanctions.<sup>46</sup>

Here, nearly all the relevant factors suggest that full collateral and penny stock bars are appropriate and in the public interest. The conduct at issue was egregious and resulted in losses totaling \$186,382 to three elderly victims. Holts opened a bank account using a deceptive name; obtained checks from the Three Investors by misrepresenting that he would use the funds to purchase shares in mutual funds on their behalf; deposited the funds into the deceptively named bank account; and misappropriated those funds, including withdrawing over \$76,000 in cash to pay personal expenses that included clothing, tanning salons, adult and dating websites, and a \$5,000 payment to a divorce lawyer. Holts' misconduct was both recurrent and exhibited a high degree of *scienter*, taking place over the course of three months with multiple victims.

Moreover, Holts has not come forward to defend this lawsuit—nor did he come forward in the district court action or during the SEC's investigation.<sup>47</sup> Holts also attempted to evade service of the OIP for more than two months.<sup>48</sup> Holts' failure to take responsibility for his actions or make any assurances against future violations present the likelihood that he will commit future violations. In addition, Holts' lengthy employment in the securities industry may lead to other opportunities for him to be entrusted with investor funds.

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<sup>45</sup> See *In the Matter of Schield Mgmt. Co. and Marshall L. Schield*, S.E.C. Release No. 2477, 87 S.E.C. Docket 695, 2006 WL 231642, \*8 n. 46 (Jan. 31, 2006) (stating that the selection of an appropriate sanction involves consideration of several elements, including deterrence).

<sup>46</sup> *In the Matter of Lonny S. Bernath*, SEC Rel. No. 993, 113 S.E.C. Docket 4706, 2016 WL 1319539, \*4 (April 4, 2016).

<sup>47</sup> **Exh. 20**, Transcript of Holts' Testimony (recording his failure to appear) dated June 29, 2022; see also **Exh. 21**, Letter, Subpoena, and Background Questionnaire dated May 24, 2022, and **Exh. 22**, Proof of Service.

<sup>48</sup> See *Status Report Re: Service on Respondent Bradley M. Holts* and exhibits attached thereto (filed with Commission on January 9, 2024).

The undisputed facts and analysis of the *Steadman* factors demonstrate that the public interest weighs heavily in favor of the remedial sanctions sought herein. The Final Judgment in *SEC v. Holts*<sup>49</sup> finding that Holts committed securities fraud supports this conclusion. Additionally, the facts that gave rise to that Final Judgment<sup>50</sup> establish that permanently barring Holts from association with a broker, dealer, investment adviser, municipal securities dealer, municipal adviser, transfer agent, or nationally recognized statistical rating organization, and from participating in an offering of penny stock, is an appropriate remedy and is necessary for the protection of investors.

### CONCLUSION

For the reasons set forth above, the Division requests that the Commission find Holts in default and enter an order permanently barring him from associating with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and from participating in an offer of penny stock, as authorized by Exchange Act Section 15(b)(6).

Respectfully submitted this 29<sup>th</sup> day of April, 2024.

*s/ Jodanna L. Haskins*

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<sup>49</sup> **Exh. 5.**

<sup>50</sup> *Id.*

**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the Division of Enforcement's Motion for Entry of Default and Leave to File Motion for Summary Disposition was served on the following on this 29<sup>th</sup> day of April, 2024, in the manner indicated below:

Vanessa A. Countryman  
Office of the Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Mail Stop 1090  
Washington, D.C. 20549  
*(Via eFap Filing System)*

Bradley Morgan Holts



*Respondent*  
*(Via U.S. Mail)*

*s/ Jodanna L. Haskins*