

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2005001378601

TO: Department of Enforcement
NASD

RE: Roy Golladay, Respondent
Former Investment Company and Variable Contracts Products Representative
CRD No. 1856856

Pursuant to Rule 9216 of NASD Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against me alleging violations based on the same factual findings.

I understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
3. If accepted:
 - a. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against me;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about my disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC

is without factual basis. Nothing in this provision affects my testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

I also understand that my experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Roy Golladay ("Golladay") entered the securities industry in August 1988 as an Investment Company and Variable Contracts Products Representative of a member of NASD. Golladay was last associated with a member firm, Fox and Company Investments, Inc. ("Fox") from January 1995 through April 2005. Golladay is not presently associated with a member. Golladay's disciplinary history consists of one matter. On June 9, 2005, Golladay consented to a Cease and Desist Order by the Arizona Corporations Commission, wherein it was determined that Golladay: borrowed money from clients in violation of Fox's policies and procedures; failed to disclose outside business activities and private securities transactions in violation of Fox's policies and procedures; and raised money from investors which were not recorded on Fox's books and records, in violation of Fox's policies and procedures. As a result, Golladay's securities salesman registration was revoked and he was ordered to pay restitution of \$797,484.

I.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's

participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:

1. In or about May 2005, NASD commenced an investigation to determine whether Golladay may have violated various federal securities laws and NASD rules by, among other things, his handling of investors funds and by engaging in outside business activities and private securities transactions. On or about September 9, 2005, and September 26, 2005, NASD sent Golladay written requests that he provide certain information and documents to NASD that it believed were relevant and necessary to its investigation. While he did provide some information and documents, Golladay failed to provide all responsive documents and information.

By reason of the foregoing, Golladay violated NASD Procedural Rule 8210 and Conduct Rule 2110.

2. From on or about November 27, 2002 through July 1, 2004, Golladay obtained approximately \$141,000 from five people to finance PDL Financial Services, LLC ("PDL"), a pay-day loan business that he owned and operated. The investors received promissory notes from PDL, secured by PDL accounts' receivable. Golladay failed to provide Fox with prior notification in writing of his participation in these securities transactions, describing in detail the proposed transaction and his proposed role therein and stating whether he had received or might receive selling compensation in connection with the transaction.

By participating in private securities transactions, without providing prior written notice to the member with which he was associated, Golladay violated Conduct Rule 3040 and also engaged in conduct inconsistent with high standards of

commercial honor and just and equitable principles of trade in violation of NASD Conduct Rule 2110.

3. From approximately 1995 through 2005, without providing prompt written notice to Fox, Golladay owned and operated the following businesses: Check and Send, PDL and the Investment Group. By reason of the foregoing, Golladay violated Conduct Rule 3030 also engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of NASD Conduct Rule 2110.

4. From approximately 1995 through 2003, Golladay, doing business as the Investment Group, solicited approximately \$2,000,000 from at least 20 persons (some of whom were Fox customers) to fund mortgages. Following the investments described above, Golladay failed to maintain documentation evidencing what he did with the money received from these individuals for investment purposes. Moreover, Golladay did not use all the money collected for the stated purpose of funding mortgages. In addition, Golladay transferred portions of the money into other business accounts he controlled, thereby co-mingling customer funds with the funds of other businesses. The foregoing acts, practices and conduct violated NASD Conduct Rules 2330(a) and 2110.

B. I also consent to the imposition, at a maximum, of the following sanctions:

A bar from association with any member of NASD in any capacity.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this AWC by the NAC.

III.

OTHER MATTERS

A. I understand that if I am barred or suspended from associating with any NASD member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce me to submit it.

2/28/05
Date

Roy Golladay
Roy Golladay

Reviewed by:

Brian J. Schulman
Brian J. Schulman
Counsel for Respondent

Accepted by NASD:

3/24/06
Date

Signed on behalf of the
Director of ODA, by delegated authority

for Heather Alunker
Helen G. Barnhill
Regional Counsel
NASD Department of Enforcement
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(303) 446-3111

**NASD District
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