

**NASD**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 2006006831001**

TO: Department of Enforcement  
NASD

RE: Kenneth C. Holtsclaw, Respondent  
General Securities Principal and  
General Securities Representative  
[CRD No.1220860]

Pursuant to Rule 9216 of the NASD Code of Procedure, Respondent submits 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 the 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 the 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:

Kenneth C. Holtsclaw became registered as a General Securities Representative on December 21, 1983 with Smith Barney, Harris Upham & Co., Incorporated (n/k/a Citigroup Global Markets Inc.), a member of NASD. During all periods mentioned herein, Kenneth C. Holtsclaw was associated with Invest Financial Corporation, and was registered with NASD under Article V of the By-Laws as General Securities Principal and a General Securities Representative. Holtsclaw is not currently associated with any member firm and has not previously been the subject of a formal disciplinary action by any regulatory body.

**I.**

**WAIVER OF PROCEDURAL RIGHTS**

I specifically and voluntarily waive the following rights granted under the 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. From on or about July 27, 2006 to on or about October 19, 2006, Kenneth V. Holtsclaw falsified business expense reports, receiving sums to which he was not entitled. The written supervisory procedures of his employer member firm specified that registered representatives would be reimbursed for actual documented meal expenses up to a daily allowance. In seven instances, rather than request reimbursement for the actual meal expense, Holtsclaw requested reimbursement for his meal plus restaurant gift cards or requested reimbursement for the meals of unauthorized guests. In total, Holtsclaw received \$282.72 to which he was not entitled.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rule 2110 by Respondent Kenneth C. Holtsclaw.

2. By letter dated March 5, 2007, the NASD District staff requested that Holtsclaw appear for on-the-record testimony and provide certain information to the staff. This request for information was sent to Holtsclaw's address as reflected in the Central Records Depository and were sent pursuant to, and in accordance with, the provisions of Procedural Rule 8210. Holtsclaw informed the NASD that he would not appear for his scheduled on-the-record testimony, and Holtsclaw, in fact, did not appear to provide the information requested.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Procedural Rule 8210 and NASD Conduct Rule 2110 by Respondent Kenneth C. Holtsclaw.

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

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

The sanctions imposed herein shall be effective on a date set by the 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 association 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.

5/2/07  
Date

  
Kenneth C. Holtsclaw, Respondent  
General Securities Principal and  
General Securities Representative  
[CRD No.1220860]

Reviewed by:

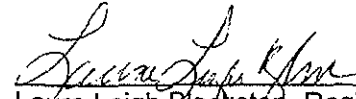
\_\_\_\_\_  
Counsel for Respondent

Letter of Acceptance, Waiver,  
And Consent  
Kenneth C. Holtsclaw  
Case No. 2006006831001  
Page No. 5

Accepted by NASD:

May 25, 2007  
Date

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



Laura Leigh Blackston, Regional Counsel  
NASD, District No. 5  
1100 Poydras Street, Suite 850  
New Orleans, Louisiana 70163-0802  
Phone: 504/522-6527  
FAX: 504/522-4077

**NASD District Director**

Keith E. Hinrichs  
NASD, District No. 5  
1100 Poydras Street, Suite 850  
New Orleans, Louisiana 70163-0802