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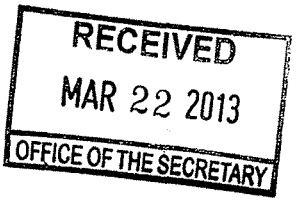

Elizabeth Murphy
Office of the Secretary
Securities and Exchange
100 F Street, NE
Washington, DC 20549

In the Matter of the Application for Appeal
Kent M. Houston
[redacted]

For review of Disciplinary action taken by NAC
RE: Complaint No. 2006005318801: Kent M. Houston
Title of filing: Brief on the issue of appropriate sanctions

My brief will discuss the only two sanctions levied against me.

1) Outside Business Activity. #3030 & 2110.
2) On the Record Hearing. #8210 & 2110.

The recent NAC decision has pages and pages of issues said about me trying to make me look like a bad guy in the eyes of my family, friends and member firms. I have answered these issues now going on seven years. These issues have been answered to the satisfaction of both Finra and NAC or they would be sanctions against me, and there not.

The investigation against me started in the Fall of 2006. We are now in year seven and though my reputation and good name in the Securities Industry has been Tarnished I will never give up the fight to clear my record and get myself back in my chosen field of twenty plus years.

Finra web site: "Finra staff and Respondents also may use sanction guidelines in Crafting Settlements, acknowledging the broadly recognized principle that Settled cases generally result in lower sanctions than full litigated cases to provide Incentives to Settle". Settle! Finra never had any intention to settle this matter! I asked to settle this matter over a dozen times in the past Seven years, enforcement always said NO! I had discussions with Finra Mediator trying to get parties to reach an equitable settlement. My Mediator took our Settlement offer to enforcement, again they said NO! After Seven years, and all the Time, Energy and Money invested in this matter I still can't believe it is in the best interest of Finra not to have Settled this matter.

In the Matter of the Outside Business Activity:
Exhibit #1, Dated Nov. 21, 2007.
I admitted to my guilt in not correctly signing the O.B.A. and Disclosure of Appointment document give me in my firms yearly contract. The Disclosure of Appointment was later discharged. I admitted my guilt to these infractions back in 2007. With my admittance of guilt this matter should have come to an End. Later in the document I said "Please give me a call to discuss an equitable settlement".
This matter should have ended then.
Finra web site: "When O.B.A. does not involve aggravating conduct consider suspending respondent for up to Thirty Days". That was the Correct, Just and Fair sanction in this situation.

The following are sanctions gotten from Finra web site in first quarter of this year. These are recorded sanctions against four respondents.

Case# 2012033265101	30 day suspension	$5,000 fine
2010024740901	20 day suspension	$5,000 fine
2011029832701	10 day suspension	$5,000 fine

If you take time to read these you'll see all these cases are egregious compared to my situation. My personal favorite is the following case.
Case# 2012031636001 30 day suspension $0 fine.

The respondent engaged in an Outside Business Activity after his member firm denied his request to engage in the activity. Here's a respondent that blatantly dis regarded the ruling by his firm. That is far worse than anything I did. This respondent gets a thirty day suspension with no fine and I get a year suspension with a $50,000 fine. Sanctions should be imposed Consistently and Fairly. In this case and my matter not even close to being Just and Fair.

Adjudicators should always consider a respondents disciplinary history in determining sanctions. They were not considered in my case. In twenty plus years as Representative in this Industry I have never been disciplined by my firm nor have I ever had a client complaint brought against me.

Imposing sanctions are to remediate misconduct by preventing the recurrence of misconduct, protecting the investing public. I can say with 100% Honesty that this will never happen again, lesson has been learned.

I believe the adjudicators should have considered the following factors in determining sanctions against me.
1) Respondents relevant disciplinary history. I have a clean twenty year history of any disciplinary actions against me by my firm.
2) Whether respondent accepted responsibility of misconduct. I have admitted my guilt from the on set of this investigation. See Exhibit #1.

I don't believe the sanctions imposed on me are Consistent and Fair, I believe the adjudicators over reached in imposing penalties. I have been suspended now going on month twent-five.

In the matterof the On the Record Hearing:
Finra rule #8210 states, "Requires a member, to provide information orally and in writing". The record has shown that for the past seven years I have produced exhibits and written communications requested of me by enforcement. During this investigation I have been labeled as someone who has avoided my responsibility in this investigation. Nothing could be farther from the Truth.
I have been aggressive in my defense without legal counsel by answering all the questions asked of me. I have produced all documents requested from me. I have participated in all conference calls asked of me.
I appeared in Los Angeles for the NAC on the record hearing, that is a two and half hour drive for me.
I don't see my actions over the past seven years as one who has avoiding his responsibility in this matter. I have met my burden to provide written information requested of me by Finra.

See Exhibit #1. "Thank you for accepting my written answers to these sanctions and I would have nothing further to add and will not be attending the OTR hearing scheduled on the 27th.".
I have stated over and over in all my writings and Briefs that I thought the OTR hearing was awarded to me if I wanted to argue the sanctions imposed against me.
I had professed my guilt back in 2007 and had asked to move on to an equitable settlement. I did not want to fight the sanctions against me that is why I did not attend hearing.
I have expressed for years that this was a mis-understanding between myself and enforcement. Had Mr Kornfeld (Finra Enforcement) contacted me stating the OTR hearing was for further questioning I would have driven to Los Angeles to attend hearing. I was present at the NAC hearing at the same location months later.
Mr. Kornfeld knew I did not have legal counsel, we talked many times via the phone or by written correspondence. Mr. Kornfeld had my phone number, he had my address he could have reached me to discuss merits of the hearing and why I was asked to appear.
I should have been awarded some leniency as a broker, as a citizen in this mis-understanding on the reason for the hearing. A simple phone call would have cleared up the mis-understanding and I would have attended the hearing.
I truly believe that once I said I would not be attending the hearing enforcement said to themselves, Gotch ya!, now they could hit me with rule #8210, because all they had on me before that was an Outside Business Activity charge.

I want to address the issue of fines levied upon me. Finra web site, "Adjudicators are required to consider ability to pay in connection with the imposition, reduction or waiver of a fine or restitution. Consider a respondent's Bona Fide inability to pay when imposing a fine or restitution".
I do not have the ability to pay these fines imposed on me. I have not worked or earned any income in over two years. My net worth is under [redacted].
My divorce was finalized in January of this year, my home goes into foreclosure in June.
I have been on food stamp aid for over a year to help feed myself and children.
I want to apply for Financial Hardship. I would refer you back to the case ruling #2012031636001, the respondent was granted waiver on being levied fines that probably wouldn't have exceeded $10,000.

The NAC decision dated Dec. 22, 2013 finds the following.
1) O.B.A. violation imposed sanction of one year suspension and $50,000 fine.
2) OTR violation imposed sanction of two year suspension and $25,000 fine.

The NAC ordered the suspensions to be served consecutively.

I argue the suspension and fines to be over reaching and not Fair and Just. My seven years of writings show Finra and NAC never negotiated in good faith to settle this matter.
I also showed that the sanction guidelines were not imposed Consistently and Fairly.
I don't believe adjudicators looked into or considered respondents disciplinary history in determining sanctions.
I accept responsibility of misconduct, I provided seven years of substantial assistance in this investigation.
I met my my obligation to provide Honest and Truthful information requested of me in a timely manner without regulatory pressure.

Neither of the allegations against me involve aggravating conduct that would warrant such harsh penalties.
If these sanctions were to be stayed that would be FIVE consecutively years that I would be suspended from the Securities Industry. My conduct was never intended to Mislead my firm, Injure my firm, Hide anything from my firm or investors and there was no aggravating conduct on my part.

Taking all the factors I have outlined into account I believe the three year suspension should be vacated. The Fair and Just sanction against me should be time served. I have been out of the Industry for over two years. Due to my Financial Hardship I believe the monetary fines levied against me should also be vacated. My current two years not being able to practice my trade is enough to prevent the recurrence of misconduct.
Time served through all I have been through defending myself is the Correct, Just and Fair sanction that should be imposed on me.

Kent Houston

Exhibit #1

FINRA Los Angeles

District Office

November 21, 2007

Joel T. Kornfeld
300 Sou. Grand Ave.
Los Angeles, CA 90071

Dear Mr. Kornfeld:

Enclosed please find my written answers to the violations imposed on me by the NASD.

1) Outside Business Activity:
After further review of the code I admit to being responsible for not providing my firm with written notice of this business activity.
I did not feel this relationship with my Aunt was business or work I believed it to be me helping out a member of my family. My firms compliance officer was aware of my receiving monies from my Aunt. It was the firms compliance officer who first suggested to me to have my Aunt compensate me as I could not charge a commission on trades. After 13yrs. Of filling out the firms paperwork I mistakenly signed an incorrect business activity form. I only wish my compliance officer had caught this mistake and sent it back to me for correction.
I often wonder why this document was found when it was three years after I signed it instead of three days, three weeks, three months?

2) Disclosure of Appointment:
After further review I admit to being responsible for signing an incorrect disclosure doc. My firm in 2001 received legal doc. Appointing me as successor trustee on my Aunt's account. My compliance officer was fully briefed and aware of this account and my relationship with my Aunt. I became legal trusted in June of 2005 and within ten days of my appointment I sent this legal doc. To my firm. It was at this time I requested that my Aunt's acct. be re-registered to show new trustee designate. My firm never registered acct. per my Aunt's instructions.
Later in 2006 I re-sent all legal doc. Requesting change of registration on acct. and again no action was taken. My Aunt's acct. was never correctly registered up to her death in June of 2006.
I sent a letter on her behalf to the NASD Dispute Resolution Dept. referencing the above matter.
Again, I admit to being responsible for signing an incorrect doc. But my firm First Wall Street Corp. was well aware of my appointment as successor and later trustee of my Aunt's account.

Exhibit #1

Settlement:

I have been an investment rep. Approx. 20 years. During that time I have had one arbitration matter and not a single client complaint made against me. I enjoy my work and have cherished the many long relationships I've built with my clients. Many of these relationships have grown to be much more than just professional in nature.

Looking back on this matter I had a great 13 years with First Wall Street Corp. and even thought this would be my last broker dealer I would work with.

At no time was their intent on my part to:

1) Mislead the firm.
2) Injure the firm
3) Hide anything from the firm.
4) No aggravating conduct on my part.

My firm had oversight authority over my Aunt's account and my handling of account as the broker of record for the six years her account was with the firm. Never once did the firm contact my Aunt to discuss anything pertaining to the handling of her trust account. I have a wife and three kids to support and want to continue in this profession. Please give me a call to discuss an equitable settlement.

Thank you for accepting my written answers to these sanctions and I would have nothing further to add and will not be attending the (OTR) scheduled on the 27th.

Sincerely,

Kent Houston

Exhibit #2

March 4, 2013

Jennifer Brooks
Office General Counsel
Finra

Dear Ms. Brooks:

I want to express my concerns while expecting to get an answer from you on the following matter.
Please refer to the NAC decision dtd. Feb. 22, 2013. Please see pg. 12, footnote #24, starting with "Houston asserts that he". I was eliminated from the suspension imposed on me Dec. 22, 2010 awaiting my SEC appeal.
When SEC VACATED the sanctions imposed by Finra on the SEC doc. dtd. Dec. 28, 2011 the suspension on me was lifted.
Simple question to you, why was I not notified that the suspension was lifted? Your inaction caused me to sit out another full year from being licensed and working.
Please see enclosed copy of the brief sent to Finra and the NAC dtd. Jan. 25, 2012. I have highlighted line nine and line 15. In both these lines I am stating I am under suspension and asking to have suspension lifted.
This brief went to you, Mr. Kornfeld, Mr. Orenstein, Mr. Love and the NAC panel.
I contend all parties named above deliberately and intentionally knew and withheld the information that my suspension was lifted and I could have regained my license at that time once the bar was vacated.
Due to all your inaction of not informing me of vacated suspension I sat out another year of work.
Would you please answer why I was not notified by you and ask NAC panel while they waited a year to notify me that I was eliminated from suspension.
I expect to hear back from very soon.

Sincerely,

Kent Houston
#20060053318801

Exhibit #3

be determined precisely by comparison with actions taken in other proceedings or against other individuals in the same proceeding.").

We likewise find no mitigation in Houston's assertion that the NAC should not impose any sanctions because he has no disciplinary history over the course of his 20-year career. As we have emphasized many times, the absence of disciplinary history is not mitigating. *See Dep't of Enforcement v. Winters*, Complaint No. E102004083704, 2009 FINRA Discip. LEXIS 5, at *21 (FINRA NAC July 30, 2009); *see also Rooms v. SEC*, 444 F.3d 1208, 1214-15 (10th Cir. 2006) (determining that the lack of disciplinary history is not mitigating and the representative "was required to comply with the NASD's high standards of conduct at all times").

Houston also argues that any sanction is excessive and should be limited to "time served" because he has already spent his time and money defending this matter and needs to resume working.[24] The economic hardship that results from disciplinary sanctions and the impact that this matter may have upon Houston do not mitigate his misconduct. *See Hans N. Beerbaum*, Exchange Act Rel. No. 55731, 2007 SEC LEXIS 971, at *20 (May 9, 2007); *see also Gowadia*, 53 S.E.C. at 793 (holding that "economic harm alone is not enough to make the sanctions imposed upon [respondent] by the NASD excessive or oppressive"); *Dep't of Enforcement v. Cipriano*, Complaint No. C07050029, 2007 NASD Discip. LEXIS 23, at *40-41 (NASD NAC July 26, 2007) (determining that the impact that a matter has upon a respondent's career does not mitigate sanctions).

For the reasons set forth above, we suspend Houston for two years and fine him $25,000 for his failure to provide testimony.

B. Outside Business Activities

The Guidelines for outside business activities recommend a fine of $2,500 to $50,000 and a suspension of up to 30 business days where the misconduct does not involve aggravating factors.[25] The Guidelines recommend a suspension up to one year where aggravating factors are present.[26] In an egregious case, the Guidelines recommend a suspension of more than one year

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[24] Houston asserts that he is currently serving "his suspension" from all business activity. Houston misunderstands the consequence of the Commission's order. The Commission's order vacating the bar and remanding the case to us eliminated any suspension upon Houston while we redetermined sanctions consonant with the Commission's decision.

[25] *Guidelines*, at 14. 12/21/11

[26] *Id.*

There was no failure to respond or to respond Truthfully. I never provided partial or incomplete responses to Finra. I provided relevant and responsive information to all requests from Finra. I provided all information, met all phone interviews in a on time manner, with no regulatory pressure required. If deficiencies in any of my responses occurred I corrected them or provided additional information requested. I met all deadlines to produce information requested and I never backed off my responsibility to answer all questions or provide information requested by Finra.

As a respondent I always provided substantial assistance to Finra in it's examination and or it's investigation of the underlying misconduct.
As a Securities Rep. in the conduct of my business, I observed high standards of honor and just and equitable principles of trade. My record has shown that.
My conduct was Unintentional, did not involve Manipulative, Fraudulent or Deceptive intent, my conduct did not result in injury to my investors.
I would ask the SEC in my appeal review not to let these two indiscretions end what has been a clean and honorable twenty plus year career in the Securities Industry.

Exhibit #2. This is my letter to Ms. Brooks, dated March 4, 2013.
I stated I have not been working in the Industry for over twenty-four months. I had just found out at the time of writing this letter that my suspension was lifted when SEC vacated the sanction of a bar and referred it back to the NAC for review.

Exhibit #3, see footnote 24. Quote, "Houston misunderstands the consequence of the commissions order. The commission's order vacating the bar and remanding the case to us eliminated any suspension upon Houston while we redetermined sanctions".
My letter was asking why all involved from Finra to NAC why I was not notified that the suspension was lifted.
I sat out another full year believing I was still suspended. All parties from Finra and NAC knew I did not have legal counsel. A phone call or a letter notifying me of my misunderstanding on the suspension was in order. I contend that all parties with Finra and NAC Deliberately and Intentionally knew and withheld the suspension information from me. I should have regained my license at the time the SEC vacated the bar against me.

Exhibit #4, I express in this brief more than once that I believe that I am still suspended from my practice in the Securities Industry. I ask in the brief that the suspension should be lifted. This brief went to Enforcement and NAC. Are you going to try and tell me not one of the attorney's who read this brief caught the issue of the lifting of the suspension I thought I was still under. This brief was read by at least seven people with knowledge of the rules in this matter. Finra and the NAC like to use words like egregious, mitigating, aggravating when outlining the case against me. I believe those words should be turned back on them in this matter of my not been informed on the lifting of my suspension.

Exhibit #4

January 25, 2012

NAC .casefilings@finra.org

In the Matter of the Application of

Kent M. Houston

For Review of Disciplinary Action Taken by Finra

RE: Complaint No. 2006005318801: Kent M. Houston

Title of Filing: Brief on the issue of appropriate sanctions

Exhibit #4

The following is my brief on the issue of appropriate sanctions for the two violations. I spent days thinking about what I was going to say in this brief before I put pen to paper. One thought was to write pages and pages filled with exhibits defending myself against these two violations. The record is filled with seven years of exhibits and writings that you already have read. I settled on telling my story, it is the truth and I'm sticking to it.

This investigation is now in it's seventh year. I am still amazed these matters are still pending after all this time.

The Outside Business Activity is one that I have admitted to my wrong doing. You'll find in the record my letter dated Nov. 21, 2007 sent to Mr. Kornfeld Of Finra where " I admitted to being responsible for not providing my firm with Written notice of this business activity". If I've written and said this once I've Said it a dozen times.

My research on the Finra website shows the average sanction for this violation is A suspension of two weeks to thirty days and a fine under ten thousand dollars. I admitted to this mistake, I took responsibility for this mistake over four years Ago. I asked Finra to work with me to come up with an equitable penalty so we Could settle this matter and I could move on with my business. My settlement Request can be found in my Nov. 21, 2007 letter to Finra when I pled my guilt In this matter.

Exhibit #4

I have talked, written and answered questions about the On the Record Hearing Violation. I've said from the start it was a misunderstanding and miscommunication with With myself and Finra. My personal and legal belief was that when I pled my guilt In the O.B.A. violation I believed this matter was over. I asked to move on to the Sentencing phase. I asked Finra to discuss an equitable settlement. I admitted my Guilt to Finra, NAC and the SEC and I just wanted this matter settled and behind me. My misunderstanding come from my legal belief that after pleading my guilt in the O.B.A. violation I would move on to the sentencing phase. It was my belief that the On the Record Hearing was presented to me if I wanted to defend myself against These charges. I was not going to put up a defense I had already pled guilty to the Violations. I should have been contacted and told the hearing was for all matters in this Investigation and I would have appeared. I was not against a hearing as I appeared for The NAC hearing.

I have been in the Investment Business for over twenty years. I have never had a Disciplinary action taken against me by my firm. I have never had a complaint filed Against me by a client.

At no time was their intent on my part to:

1) Mislead my firm.
2) Injure my firm.
3) Hide anything from my firm.
4) No aggravating conduct on my part.

Exhibit #4

Furthermore on the issue of the on the Record Hearing I have been labeled for years As someone who has avoided my responsibility in this investigation. Nothing could Be farther from the truth. If I was avoiding this matter I wouldn't have been so Aggressive in my defense over these last seven years. I have answered all the questions Put forward to me. I have sent all the documents requested from me. I have participated In all the conference calls asked of me. I spoke with a mediator per Finra suggestion. I attended the NAC hearing. I appealed my case to the SEC. I don't see my actions over The past seven years as one who has been avoiding my responsibility.

I am currently serving a suspension from all business activity. This suspension is fast Approaching one year. This suspension has put great hardship on my family, my Business, my clients, my finances and me personally.

I believe the original sanctions against me are excessive and the punishment does not Fit the crime. I will always believe this matter should have ended with my guilty plea Back in 2007.

I believe the current suspension should be lifted and my penalty be time served. I hope My twenty year clean record will be weighed when making your decision.

I want to get back to work with my clients. I need to resume my business to provide for My family. I hope you see it my way and I ask for a speedy decision so I can put this Matter behind me and move forward.

Sincerely,

Kent Houston