

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Freedom Investors Corp.
(BD No. 23714),

Gary Gossett
(CRD No. 1939514)

Amy Siesennop
(CRD No. 2735819)

and

Joel Blumenschein
(CRD No. 1372334),

Respondents.

Disciplinary Proceeding
No. 2010025132201

Hearing Officer - MC

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: April 23, 2012

INTRODUCTION

Disciplinary Proceeding No. 2010025132201 was filed on September 22, 2011, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Complainant filed an Amended Complaint on April 3, 2012, also under Disciplinary Proceeding No. 2010025132201. Respondents Freedom Investors Corp., Gary Gossett and Joel Blumenschein submitted an Offer of Settlement (Offer) to Complainant dated April 20, 2012. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued

pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondents have consented, without admitting or denying the allegations of the Amended Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Amended Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

1. Gary Gossett entered the securities industry in 1989 as a General Securities Representative with a member of FINRA. In January 2008, he became associated with Freedom Investors Corp., where he remained until December 10, 2010. Although he is not currently registered, FINRA retains jurisdiction over Gossett because (1) the original Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA member, and (2) the Amended Complaint charges him with misconduct committed while he was associated with a FINRA member.

2. Freedom Investors Corp. has been a FINRA member since February 1989. The firm conducts a general securities business and is headquartered in Brookfield, Wisconsin. The firm has approximately 30 registered representatives associated with it.

3. Joel Blumenschein entered the securities industry in 1985 as a General Securities Representative and a General Securities Principal with a member of FINRA. In October 2002, Blumenschein became registered with Freedom Investors Corp., where he currently serves as

President. He also maintains an approximate 50% ownership interest in Freedom Securities, Inc., which wholly owns Freedom Investors Corp. Blumenschein is also registered as a General Securities Principal and a General Securities Representative at KCD Financial (BD No. 127473) and EZ Stocks, Inc. (BD No. 103866).

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:¹

SUMMARY

1. In 2009 and 2010, Gary Gossett, a registered representative subject to heightened supervision at Freedom Investors Corp. (the firm), engaged in a series of unsuitable penny stock trades in the retirement account of a customer of limited means. In addition, Gossett exercised discretion in the customer's account without obtaining written permission from the customer or the firm. He also falsely marked order memoranda for solicited transactions as unsolicited, causing the firm's books and records to be inaccurate.

2. After the customer complained of Gossett's conduct, the firm, acting through Amy Siesennop, a principal at the firm, settled with the customer under an agreement containing impermissible guarantees against loss and an undertaking not to file a complaint with FINRA.

3. During the same time period of 2009-2010, Freedom Investors maintained an unstructured, deficient system for the supervision of its registered representatives. Joel Blumenschein, President and co-owner of Freedom Investors, was responsible for the supervisory system as well as for the supervision of Gossett and Siesennop. The supervisory system was so inadequate that Blumenschein was unable to provide a consistent or coherent description of it

¹ The findings herein are pursuant to Respondent Freedom Investors Corp., Gary Gossett and Joel Blumenschein's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

during his investigative testimony. His testimony, under oath, was at times both evasive and contradictory, thus highlighting the system's inadequacies. At best, Freedom Investors' system of supervision consisted of Blumenschein's periodic review of a trade blotter, which Blumenschein knew was inadequate for evaluating suitability of recommendations.

Blumenschein's deficient supervision enabled the unsuitable penny stock trades to continue until the customer complained of losses in his account, and allowed the firm to enter into an agreement containing impermissible guarantees against loss and an undertaking not to file a complaint with FINRA.

4. The firm and Siesennop, who was designated as Blumenschein's supervisor, failed to supervise Blumenschein by failing to ensure that Blumenschein was supervising Gossett's activities. The firm and Siesennop also failed to timely and accurately report the complaint lodged by Gossett's customer. The firm also operated a securities business while below its minimum required net capital after the settlement caused a net capital deficiency.

5. In or about September 2008, Siesennop altered a firm document in anticipation of a FINRA examination of Freedom Investors, showed the altered and misleading document to a FINRA examiner during the firm's exam, and then placed the altered document in the firm's books and records knowing it to be altered with inaccurate information. Thereafter, in and around December 2, 2011, in response to a post-Complaint Rule 8210 request, Siesennop again knowingly provided the altered document to FINRA.

RECOMMENDING UNSUITABLE TRANSACTIONS
NASD Rule 2310 and FINRA Rule 2010
Gary Gossett

6. Gary Gossett was a registered representative of Freedom Investors who operated out of his residence in Spokane, Washington. Because of prior customer complaints and the

concerns of a state regulator, the firm placed Gossett on heightened supervision when he became associated in 2008.

7. In August 2009, customer JT opened an Individual Retirement Account (IRA) with Gossett at the firm. The IRA was funded with approximately \$80,000 from a retirement plan rollover.

8. JT's new account form identified him as a laborer, approximately 40 years old, with very limited investment experience, and with an income of less than \$50,000 and a liquid net worth of less than \$50,000. The new account form listed growth as his primary investment objective, with speculation as his secondary objective.

9. Between August 2009 and February 18, 2010 (the relevant period), Gossett made approximately 47 trades in JT's account, with 28 of those trades involving purchases of unsuitable penny stocks.

10. These transactions included purchases of SilverVerde May Mining, a company with no operations, and MIPSolutions, an entity attempting to commercialize, with little or no success at that time, an experimental polymer. At one point Silver Verde accounted for approximately 13% and MIPSolutions accounted for approximately 16% of JT's retirement account.

11. During the relevant period, penny stocks comprised more than 50 % of JT's account.

12. Gossett's recommendations to JT of the 28 penny stock transactions alleged in paragraph 9 above and set forth in Exhibit A of the Amended Complaint were unsuitable for the customer on the basis of his financial situation and needs.

**CAUSING FIRM'S BOOKS AND RECORDS TO BE INACCURATE
NASD RULE 3110 AND FINRA RULE 2010**

Gary Gossett

13. When effecting the transactions described in paragraph 9 above, Gossett marked the order memoranda for 30 of the trades as unsolicited orders, although all of the orders were, in fact, solicited by Gossett.

14. By falsely marking the orders as unsolicited, Gossett caused the firm's books and records to be inaccurate and therefore not compliant with Exchange Act Rules 17a-3 and 17a-4.

**EXERCISING DISCRETION WITHOUT WRITTEN AUTHORITY
NASD RULE 2510 AND FINRA RULE 2010**

Gary Gossett

15. Gossett effected the 47 transactions described in paragraph 9 above on a discretionary basis, without JT's or the firm's prior written authorization.

**GUARANTEEING A CUSTOMER AGAINST LOSS
FINRA RULES 2150 AND 2010**

Freedom Investors

16. The firm received a complaint letter from JT on or about February 18, 2010. JT expressed concerns about losses in his account, which had dropped in value by at least \$10,000 between August 2009 and February 2010, the suitability of penny stock trades, the amount of commissions he was charged, and the concentration of his account in penny stocks, among other issues.

17. On April 12, Siesennop sent a letter to JT incorporating a formal settlement agreement under which if, after a period of 18 months, the losses sustained in the account were not recovered, the firm would pay JT the difference plus 5% interest. The letter included the

statement:

In order to make your account whole, within a reasonable time frame given the fluctuation in stock prices, we propose to make your account whole within eighteen (18) months. If after 18 months you have not made back the original investment of \$75,323 (\$81,990 amount deposited minus \$6666.67 amount withdrawn), your account will be made whole.

After eighteen months, if the difference has not been made up, the difference would be paid to you plus 5% interest.

18. The settlement agreement was signed, accepted and dated by JT on May 24, 2010, and accepted by Siesennop on behalf of the firm on May 31, 2010.

**SETTLING WITH CUSTOMER
IN EXCHANGE FOR AGREEMENT NOT TO COMPLAIN TO FINRA
FINRA RULE 2010
Freedom Investors**

19. In the same April 12, 2010 settlement agreement, Siesennop included a provision that conditioned the settlement on JT's not filing a complaint with FINRA:

In return you agree not to file a complaint with FINRA, unless we do not make your account whole by October 31, 2011.

**FAILURE TO SUPERVISE AND REVIEW
CONDUCT AND CORRESPONDENCE OF A FIRM PRINCIPAL
NASD Rule 3010 and FINRA Rule 2010
Freedom Investors and Joel Blumenschein**

20. Blumenschein was designated in the firm's written supervisory procedures (WSPs) as Siesennop's supervisor during the relevant period. Accordingly, Blumenschein, acting on behalf of the firm, was responsible for reviewing Siesennop's activity, including her correspondence.

21. On or about March 4 and April 7, 2010, Siesennop, on behalf of the firm, sent

correspondence to JT responding to the February 18, 2010 complaint and proposing a settlement in general terms. As Blumenschein knew, Siesennop is not an attorney and had no prior experience negotiating settlements.

22. Although Blumenschein was aware that Siesennop was corresponding with JT concerning a settlement, he did not review either the March 4 or the April 7 letter.

23. In addition, on April 12, Siesennop sent a letter to JT incorporating the formal settlement agreement described above in the Fourth Cause of Amended Complaint.

24. Blumenschein did not review the April 12 letter which incorporated the settlement agreement, nor did he review another letter that Siesennop sent to JT on April 26, 2010, responding to additional questions that JT had posed.

25. On October 6, 2010, after being told by FINRA that the settlement agreement violated FINRA rules, Siesennop negotiated a revised agreement with JT which eliminated the violative provisions.

26. Despite knowing FINRA's objections to the first agreement, Blumenschein allowed Siesennop to draft and sign the revised agreement, again without reviewing the document.

**FAILURE TO SUPERVISE REGISTERED REPRESENTATIVE AND
REVIEW TRANSACTIONS FOR SUITABILITY IN JT'S ACCOUNT
NASD Conduct Rules 3010 and FINRA Rule 2010
Freedom Investors and Joel Blumenschein**

27. Because of prior customer complaints and the concerns of a state regulator, the firm placed Gossett on heightened supervision when he became associated in 2008. Under the terms of Gossett's heightened supervision plan, Blumenschein was responsible for reviewing and supervising Gossett's activity, including conducting a daily review and approval of all of

Gossett's transactions and new account documents.

28. Although he was Gossett's immediate supervisor, Blumenschein did not review transactions in JT's account in relation to the customer's financial situation or investment objectives, made no customer-specific suitability analysis, and did not identify any transaction in JT's account as cause for heightened scrutiny. Nevertheless, during the investigation, Blumenschein conceded to FINRA that SilverVerde May Mining and MIPSolutions were not suitable for an investor such as JT.

29. While Gossett was effecting trades in JT's account, Blumenschein never questioned or documented any concerns about any transaction in JT's account.

**FAILURE TO ESTABLISH AND MAINTAIN AN
ADEQUATE SUPERVISORY SYSTEM
NASD Conduct Rule 3010 and FINRA Rule 2010
Freedom Investors and Joel Blumenschein**

30. During the relevant period, Freedom Investors, acting through Blumenschein, failed to design and implement a system to reasonably supervise customer transactions effected by the firm's registered representatives.

31. According to Blumenschein, during the relevant period, the firm supervised representatives' transactions primarily by means of Blumenschein's periodic review of a daily Order Activity Report supplied by Freedom Investor's clearing firm.

32. The Order Activity Report listed transactions and related data such as the number of shares bought or sold and the price per share, but lacked customer-specific information needed for a suitability analysis.

33. Blumenschein testified under oath during the investigation that his practice was to use the Order Activity Report to identify transactions he called "outliers," including transactions

in stocks of companies unfamiliar to him, unusually large purchases, and trades away from the market.

34. Blumenschein dealt with outlier transactions, if at all, in an ad hoc fashion, without documenting either the identified transactions or the resolution, if any, of his concerns.

35. Freedom Investors's procedures specified neither the criteria for identification of outlier transactions, nor how they would be resolved or documented.

36. Freedom Investors's supervisory system involved no regular review, by Blumenschein or any other principal, of transactions in relation to a customer's financial status and investment objectives.

37. From its clearing firm, Freedom Investors could access at least one report that included customer-specific information that could assist a suitability analysis of penny stock transactions. This was the daily Penny Stock Transaction Report. Unlike the Order Activity Report, the Penny Stock Transaction Report included the customer name and investment profile and whether the trade was solicited or unsolicited.

38. During the course of the investigation, Blumenschein provided FINRA staff with differing versions of which reports he utilized during the relevant period. In his initial investigative testimony on October 22, 2010, Blumenschein made no mention of the Penny Stock Transaction Report. Instead, he discussed his use of the Order Activity Report, stating that the absence of the customer name was a shortcoming of this report. When asked by FINRA staff how he could review trades for suitability without relevant customer information, Blumenschein responded, "That is the flaw in the system that I am addressing now."

39. Following the first testimony Blumenschein informed FINRA staff that he had used the Penny Stock Transaction Report as a tool in his review of outlier penny stock

transactions during the relevant period.

40. In subsequent testimony on April 6, 2011, he elaborated on this assertion and stated that he had probably used the Penny Stock Transaction Report two or three times per week.

41. Clearing firm records obtained after the second testimony belie this claim and show that he failed to access the Penny Stock Transaction Report during the relevant period beginning in October 2009. These records reveal that no one at Freedom Investors accessed the Penny Stock Transaction Report until March 5, 2010, after the relevant period, and that Blumenschein never accessed the report until nearly a year later, in February 2011.

42. On June 8, 2011, in a conversation with FINRA staff, when confronted with the clearing firm records, Blumenschein contradicted his prior testimony and told FINRA staff that he must not have accessed the Penny Stock Transaction Report during the relevant period.

**FAILURE TO SUPERVISE
NASD Rule 3010 and FINRA Rule 2010
Freedom Investors**

43. Siesennop was designated in the firm's WSPs as Blumenschein's supervisor.

44. In her capacity as Blumenschein's supervisor, Siesennop was required by the firm's WSPs to supervise Blumenschein. This included ensuring that Blumenschein was properly supervising the registered representatives who reported to him. Siesennop failed to review Blumenschein's supervision of the firm's registered representatives, as required by the firm's WSPs. Specifically, Siesennop failed to determine if the trading activity in Gossett's customer accounts was properly supervised by Blumenschein. Siesennop's failure to review Blumenschein's supervision of Gossett contributed to the firm's failure to detect Gossett's

unsuitable recommendations in the account of JT.

**FAILURE TO PROPERLY REPORT RECEIPT OF COMPLAINT
AND SETTLEMENT
NASD Rule 3070 and FINRA Rule 2010
Freedom Investors**

45. As discussed in paragraph 16 above, the firm received a written complaint from customer JT naming an individual representative, Gary Gossett.

46. The firm also entered into the April 12, 2010 settlement with customer JT for an amount that exceeded \$15,000 when it guaranteed that JT's account would be made whole, or retain its value of approximately \$75,323.

47. The firm, through Siesennop, was required to disclose to FINRA the receipt of the complaint against the individual representative and the settlement within ten days.

48. The firm, through Siesennop, failed to timely disclose the receipt of JT's written complaint and the settlement.

**NET CAPITAL VIOLATIONS AND INACCURATE BOOKS AND RECORDS
SEC RULES 15c3-1, 17a-3, 17a-5, 17a-11
NASD Rule 3110 and FINRA Rule 2010
Freedom Investors**

49. Freedom Investors failed to accrue the liability resulting from the loss guarantee it made to customer JT. The liability reduced the firm's net capital and resulted in its conducting a securities business without the required minimum net capital on May 28, 2010, June 30, 2010, July 30, 2010, and August 31, 2010. Additionally, the Firm's books and records and FOCUS filings were inaccurate, and the firm failed to provide timely notice of its net capital deficiency in filings to the SEC and FINRA.

**PROVIDING FALSE AND MISLEADING DOCUMENT
TO FINRA DURING EXAM
NASD Rule 2110
Freedom Investors**

50. In or about February 2008, Blumenschein met with Gossett in Spokane, Washington, and partially filled out a form entitled "Freedom Investors Corp. Off Site Compliance Review" (the Gossett Form). Certain information on the form was left incomplete, namely, the "Date of Review," "Location of Office," and "Reviewed By." Nor was the Gossett Form signed or initialed by Blumenschein.

51. When Blumenschein returned to Freedom Investors' home office, the partially completed Gossett Form was given to Siesennop and placed in a Freedom Investors' file that was labeled, "2007 Office Reviews."

52. On or about September 2, 2008, a FINRA examiner sent a letter addressed to Siesennop announcing that FINRA was commencing an examination of Freedom Investors on September 8, 2008, covering a review period of June 29, 2006 to September 7, 2008.

53. Enclosed with the FINRA letter was a Records Request List. The FINRA letter stated that the Records Request List contained the names of some of the documents that would be needed for review during the examination of Freedom Investors.

54. In or about September 2008, while preparing for the FINRA examination and in response to the records request, Siesennop gathered documents including the Gossett Form.

55. Prior to producing the Gossett Form to FINRA, Siesennop altered it by filling in several blank lines next to "Date of Review," "Location of Office," and "Reviewed By."

56. Siesennop wrote the date of review as "October 29, 2007," the location of the office as "WA Gary Gossett," and Reviewed by "Amy Siesennop." Siesennop also signed the

Gossett Form and handwrote "10/29/2007" under her signature.

57. Siesennop knew or should have known that the information she wrote on the Gossett Form in or about September 2008 was false or misleading because no review of Gossett or his office was performed on October 29, 2007. In fact, Gossett did not become associated with Freedom Investors until January 23, 2008. Further, Siesennop knew that she had not travelled to Spokane, Washington, met with Gossett or reviewed his office or files. Moreover, Siesennop did not sign the Gossett Form on the date she indicated, 10/29/2007.

CAUSING FREEDOM'S BOOKS AND RECORDS TO BE INACCURATE
NASD Conduct Rules 3110 and 2110
FINRA Rule 2010
Freedom Investors

58. After Siesennop received the Gossett Form from Blumenschein in or about February 2008, she placed the Gossett Form among the firm's books and records, in a folder labeled, "2007 Office Reviews."

59. Although Siesennop and Freedom Investors are required to make and preserve truthful and accurate firm records and documents, including documents related to office inspections and reviews, Siesennop and the firm maintained the altered Gossett Form in the firm's records from approximately September 2008 until approximately December 2011, during which time Siesennop knew the Gossett Form had been altered and contained inaccurate information.

60. From September 2008 until December 2011 when she removed the Gossett Form from the firm's records, Siesennop did not inform FINRA at any point during that time that she had altered the Gossett Form to include inaccurate information, that she signed and affixed an incorrect date on the Gossett Form in anticipation of a FINRA examination or that she

maintained the altered Gossett Form in the firm's records.

**PRODUCING ALTERED AND INACCURATE DOCUMENT
TO FINRA IN RESPONSE TO RULE 8210 REQUEST
FINRA Rules 8210 and 2010
Freedom Investors**

61. On or about November 9, 2011, in connection with the original Complaint, Respondents filed an Answer and included a narrative entitled, "Respondents' Response to the Claim." The narrative included the assertion that "Furthermore, Gossett was the subject of two separate office reviews in the last three years, as well as a compliance meeting in 2009."

62. On or about November 18, 2011, in a post-Complaint Rule 8210 request served on Respondents through their attorney, Enforcement requested "documents and information that relate to the two separate office reviews in the last three years...as asserted in Respondents' Answer at 21."

63. On or about December 2, 2011, pursuant to Rule 8210, Siesennop produced through her attorney, the same Gossett Form that she had altered and produced for the 2008 FINRA examination. When Siesennop produced the Form in response to Rule 8210, she did not inform FINRA that the Form included inaccurate information, or that she had altered the Form in September 2008.

Based on the foregoing, Respondent Gary Gossett violated NASD Rules 2310, 2510 and 3110, and FINRA Rule 2010.

Based on the foregoing, Respondent Joel Blumenschein violated NASD Rule 3010 and FINRA Rule 2010.

Based on the foregoing, Respondent Freedom Investors Corp. violated NASD Rules

2110, 3010, 3070 and 3110, FINRA Rules 2010, 2150 and 8210, and SEC Rules 15c3-1, 17a-3, 17a-5, and 17a-11.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondents from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that

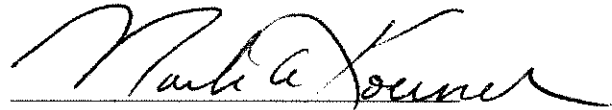
1. Respondent Gossett is suspended for 18 months from associating with any FINRA member in any capacity and is fined \$5,000;
2. Respondent Blumenschein is suspended for three months from associating with any FINRA member in all principal capacities;
3. Respondent Freedom Investors Corp. is censured;
4. Respondents Freedom Investors Corp. and Joel Blumenschein are fined, jointly and severally, \$30,000, and;
5. Respondent Freedom Investors Corp. shall, consistent with the terms of the Offer of Settlement, retain an Independent Consultant, not unacceptable to FINRA staff, to conduct a comprehensive review of the adequacy of the Firm's policies, systems and procedures (written and otherwise) and training relating to the firm's supervision of registered representatives (including those on heightened supervision) and the suitability of transactions recommended to customers by the firm's representatives, including but not limited to the adequacy of the reports that are reviewed in connection with that supervision.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

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



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