

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF STATE  
BUREAU OF SECURITIES REGULATION  
INVO6-003**

**IN THE MATTER OF  
AMERIPRISE FINANCIAL, INC.,  
AMERIPRISE FINANCIAL SERVICES, INC.,  
and LARRY POST,  
*Respondents.***

**CONSENT ORDER**

This Consent Order is effective as of March \_\_, 2008. The State of New Hampshire Bureau of Securities Regulation ("Bureau") alleges that Ameriprise Financial, Inc. and Ameriprise Financial Services, Inc. (collectively, "Ameriprise" or "the Company") and Larry Post ("Post") (all three collectively, "Respondents") have violated certain provisions of RSA 421-B (New Hampshire's Uniform Securities Act), as specified in: (a) the Bureau's Order to Cease and Desist and related Staff Petition for Relief, both dated October 22, 2007; (b) the Bureau's Motion to Amend Staff Petition for Relief, dated November 16, 2007; and (c) the Bureau's Supplement to Motion to Amend Staff Petition for Relief, dated November 28, 2007 — all of which are incorporated herein by reference. While not admitting or denying the alleged wrongdoing, Respondents consent to the following Order:

1. Respondents stipulate: (a) that the issuance of this Consent Order is in the public interest; (b) that they shall be fully bound by the terms and conditions of this Consent Order; and (c) that they waive all rights to hearing and judicial review concerning the subject matter of this Consent Order, and waive all rights they might otherwise have to challenge or contest the terms and conditions of this Consent Order.

## **Allegations of Fact – Ameriprise**

2. Without purporting to narrow the scope of the Bureau’s allegations in this matter, the Bureau’s principal concerns with Ameriprise are summarized by the following allegations:

2.1 Ameriprise failed to honor its obligations under a Settlement/Consent Agreement that was entered in July 2005 (“2005 Settlement Agreement”). The 2005 Settlement Agreement was intended to operate, and did operate, as a Consent Order, as Ameriprise itself has acknowledged. This 2005 Settlement Agreement was entered against Ameriprise’s predecessor in interest, American Express Financial Advisors, Inc. (“AEFA”). Paragraph 13 of the 2005 Settlement Agreement provided:

Respondent [AEFA] agrees that its Marketing Group 222 [which includes New Hampshire] shall be subject to special supervision by AEFA supervisory and Compliance Department personnel. Such special supervision shall not be conducted by the Marketing Group’s Group Vice President or persons reporting to him. AEFA shall maintain a system of such special supervision for a period of one year [which commenced on September 19, 2005] with **particular focus** on any **training**, e-mail and other correspondence, and sales contests originating from the Group Vice President of Marketing Group 222. Within 90 days of the end of the period of special supervision, AEFA **shall** provide a **written report** to the Bureau **detailing** the special supervisory procedures implemented during the period of special supervision and **any issues which arose and/or were addressed during this period**[.] [Boldface added.]

Among the "issues which arose and/or were addressed during this period" of special supervision (also referred to as "heightened supervision") was an issue that has been variously labeled as forgery, suspected or potential forgery, affixation of client signatures to company forms, or inconsistent signatures involving company documents. For simplicity, this Order refers to such conduct as "forgery" - the very same term that is used in Ameriprise’s Compliance Policy Manual to describe such conduct.

During the period of heightened supervision, Ameriprise investigated at least 96 instances of forgery by six New Hampshire advisors at its Portsmouth, NH office. Following, or in the course of investigating the relevant issues, Ameriprise terminated two advisors and disciplined three others. The sixth advisor also resigned while under investigation. Ameriprise filed appropriate notices regarding the forgeries with the NASD, and did so before it filed its December 19, 2006 "written report to the Bureau detailing ... any issues which arose and/or were addressed during this period[.] Ameriprise reported one of the advisors' forgeries to the NASD less than 2 months after it filed its December 19, 2006 report, even though it had discovered the employee's forgeries in the summer of 2006.

The exact scope of the Portsmouth forgeries cannot be ascertained. For example, according to an Ameriprise letter to the NASD, an Ameriprise representative at the Portsmouth office "admitted that he destroyed documents from his client files which contained his non-authentic signature." One of the violators repeatedly referred to the "training" he had received at Portsmouth, saying "that it was part of the training culture" and that he was taught to do these things. Agents would state that they were "taking a ten minute trip to Kennebunkport" as code that they were going to forge the documents rather than travel to or wait for the client. Significantly, "training" was one of 3 subjects under ¶13 of the 2005 Settlement Agreement to which Ameriprise was required to give "particular focus."

Despite all of this, Ameriprise's December 19, 2006 report to the Bureau said absolutely nothing about any of these forgeries. This inexcusable silence persisted, moreover. In February 2007 - just 2 months after the Ameriprise report was filed - the Bureau's Director and Staff members met with Ameriprise officials from corporate headquarters about the subject matter of

the December 19, 2006 report. Then, as in December, Ameriprise said absolutely nothing about any of these forgeries.

It was not until September 21, 2007 - more than 9 months after the Dec. 19, 2006 report, and only after a subpoena and pressure from the Bureau - that Ameriprise provided any written report detailing the forgeries. Although Ameriprise has claimed the September 21, 2007 written disclosures to the NASD of forgeries was "self-reporting," it emphatically was not. By order of the Bureau, Ameriprise was obligated to report these forgeries in its December 19, 2006 report. This failure to disclose the forgeries put Ameriprise in contempt of the 2005 Settlement Agreement for 276 days.

Paragraph 14 of the 2005 Settlement Agreement required that "AEFA shall cease and desist from further violations of the New Hampshire Uniform Securities Law ...", i.e., RSA 421-B. It is a violation of RSA 421-B to "willfully violate[] or fail[] to comply with any provision of this title or any order thereunder." RSA 421-B:10, I (b)(2). By failing to report to the Bureau the forgeries at its Portsmouth office in its December 19, 2006 report, Ameriprise flagrantly violated ¶13 of the 2005 Settlement Agreement. Thus, rather than "ceas[ing] and desist[ing] from further violations" of RSA 421-B, as ordered by ¶14 of the 2005 Settlement Agreement, Ameriprise persisted in further violations. It "willfully violated or failed to comply" with the requirement in ¶13 of the 2005 Settlement Agreement that "[w]ithin 90 days of the end of the period of special supervision, ... [it] provide a written report to the Bureau detailing ... any issues which arose and/or were addressed during this period." Ameriprise was in violation of this order for 276 days.

The reporting requirement of ¶13 of the 2005 Settlement Agreement was an exercise of the Bureau's powers under RSA 421-B:8, III(a). This authorizes the secretary of state to require

"reports ... and other information, and evidence thereof, in whatever reasonable form he designates" from any person subject to the chapter. A closely related provision, RSA 421-B:8, IX-a, provides that "if the information contained in any document is or becomes inaccurate or incomplete in any material respect, the licensee shall file a correcting amendment promptly." Ameriprise flouted this provision. Again, it was not until September 21, 2007 - more than 9 months after the Dec. 19, 2006 report, and only after a subpoena and pressure from the Bureau - that Ameriprise provided any written report directly to New Hampshire detailing the forgeries.

For the very same reason, Ameriprise flouted RSA 421-B: 19, which provides: "it is unlawful for any person to make in any document filed under this chapter or in any proceeding thereunder any statement which is, at the time and in light of the circumstances under which it is made, false or misleading in any material respect or, in connection with such statement, to omit to state a material fact necessary in order to make the statements made, in light of the circumstance under which they are made, not misleading."

The reporting requirement of ¶13 of the 2005 Settlement Agreement constituted a "request reasonably made by the secretary of state" (RSA 421-B:10,I(b)(13)) for a "written report to the Bureau detailing ... any issues which arose and/or were addressed during [the] period" of heightened supervision." 2005 Settlement Agreement, ¶13. Yet Ameriprise unlawfully "withheld or concealed [such] information from, or refused to furnish [such] information to, the secretary of state." RSA 421-B:10, I(b)(13).

Ameriprise's flagrant misconduct implicates at least four of the sanctions prescribed by RSA 421-B. *First*, the Secretary of State may revoke the license of a broker-dealer if he finds that doing so is in the public interest, and that the licensee has "willfully violated or failed to comply with any provision of this title ... or any order thereunder." RSA 421-B:10, 1(a) and

(b)(2). *Second*, RSA 421-B:10, VI provides that "in addition to any such order to ... revoke, the secretary of state may ... assess an administrative fine of not more than \$2,500 per violation."

*Third*, RSA 421-B:26,I provides that any person who "knowingly violates any rule or order of the secretary of state may ... be subject to ... revocation of any ... license or administrative fine not to exceed \$2,500 for each violation ... in addition to such ... revocation..." *Fourth*, RSA 421-B:26, III-b provides, "Notwithstanding any provision to the contrary, violation of a cease and desist order may result in an administrative fine not to exceed \$2,500 per day for as long as such violation continues. This fine shall be in addition to any other penalties provided."

Hence, when Ameriprise violated ¶13 of the 2005 Settlement Agreement by failing to provide, "[w]ithin 90 days of the end of the period of special supervision, ... a written report to the Bureau detailing ... any issues which arose and/or were addressed during this period" - namely, failing to provide a written report directly to New Hampshire detailing at least 96 instances of forgery it had investigated and disciplined involving the six advisors referenced herein - it violated an order of the Secretary of State. It also thereby violated ¶14 of the 2005 Settlement Agreement by failing to "cease and desist from further violations of the New Hampshire Uniform Securities Law," including but not limited to violations of RSA 421-B:10, I(a) and (b)(2) and RSA 421-B:26,I. That is, contrary to ¶13 of the 2005 Settlement Agreement, for 276 days Ameriprise failed to provide a "written report to the Bureau detailing" at least 96 instances of forgery at Ameriprise's Portsmouth office involving the six advisors referenced herein - forgeries that "arose and/or were addressed" during the period of heightened supervision. In short, Ameriprise was thus in boldfaced contempt of the 2005 Settlement Agreement, which operated as a Consent Order, for 276 days.

2.2. When the financial plan of an Ameriprise customer remains undelivered for a certain period of time, the sale of the plan is supposed to be “reversed,” and the customer’s payment is supposed to be refunded. However, at Ameriprise’s Bedford, New Hampshire office, the Field Vice President required staff to “close out” - i.e., to show as delivered to customers - a list of financial plans that had not in fact been delivered within the allowable timeframe. Agents would often sell financial plans to other agents (cross-sell) and to family members who were not likely to complain. Certain of these plans were delivered not in accordance with company standards or still in “draft format.” The effect of this false recordkeeping was to deprive customers of their rightful refunds and to artificially inflate sales volume. The artificially inflated sales volume, in turn, was used as a basis for affected Ameriprise employees to seek higher compensation and gain favor with management. In short, at the Bedford office, sales performance, even if inflated or false, was ascribed higher importance than compliance with proper business practices.

2.3. The acts and practices described above in paragraph 2.2, and the related violations of New Hampshire law, resulted from Ameriprise’s failure to supervise its agents and employees, in violation of RSA. 421-B:10, I(a) and (b)(10) and (14). *See also* RSA 421-B:10, I (b)(7) (providing for sanctions against “dishonest or unethical practices”).

### **Allegations of Fact – Post**

3. Without purporting to narrow the scope of the Bureau's allegations in this matter, the Bureau's principal concerns with Respondent Post are summarized as follows:

3.1. As Group Vice President for Market Group 222, Post was, at all relevant times, ultimately responsible for supervising the six advisors in the Company's Portsmouth, New Hampshire office who engaged in forgery as described above in ¶2.1. That forgery was a direct result of Post's failure to provide appropriate supervision. RSA 421-B:10, I(a) and (b)(10) and (14). As Ameriprise itself told Post in its November 27, 2006 Final Written Warning to him: "As the Group Vice President of the New England Market Group you are responsible for upholding all Company processes and policies with the highest level of performance and integrity.... The results of a recent investigation conducted by the Company revealed that leaders in your market group under your supervision violated company policies. In addition, employees under those leaders also violated Company policies." Five months earlier, an Ameriprise official had criticized Post for "serious gaps in compliance with the Heightened Supervision Plan."

Post's cavalier attitude about forgery is evidenced by three incidents that Ameriprise itself characterized as "red flag behaviors." First, according to Ameriprise, Post "inappropriately tipped [a certain] advisor that he [the advisor] was being investigated for ... potential forgery" - an action that "compromise[d] the investigation's process." Although the advisor in question was based in Massachusetts, the incident is consistent with Post's failure of leadership on forgery-prevention in the Portsmouth, NH office.

Second, again according to Ameriprise, in conjunction with advisor/coach compensation within Post's market group, there was "forging of advisor, advisor coach, and FVP signatures on documentation submitted to the corporate office to release compensation." Although the related



fraud was apparently on the Company itself, the activity is, again, consistent with Post's failure of leadership on forgery-prevention in the Portsmouth office.

Third, again according to Ameriprise, Post "directed his staff person to affix/print his name on an internal AMPF exception request form. The change was required for AMPF to be in compliance with the State of NH law regarding supervisory structures." At the least, this was, as Ameriprise itself said, a "red flag behavior." It once again evidenced Post's cavalier attitude about signatures, and is consistent with his failure of leadership on forgery-prevention in the Portsmouth office.

3.2. As Group Vice President for Market Group 222, Post was ultimately responsible for the false recordkeeping described in ¶2.2, above, at Ameriprise's Bedford, NH office. That false recordkeeping was a result of Post's failure to provide appropriate supervision. RSA 421- B:10, I(a) and (b)(10) and (14).

3.3. The plan delivery issues and forgeries that are the subject of this action occurred, at least in part, as a result of a sales culture within the Company promoted by Post.

### **Undertakings**

4. In two installments, Ameriprise shall pay the Bureau a total of \$3,250,000 as an administrative fine pursuant to RSA 421-B:10, VI and RSA 421-B:26, I and III-b. Payment shall be by certified check or money order, and shall be made payable to Department of State, Bureau of Securities Regulation, State House Annex, Room 2004, Concord, NH 03301. The first installment shall be in the amount of \$1,625,000, and shall be paid upon execution of this Consent Order. The second installment shall be in the amount of \$1,625,000, and shall be paid on January 1, 2009.

5. Upon execution of this Consent Order, Ameriprise shall pay the Bureau \$150,000 for all costs associated with the Bureau's investigation and prosecution in this matter. Upon execution of this Consent Order, Ameriprise shall pay the North American Securities Administrators Association, Inc. ("NASAA") \$100,000 for its assistance to the Bureau in the Bureau's investigation and prosecution of this matter. Payment to the Bureau shall be by certified check or money order, and shall be made payable to Department of State, Bureau of Securities Regulation, State House Annex, Room 2004, Concord, NH 03301. Payment to NASAA shall be by certified check or money order, and shall be made payable to North American Securities Administrators Association.

6. For a period of 5 years from the effective date of this Consent Order, i.e., until January 1, 2013, Respondent Post shall not engage in any management activities within the State of New Hampshire that are subject to the Bureau's regulatory jurisdiction, nor shall he engage in any sales activity within the State of New Hampshire that are subject to the Bureau's jurisdiction.

7. The 2005 Consent Order required Ameriprise to pay restitution to certain of its financial-plan customers. It was subsequently determined that potentially affected plans were missing - i.e., Ameriprise could not account for them. As to those "missing" plans, Ameriprise has paid the affected customers the aggregate amount of \$333,948.08. The Bureau confirms that such aggregate payment satisfies Ameriprise's restitution obligation with respect to those customers under the 2005 Settlement Agreement.

8. To ensure future compliance with securities laws, on December 31<sup>st</sup>, 2008, Ameriprise shall submit to the Bureau a written report which addresses all plan delivery spot checks conducted, field governance board issues and any compliance issues which arose and/or

were addressed in market group 222 during the time period 2007 through 2008, as well as the status of the implementation of all compliance and supervisory changes being introduced in market group 222 during this same time period including but not limited to: the desk top system for RP supervision, Sungard's Protegent Surveillance, and all personnel changes made.

9. Except for any indemnity or reimbursement that may run from Ameriprise to Respondent Post, Respondents shall not seek or accept, directly or indirectly, any reimbursement or indemnification or insurance coverage for amounts paid in relation to this matter.

10. Except for any indemnity or reimbursement that may run from Ameriprise to Respondent Post, Respondents shall bear their own costs and attorneys' fees in relation to this matter.

11. Respondents' consent to this Order is wholly voluntary; and they represent that no threats, offers, promises, or inducements of any kind have been made by the Bureau or any representative or agent of the Bureau to induce Respondents to consent to this Order.

12. Respondents shall not make any public statement in regulatory filings or otherwise that denies any allegation in this Agreement or implies that any factual allegation herein lacks a factual basis. However, nothing in this paragraph shall affect Respondents' testimonial obligations or their right to take legal or factual positions in defense of litigation or in defense of a claim in other legal proceedings in which the Bureau is not a party.

13. Respondents shall cease and desist from further violations of RSA 421-B.

14. Respondents shall fully comply with all terms of this Consent Order. If any Respondent violates any term of this Consent Order in any material respect, the Bureau may

pursue any administrative, civil, or criminal sanction against the offending Respondent pursuant to RSA 421-B or as otherwise permitted by law, and shall be entitled to recover all costs and attorneys' fees in relation thereto.

15. Nothing shall bar the Bureau from pursuing any administrative, civil, or criminal sanction against any Respondent pursuant to RSA 421-B or as otherwise permitted by law that is unrelated to the factual allegations underlying this Consent Order.

16. This Consent Order shall be binding upon Respondents and their successors and assigns; and in the case of Ameriprise, shall also be binding on any parent corporation, subsidiary, and affiliate.

**SO CONSENTED.**

Date: March 26, 2008

AMERIPRISE FINANCIAL, INC.,

  
By: John Junek, Duly Authorized

Date: March 26, 2008

AMERIPRISE FINANCIAL SERVICES, INC.

  
By: John Junek, Duly Authorized

Date: \_\_\_\_\_, 2008

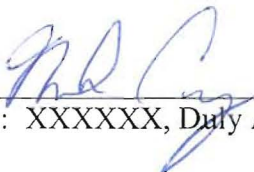
LARRY POST

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**SO ORDERED.**

Date: April 9, 2008

STATE OF NEW HAMPSHIRE  
DEPARTMENT OF STATE  
BUREAU OF SECURITIES REGULATION

  
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By: XXXXXX, Duty Authorized