UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9051 / July 10, 2009

SECURITIES EXCHANGE ACT OF 1934
Release No. 60279 / July 10, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13544

In the Matter of **Ameriprise Financial Services, Inc.,** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") and Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Ameriprise Financial Services, Inc. ("Ameriprise" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

These proceedings arise out of Ameriprise's receipt of approximately $30.8 million in undisclosed compensation in connection with Ameriprise's offer and sale to its brokerage customers of certain real estate investment trusts ("REITs") between 2000 and May 2004 (the "Relevant Period"). Ameriprise demanded this undisclosed compensation, which it referred to as "revenue sharing," in exchange for including the REITs on Ameriprise's brokerage platform. This matter also involves Ameriprise's unlawful offer and sale of at least $100 million worth of shares of one such REIT to its brokerage customers in the absence of an effective registration statement.

Respondent

1. Ameriprise, the successor entity to American Express Financial Advisors, Inc., is a Delaware corporation with headquarters located in Minneapolis, Minnesota. Ameriprise has been registered with the Commission as a broker-dealer since 1971 and as an investment adviser since 1979. Ameriprise is a wholly-owned subsidiary of Ameriprise Financial, Inc., the successor entity to American Express Financial Corporation ("AEFC"). Prior to September 30, 2005, AEFC was a wholly-owned subsidiary of American Express Corp.

Other Relevant Entities

2. The "Carey REITs," as referred to herein, consist of: Corporate Property Associates 10 ("CPA:10"), Carey Institutional Properties ("CIP"), Corporate Property Associates 12 ("CPA:12"), Corporate Property Associates 14 ("CPA:14"), Corporate Property Associates 15 ("CPA:15"), and Corporate Property Associates 16 ("CPA:16"); and all predecessor and successor entities thereof. W.P. Carey & Co. LLC, a Delaware limited liability company, and various wholly-owned direct and indirect subsidiaries thereof (collectively, "Carey"), were the creators, managers, and advisers of the Carey REITs at all relevant times. Ameriprise offered and sold shares of the Carey REITs to its brokerage customers. At all relevant times, the offerings of the shares of the Carey REITs were registered with the Commission but did not trade on any exchange.

3. The "CNL REITs," as referred to herein, consist of: CNL Hospitality Properties, Inc., CNL Retirement Properties, Inc., and CNL American Properties Fund; and all predecessor and successor entities thereof. CNL Holdings Group, Inc., a Florida corporation, and various wholly-owned direct and indirect subsidiaries thereof (collectively, "CNL"), were the creators, managers, and advisers to the CNL REITs at all relevant times. Ameriprise offered and sold shares of the CNL REITs to its brokerage customers. At all relevant times, the offerings of the shares of the CNL REITs were registered with the Commission but did not trade on any exchange.

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Undisclosed Revenue Sharing Payments

4. During the Relevant Period, Ameriprise demanded and received approximately $30.8 million in undisclosed supplementary payments from the Carey REITs and CNL REITs, and/or affiliates thereof, in connection with Ameriprise's offers and sales to its brokerage customers of shares of the Carey REITs and CNL REITs. These undisclosed payments were in addition to the compensation Ameriprise was entitled to receive under its distribution agreements concerning the Carey REITs and CNL REITs. None of this $30.8 million – or the conflicts of interest created by these payments – was disclosed by either Ameriprise or the Carey REITs and CNL REITs. As a result, Ameriprise sold more than $3.5 billion worth of shares of the Carey REITs and CNL REITs to its brokerage customers during the Relevant Period without disclosing such payments.

5. During the late 1990's, Ameriprise began to offer an increased amount of non-proprietary products to its customers, including non-exchange traded REITs. In early 2000, Ameriprise approached the Carey REITs and CNL REITs, the only non-exchange traded REITs then offered on Ameriprise's brokerage platform, and demanded supplementary remuneration (the "revenue sharing payments") in order to increase Ameriprise's revenues. As of early 2000, Ameriprise had been responsible for the sale of in excess of 75 percent of the shares of the Carey REITs and CNL REITs sold to investors pursuant to public offerings and was the only major broker-dealer firm that then offered and sold the Carey REITs and CNL REITs. In exchange for these revenue sharing payments, Ameriprise continued to offer and sell shares of the Carey REITs and CNL REITs on its brokerage platform.

6. During the Relevant Period, Ameriprise only offered and sold non-exchange traded REITs that agreed to pay revenue sharing – *i.e.*, the Carey REITs and CNL REITs, and explicitly considered the willingness of non-exchange traded REITs to make revenue sharing payments when evaluating whether to offer such products on its platform. For example, an internal Ameriprise presentation provided to, among others, Ameriprise's CEO and CFO, in approximately September 2003 described the criteria that Ameriprise personnel used in selecting potential new non-exchange traded REITs and explicitly included, among other factors, "[a]bility to meet revenue sharing requirements."

7. Under the revenue sharing arrangements, Ameriprise received undisclosed cash payments in the form of checks and wire transfers during the Relevant Period from the Carey REITs and CNL REITs totaling approximately $9.7 million and $21.1 million, respectively. These cash payments were in addition to standard sales commissions, dealer fees, expense reimbursements, and other fees that Ameriprise received that were specified in the distribution agreements entered into by Ameriprise concerning the Carey REITs and CNL REITs, and that were disclosed in the prospectuses and other public offering documents of the Carey REITs and CNL REITs.

8. To facilitate its receipt of the revenue sharing payments, Ameriprise issued a series of mislabeled invoices for the revenue sharing payments that gave the appearance that the

payments were legitimate reimbursements for services provided by Ameriprise. These invoices largely used separate labels referring to particular services or expenses that together totaled the amount Ameriprise demanded under the revenue sharing arrangements. In fact, none of the invoiced amounts directly corresponded to *bona fide* services rendered and/or expenses incurred by Ameriprise as claimed on the invoices.

9. In exchange for the revenue sharing payments, Ameriprise continued to offer and sell the Carey REITs and CNL REITs on its brokerage platform. In addition, during the Relevant Period Ameriprise increased the compensation that it paid to its registered representatives in connection with the sale of the Carey REITs and CNL REITs, and the revenue sharing payments Ameriprise obtained were designed in part to cover this increased compensation to its registered representatives.

10. Ameriprise's revenue sharing arrangements with the Carey REITs and CNL REITs were part of a company-wide practice instituted and/or authorized by Ameriprise's senior management, in which Ameriprise offered and/or promoted certain non-proprietary investment products, primarily mutual funds, but also including non-exchange traded REITs, in exchange for the receipt of revenue sharing payments from almost all of these investment vehicles, including through what Ameriprise called its Preferred Provider Program and Select Group Program.[2] As part of this practice and through these programs, Ameriprise received substantial revenue sharing payments in exchange for shelf space and/or enhanced marketing in Ameriprise's retail distribution network. In particular, Ameriprise made available to the Carey REITs and CNL REITs substantially the same enhanced marketing as the non-proprietary mutual funds that paid among the highest revenue sharing rates. Ameriprise employees responsible for Ameriprise's dealings with the Carey REITs and CNL REITs gave frequent presentations to Ameriprise's senior management during the Relevant Period that detailed Ameriprise's revenue sharing arrangements with the Carey REITs and CNL REITs, including comparisons to Ameriprise's revenue sharing arrangements with non-proprietary mutual funds.

11. During the Relevant Period, Ameriprise's senior management did not take any actions or instruct anyone else to take any actions to investigate or determine the adequacy of the disclosures that Ameriprise made or relied upon relating to the remuneration it received in connection with its offers and sales of the Carey REITs and CNL REITs to its brokerage customers.

12. At all relevant times, the National Association of Securities Dealers ("NASD," now known as the Financial Industry Regulatory Authority), of which Ameriprise was a member

[2] On December 1, 2005, the Commission issued an order finding that Ameriprise violated provisions of the Securities Act and Exchange Act by failing to disclose its receipt of cash and directed brokerage revenue sharing payments from the non-proprietary mutual fund families that participated in Ameriprise's revenue sharing programs between January 2001 and August 2004. The Commission's order censured Ameriprise, and ordered Ameriprise to cease and desist from committing or causing violations of these provisions and to pay disgorgement plus prejudgment interest of $15 million and a civil penalty of $15 million.

broker-dealer, limited the compensation that may be paid to broker-dealers that sell non-exchange traded REITs, capping the total underwriting compensation at 10 percent of the total proceeds raised (the "10 percent cap"), plus an additional 0.5 percent for reimbursement of bona fide due diligence expenses. Underwriting compensation is defined by NASD regulations to include "[a]ll items of compensation paid . . . directly or indirectly from whatever source to [broker-dealers]. . . which are deemed to be in connection with or related to the public offering." NASD regulations prohibit member broker-dealers, such as Ameriprise, from participating in any non-exchange traded REIT offering that exceeds the 10 percent cap. A portion of the revenue sharing payments made to Ameriprise, when added to other payments made to broker-dealers, caused some of the Carey REITs to exceed their respective 10 percent caps on broker-dealer compensation imposed by the NASD.

Ameriprise's Undisclosed Revenue Sharing Arrangement with the Carey REITs

13. During the Relevant Period, the Carey REITs paid Ameriprise undisclosed revenue sharing totaling approximately $9.7 million.[3] For 2000, the Carey REITs paid Ameriprise revenue sharing in the form of a fixed fee for the year that totaled approximately $1.5 million. For 2001, Ameriprise increased the revenue sharing to $2.5 million per year, and in late 2002, Ameriprise again increased the revenue sharing arrangements to an amount equaling 25 basis points ("bps") annually on all Ameriprise brokerage customer assets invested in the Carey REITs. None of the $9.7 million in revenue sharing payments was disclosed by Ameriprise or in the Carey REITs' offering documents, despite the fact that those offering documents disclosed certain fees payable to broker-dealers that were quantitatively smaller than the revenue sharing paid to Ameriprise.

14. To facilitate Ameriprise's receipt of the revenue sharing payments, Ameriprise issued a series of invoices to the Carey REITs that divided or allocated the revenue sharing payments into separate invoices that were mislabeled "account maintenance," "field access," "due diligence," and "conference" fees. The particular allocation and/or language appearing on the invoices that Ameriprise issued was requested by the Carey REITs. Each of the invoice labels was primarily a conduit for Ameriprise to receive the payments Ameriprise demanded under the revenue sharing arrangements and was not a legitimate fee charged for services provided by Ameriprise or a reimbursement of actual expenses incurred by Ameriprise. The total of the invoices with these false labels equaled the amount of revenue sharing payments that Ameriprise had demanded under the revenue sharing arrangement for a particular year, quarter, or month.

15. For example, during the Relevant Period, Ameriprise periodically held conferences for its registered representatives at which certain non-proprietary products that paid among the highest levels of revenue sharing, such as the Carey REITs and CNL REITs, could pay set fees to

[3] In March 2008, Carey settled a Commission action relating to the undisclosed revenue sharing payments and registration violations at issue here, among other violations, by agreeing to a permanent injunction against violations of the antifraud, reporting, proxy, and registration provisions of the federal securities laws and paying disgorgement, prejudgment interest, and civil penalties totaling approximately $30 million. See SEC v. W.P. Carey & Co. LLC et al., 08 Civ. 2846 (S.D.N.Y.).

have a certain number of attendees present at the conferences or provide sponsorship of particular events at the conference. In addition to attendance and payment of these fees in the normal course by affiliates of the Carey REITs, Ameriprise and the Carey REITs arranged for one of the Carey REITs to intentionally overpay for certain conferences as a conduit for making undisclosed revenue sharing payments to Ameriprise in 2000 and 2001. No additional attendees or conference-related benefits were provided in exchange for the amount paid in excess of the amounts due for the conference. An internal Ameriprise email dated August 12, 2002, explained that while the revenue sharing arrangement with the Carey REITs was for $2.5 million per year, the amounts that Ameriprise had issued invoices for (as due diligence, field access, and account maintenance) totaled only $2.3 million, with "the additional $200,000 [being] added to their conference fee check" and then Ameriprise personnel "split out the check, sending the appropraite [sic] amount to [the Ameriprise division responsible for organizing conferences.]"

16. During the Relevant Period, Ameriprise also issued invoices to the Carey REITs labeled "due diligence" purportedly seeking reimbursement for *bona fide* due diligence expenses incurred but that actually were undisclosed revenue sharing payments that were designed to count towards the amount of revenue sharing that Ameriprise demanded from the Carey REITs. Relevant NASD regulations require that broker-dealers seeking reimbursement for *bona fide* due diligence expenses strictly limit such reimbursements to actual expenses incurred in conducting due diligence for a particular program, without a profit margin of any kind. Notwithstanding this requirement, Ameriprise did not do any *bona fide* due diligence in exchange for these payments. Ameriprise issued invoices purportedly seeking reimbursement for *bona fide* due diligence expenses that did not include any documentation or itemization of the expenses. In one instance Ameriprise sought a six-year *back-payment* of purported expenses, and in some instances the due diligence invoices issued covered periods in which no *bona fide* due diligence could have been performed (*e.g.*, after a particular Carey REIT offering had ended). An internal Ameriprise email dated March 19, 2001, explained that in 2000 Ameriprise "asked [Carey and CNL] to come up with over a million dollars each in additional revenue, and, at least for Carey, they came up with this amount by using funds they had earmarked as due diligence related costs."

17. Ameriprise also issued invoices labeled "account maintenance," the payment of which would satisfy a portion of the amount Ameriprise had demanded under the revenue sharing arrangement. None of these invoices reflected actual or estimated expenses incurred by Ameriprise in providing account maintenance services for which the Carey REITs were obligated to reimburse Ameriprise. In fact, the undisclosed fee charged by Ameriprise purportedly for "account maintenance" was duplicative of a separately disclosed fee offered by some of the Carey REITs that Ameriprise also received. These Carey REITs disclosed in their respective prospectuses that an "annual servicing fee" or "annual monitoring fee" may be paid to selling broker-dealers. The stated purpose of the fee, as described in the prospectus of one of the Carey REITs was "to compensate [selling broker-dealers] for their continuing due diligence of the Company, for expenses incurred in maintaining and providing information about the Company to their representatives and their clients and for the costs incurred in maintaining [the Carey REIT's] investor accounts."

18. A portion of the revenue sharing payments made to Ameriprise, when added to other payments made to broker-dealers, caused some of the Carey REITs to exceed their respective 10 percent caps on broker-dealer compensation imposed by the NASD. The particular allocation and/or language appearing on the invoices Ameriprise issued for the revenue sharing payments was the means through which the Carey REITs circumvented the 10 percent cap, enabling Ameriprise to receive higher fees than permitted. The Carey REITs excluded the payments of invoices that Ameriprise agreed to label "account maintenance" from counting towards their respective 10 percent caps on the basis that the payments purportedly were not made in connection with the offering of the Carey REITs. In mid-2002, in order to circumvent the 10 percent cap, the Carey REITs requested, and Ameriprise agreed, to issue all invoices for revenue sharing to the Carey REITs as "account maintenance." The Carey REITs also requested, and Ameriprise agreed, that Amerpirise cancel and re-issue certain invoices under a different label in furtherance of the Carey REITs' circumvention of the 10 percent cap. Specifically, Ameriprise canceled and re-issued previously separate invoices labeled "due diligence," "field access," and "account maintenance" as one invoice labeled "account maintenance" for the same total amount as the previously issued separate invoices for each of the second and third quarters of 2002.

19. With respect to each public offering of the Carey REITs of which Ameriprise offered and sold shares to its brokerage customers, Ameriprise entered into a written dealer agreement concerning the applicable Carey REIT consistent with the form of dealer agreement provided in the registration statement of the applicable Carey REIT that, among other things, specified the fees to be paid in connection with Ameriprise's sales of shares. However, none of these written dealer agreements disclosed or included the revenue sharing payments.

20. In addition, at various times, Ameriprise attempted to obtain a written side letter from the Carey REITs documenting their undisclosed revenue sharing arrangements. The Carey REITs declined to enter into such written agreements because the revenue sharing arrangements had not been properly disclosed in the prospectuses of the Carey REITs, a fact of which some Ameriprise employees were aware and discussed. For example, an internal Ameriprise email dated August 14, 2003, by an Ameriprise employee who managed Ameriprise's relationships with the Carey REITs and CNL REITs stated: "I will continue to work with [Carey] on obtaining a [side letter] but the difficulty with them is the 25 bps on assets we currently are billing them is not in the prospectus. . . ." Another internal Ameriprise email dated October 28, 2002, by another Ameriprise employee stated, with respect to non-exchange traded REITs, including the Carey REITs and CNL REITs, that "[m]any have prospectus-imposed limits, and they are reluctant to enter into a written agreement because of additional disclosure that they feel would be required."

Ameriprise's Undisclosed Revenue Sharing Arrangement with the CNL REITs

21. During the Relevant Period, the CNL REITs paid Ameriprise undisclosed revenue sharing totaling approximately $21.1 million. None of the $21.1 million in revenue sharing payments was disclosed by Ameriprise or in the CNL REITs' offering documents, despite the fact that those offering documents disclosed certain fees payable to broker-dealers that were quantitatively smaller than the revenue sharing fees paid to Ameriprise.

22. For 2000, the CNL REITs paid Ameriprise revenue sharing in the form of a fixed fee for the year totaling approximately $1.7 million. For 2001, Ameriprise increased the revenue sharing to $2.5 million per year. In mid-2002, Ameriprise again increased the revenue sharing arrangements to an amount equaling 25 bps annually on all Ameriprise brokerage customer assets invested in the CNL REITs.

23. In February 2003, the CNL REITs proposed, and Ameriprise accepted, an alternative revenue sharing arrangement of 70 bps on each new sale of CNL REIT shares, designed to approximate the 25 bps fee on assets in the form of a sales based fee. An Ameriprise employee's notes from a February 2003 meeting between representatives of the CNL REITs and Ameriprise personnel in which this proposed change was discussed recorded that the representatives of the CNL REITs could not "justify taking 25 bps from past [CNL REITs'] operating expenses that are no longer bringing in sales to the product" or "justify/disclose to [the CNL REITs' shareholders] they [are] paying 25 bps on assets in past [CNL REITs]."

24. Ameriprise issued two types of invoices to the CNL REITs that divided or allocated the revenue sharing payments into separate invoices mislabeled "preferred sponsorship" and either "shareholder support" or "customer service support" to provide the appearance that the payments were legitimate reimbursements for services provided by Ameriprise. The particular allocation and/or language appearing on the invoices that Ameriprise issued was requested by the CNL REITs. As with the invoices that Ameriprise issued to the Carey REITs, the invoices labeled "preferred sponsorship" and either "shareholder support" or "customer service support" bore no direct relationship to documented expenses incurred by Ameriprise or a legitimate fee charged for services claimed. The total of these invoices issued to the CNL REITs equaled the amount that Ameriprise had demanded under the revenue sharing arrangement for a particular year, quarter, or month. Ameriprise had no legitimate basis by which it determined the amounts that it charged on the invoices issued for the services for which it claimed to be seeking payment.

25. For example, in 2001, Ameriprise received equal revenue sharing payments of $2.5 million from the Carey REITs and CNL REITs and Ameriprise provided the Carey REITs and CNL REITs with approximately equivalent services and benefits in exchange for those payments. With respect to the CNL REITs, Ameriprise issued two separate types of invoices for the revenue sharing payments for that year: (i) invoices labeled "shareholder support" or "customer service support" totaling $1.7 million; and (ii) invoices labeled "preferred sponsorship" totaling $800,000. Notwithstanding that Ameriprise's revenue sharing arrangements with the Carey REITs and CNL REITs were for the same amount in 2001, with respect to the Carey REITs, Ameriprise issued invoices for and/or received four separate types of payments for the revenue sharing owed for that year: (i) an invoice labeled "account maintenance" for $800,000; (ii) an invoice labeled "field access" for $1.2 million; (iii) an invoice labeled "due diligence" for $300,000; and (iv) a payment of $200,000 included as part of a check purportedly for conference fees. In addition, the invoices labeled "shareholder support" or "customer service support" that Ameriprise issued to the CNL REITs were purportedly for the same services as the invoices labeled "account maintenance" that Ameriprise issued to the Carey REITs. Notwithstanding that the services or benefits claimed on these invoices were the same, Ameriprise purportedly charged the CNL REITs $1.7 million for account servicing while Ameriprise purportedly charged the Carey REITs only $800,000 for that

same purported service. Likewise, the invoices labeled "preferred sponsorship" that Ameriprise issued to the CNL REITs were purported fees for the same benefits as the invoices labeled "field access" that Ameriprise issued to the Carey REITs. Notwithstanding that the purported benefits were the same, Ameriprise charged the CNL REITs only $800,000 for this purported "access" while Ameriprise charged the Carey REITs $1.2 million. Ameriprise had no legitimate basis by which it determined the charges invoiced for the purported services or benefits claimed on the invoices. Ameriprise simply issued the invoices with the particular allocation and language that was requested by the Carey REITs and CNL REITs.

26. With respect to each public offering of the CNL REITs of which Ameriprise offered and sold shares to its brokerage customers, Ameriprise entered into a written dealer agreement concerning the applicable CNL REIT consistent with the form of dealer agreement provided in the registration statement of the applicable CNL REIT that, among other things, specified the fees to be paid in connection with Ameriprise's sales of shares. However, none of these written dealer agreements disclosed or included the revenue sharing payments.

27. In addition, at various times, Ameriprise attempted to obtain a written side letter from the CNL REITs documenting their undisclosed revenue sharing arrangements. The CNL REITs declined to enter into such written agreements because the revenue sharing arrangements had not been properly disclosed in the prospectuses of the CNL REITs, a fact of which some Ameriprise employees were aware and discussed. For example, the internal Ameriprise email dated August 14, 2003, referenced above, by an Ameriprise employee that managed Ameriprise's relationships with the Carey REITs and CNL REITs, stated that a CNL REIT would be filing its next offering in approximately five months and at that time would be "changing their prospectus to allow them to pay brokered dealers [sic] 1.5% on sales for marketing, managing dealer, and soliciting dealer fee[s]. Currently today their prospectus only allows for .5%. Once they file, they begin paying us the 1.5% instead of the .70% they send us today and at that time they will put it in writing. . . . Let me know if you are OK will [sic] waiting for 5 months to obtain the [side letter]."

Ameriprise Did Not Disclose the Revenue Sharing Payments

28. During the Relevant Period, Ameriprise did not make any disclosures to its brokerage customers relating to its receipt of revenue sharing payments from the Carey REITs and CNL REITs. Moreover, the registration statements, prospectuses, and other offering documents filed with the Commission by the Carey REITs and CNL REITs did not disclose material information concerning the additional remuneration that Ameriprise received above and beyond the amounts disclosed as selling commissions, dealer fees, expense reimbursements, and other fees. Quantitatively, the undisclosed revenue sharing payments were higher than several of the fees disclosed in the prospectuses of the Carey REITs and CNL REITs.

29. As a result, Ameriprise's brokerage customers who purchased shares of the Carey REITs and CNL REITs were not provided with any disclosures by Ameriprise or by the Carey REITs and CNL REITs concerning Ameriprise's receipt of the undisclosed revenue sharing payments or the conflicts of interest these payments created.

Participation in Unlawful Sales

30. The initial public offering of shares of one of the Carey REITs was declared effective on November 1, 2001, and was closed to new investors in November 2002, having sold out its initial registration of 40 million shares ("Phase I"). A registration statement for a second offering of an additional 69 million shares ("Phase II") was filed with the Commission on October 11, 2002, and was declared effective on March 19, 2003.

31. Throughout the period from November 2002 until March 19, 2003, Ameriprise continued to offer and sell shares of this REIT to its brokerage customers even though the Phase I offering had sold out and the Phase II registration statement was not yet effective. As of March 18, 2003, Ameriprise had offered and sold at least $100 million worth of Phase II shares to its brokerage customers prior to the effective date of the registration statement. Ameriprise also received sales commissions and marketing fees in connection with its sales of Phase II shares prior to the effectiveness of the registration statement.

Violations

32. As a result of the conduct described above, Ameriprise willfully[4] violated:

a. Sections 17(a)(2) and 17(a)(3) of the Securities Act, which provide that it is "unlawful for any person in the offer or sale of any securities . . . by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly . . . (2) to obtain money or property by means of any untrue statement of material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in any transactions, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser";

b. Exchange Act Rule 10b-10, which provides in pertinent part that it is "unlawful for any broker or dealer to effect for or with an account of a customer any transaction in, or to induce the purchase or sale by such customer of, any security . . . unless such broker or dealer, at or before completion of such transaction, gives or sends to such customer written notification disclosing . . . the source and amount of any other remuneration

[4] A willful violation of the securities laws means merely "'that the person charged with the duty knows what he is doing.'" Wonsover v. SEC, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting Hughes v. SEC, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "'also be aware that he is violating one of the Rules or Acts.'" Id. (quoting Gearhart &Otis, Inc. v. SEC, 348 F.2d 798, 803 (D.C. Cir. 1965)).

received or to be received by the broker in connection with the transaction"; and

c. Section 5(a) of the Securities Act, which provides that "[u]nless a registration statement is in effect as to a security, it shall be unlawful for any person, directly or indirectly – (1) to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise; or (2) to carry or cause to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale."

IV.

In view of the foregoing, the Commission deems it appropriate, and in the public interest, to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Section 8A of the Securities Act and Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Ameriprise shall cease and desist from committing or causing any violations and any future violations of Sections 5(a), 17(a)(2), and 17(a)(3) of the Securities Act, and Exchange Act Rule 10b-10.

B. Ameriprise is censured.

C. Ameriprise shall, within 10 days of the entry of this Order, pay disgorgement in the total amount of $8.65 million ("Disgorgement") to the Securities and Exchange Commission. Ameriprise also shall, within 10 days of the entry of this Order, pay a civil monetary penalty in the amount of $8.65 million ("Penalties") to the Securities and Exchange Commission. Such payments shall be (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Ameriprise as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to David Rosenfeld, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 3 World Financial Center, New York, New York 10281. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. § 3717.

D. Such Penalties may be distributed pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002 ("Fair Fund distribution"). Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the

deterrent effect of the civil penalty, Respondent agrees that it shall not, after offset or reduction in any Related Investor Action based on Respondent's payment of disgorgement in this action, argue that it is entitled to, nor shall it further benefit by offset or reduction of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Elizabeth M. Murphy
Secretary