

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20050014557-02

To: Department of Enforcement
NASD

Re: American Enterprise Investment Services Inc.
Member (CRD No. 26506)

Pursuant to Rule 9216 of the NASD Code of Procedure, American Enterprise Investment Services Inc. submits this Letter of Acceptance, Waiver and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against American Enterprise alleging violations based on the same factual findings.

American Enterprise understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council (NAC) Review Subcommittee or Office of Disciplinary Affairs (ODA), pursuant to NASD Procedural Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against American Enterprise; and
3. If accepted:
 - a. this AWC will become part of American Enterprise's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against American Enterprise;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about American Enterprise's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Procedural Rule 8310 and IM-8310-2; and
 - d. American Enterprise may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects American Enterprise's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

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American Enterprise also understands that its experience in the securities industry and relevant disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and relevant history are as follows:

American Enterprise has been an NASD member since July 1990. During all periods mentioned herein, American Enterprise was a registered broker-dealer with the United States Securities and Exchange Commission and a member of NASD, which registration and membership remain currently in effect. American Enterprise has been the subject of one prior formal disciplinary action by NASD not relevant to this matter.

I. WAIVER OF PROCEDURAL RIGHTS

American Enterprise specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against American Enterprise;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, American Enterprise specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

In addition, American Enterprise specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of NASD Procedural Rule 9143 or the separation of functions prohibitions of NASD Procedural Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II. ACCEPTANCE AND CONSENT

- A. American Enterprise hereby accepts and consents, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding in which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:

Customer Protection-Reserves and Custody of Securities **SEC Rule 15c3-3 and NASD Conduct Rule 2110**

1. American Enterprise began conducting non-purpose stock borrowing in September 2004. The amounts associated with the non-purpose stock borrowing were inappropriately included as debits in American Enterprise's reserve formula calculations. This error resulted in deficiencies in American Enterprise's Special Reserve Bank Account for the Exclusive Benefit of Customers from September 30, 2004 through March 31, 2005.
 2. Through this conduct, American Enterprise violated SEC Rule 15c3-3 and NASD Conduct Rule 2110.
- B. American Enterprise also consents to the imposition, at a maximum, of the following sanction:
1. A censure; and
 2. a fine of \$30,000.

The sanction imposed herein shall be effective on a date set by NASD staff.

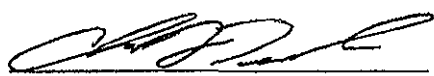
III. OTHER MATTERS

- A. American Enterprise understands that it may attach a Statement of Corrective Action to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. American Enterprise understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.
- B. American Enterprise agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable as noted above and has attached an Election of Payment form showing the method by which it proposes to pay any fine imposed.
- C. American Enterprise specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

American Enterprise certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce American Enterprise to submit it.

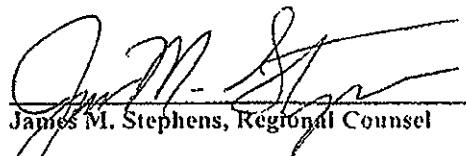
AMERICAN ENTERPRISE INVESTMENT
SERVICES INC.

Date: 3/07/2007

By: 
Charles F. Tennant
Chief Operating Officer

Accepted by NASD:

3-16-07
Date


James M. Stephens, Regional Counsel
NASD District Director

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