

ATTORNEY GENERAL OF THE STATE OF NEW YORK
INVESTOR PROTECTION BUREAU

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IN THE MATTER OF :
 :
DEUTSCHE BANK SECURITIES INC. :
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**ASSURANCE OF DISCONTINUANCE
PURSUANT TO EXECUTIVE LAW § 63(15)**

On April 14, 2008, the Office of the Attorney General of the State of New York (the "Attorney General"), commenced an investigation, pursuant to Article 23-A of the General Business Law (the "Martin Act"), of Deutsche Bank AG and its subsidiaries and affiliates (collectively, "Deutsche Bank"), concerning Deutsche Bank's marketing, sale and distribution of auction rate securities (the "Investigation"). This Assurance of Discontinuance ("Assurance") contains the findings of the Attorney General's Investigation and the relief agreed to by the Attorney General and Deutsche Bank.

FINDINGS

The Attorney General finds as follows:

I. Relevant Entity

1. Deutsche Bank Securities Inc. ("DBSI"), a subsidiary of Deutsche Bank AG (a German corporation with approximately 80,000 employees in 75 countries worldwide; its principal executive offices are located in Frankfurt, Germany), is licensed to do business in the State of New York and its principal executive offices are located in New York City; Deutsche Bank Alex. Brown, a division of DBSI, is part of the private wealth management arm of Deutsche Bank. DBSI, through its subsidiaries and affiliates, is a registered broker/dealer offering brokerage, financial planning and investment products and services to investors across the United States.

II. Background on Auction Rate Securities

2. Auction rate securities are long-term bonds issued by municipalities, corporations and student loan companies, or perpetual equity instruments issued by closed end mutual funds, with variable interest rates that reset through a bidding process known as a Dutch auction.

3. At a Dutch auction, bidders generally state the number of auction rate securities they wish to purchase and the minimum interest rate they are willing to accept. Bids are ranked, from lowest to highest, according to the minimum interest rate each bidder is willing to accept. The lowest interest rate required to sell all of the auction rate securities available at auction, known as the “clearing rate,” becomes the rate paid to all holders of that particular security until the next auction. The process is then repeated, typically every 7, 28 or 35 days.

4. When there are not enough orders to purchase all of the auction rate securities being sold, a “failed” auction occurs. In the event of a failed auction, investors cannot sell their auction rate securities.

5. As an underwriter of auction rate securities, DBSI also acted as the lead manager for certain issues of auction rate securities. When acting as lead manager, DBSI was the primary firm that could submit bids into the auction, while other broker-dealers were able to submit orders on behalf of their clients as well. DBSI received revenue in connection with auction rate securities, including an underwriting fee representing a percentage of total issuance where DBSI served as underwriter and a fee for managing the auctions.

III. DBSI Made Misrepresentations to Certain Investors in Connection With the Sale of Auction Rate Securities

6. DBSI represented to its customers that auction rate securities were “money market alternatives” and “liquid investments.” It did so in marketing materials that compared auction rate securities to other money market instruments and through its sales force, some of whom represented to investors that auction rate securities were highly liquid, safe, cash equivalent investments.

7. These representations were misleading as to certain investors. Auction rate securities were in fact different from cash and money market funds. As discussed above, the liquidity of an auction rate security relied on the successful operation of the Dutch auction process. In the event of a failed auction, investors can not sell their auction rate securities and are stuck holding long-term investments, not cash equivalent securities. As discussed below, starting in the Fall of 2007, the auction rate securities market faced dislocation and an increased risk of failure.

8. Since the early 1990s, DBSI or its predecessors submitted support bids, purchase orders for the entirety of an auction rate security issue for which it acted as the sole or lead manager. DBSI served as the lead manager on four auction rate preferred issues, privately-offered auction rate securities issued by three special purpose vehicles (“SPVs”) previously created by Deutsche Bank (called Pivots, Capstans, and Cambers), and several student loan auction rate securities. Support bids were DBSI proprietary orders that would be filled, in whole or in part, if there was otherwise insufficient demand in an auction. When DBSI purchased auction rate securities through support bids, auction rate securities were then owned by DBSI and the holdings were recorded

on DBSI's balance sheet. For risk management purposes, DBSI imposed limits on the amounts of auction rate securities it could hold in inventory.

9. Because investors could not ascertain how much of an auction was filled through DBSI proprietary trades, investors could not determine if auctions were clearing because of normal marketplace demand, or because DBSI was making up for lack of demand through support bids. Generally, investors were also not aware that the auction rate securities for which DBSI was the lead manager were dependent upon DBSI's use of support bids for the success of those auctions. While DBSI could track its own inventory as a measure of the supply and demand for the auction rate securities in which it was the lead manager, ordinary investors had no comparable ability to assess the operation of the market. There was no way for investors to monitor supply and demand in the market or to assess when broker-dealers may decide to stop supporting the market, which could cause its collapse.

IV. By the Fall of 2007, The Auction Rate Securities Market Faced Dislocation

10. In August 2007, the credit crisis and other deteriorating market conditions strained the auction rate securities market. Some institutional investors withdrew from the market, decreasing demand for auction rate securities. The resulting market dislocation should have been evident to DBSI.

11. From the Fall of 2007 through February of 2008, demand for auction rate securities continued to erode. DBSI knew or should have known of the increasing strains on the auction rate securities market, but nonetheless did not adequately disclose these increasing risks of owning or purchasing auction rate securities to its customers.

12. In February 2008, DBSI and other firms stopped supporting auctions. Without the benefit of support bids, the auction rate securities market collapsed, leaving investors who had been led to believe that these securities were “money market alternatives” and “liquid investments,” appropriate for managing short-term cash needs, holding long-term or perpetual securities that could not be sold at par value.

V. Violations

13. The foregoing acts and practices of DBSI violated the Martin Act, Article 23-A of the General Business Law.

14. The foregoing acts and practices of DBSI violated § 349 of the General Business Law.

15. The foregoing acts and practices of DBSI violated § 63(12) of the Executive Law.

AGREEMENT

WHEREAS, the parties agree to settle allegations that DBSI’s conduct violated the Martin Act, General Business Law § 349 and Executive Law § 63(12) and the Attorney General can bring an action when misrepresentations are made in connection with the sale of securities and scienter need not be proven to establish a violation of the Martin Act, General Business Law § 349 and Executive Law § 63(12);

WHEREAS, DBSI neither admits nor denies the Attorney General’s Findings set forth above;

WHEREAS, the Attorney General is willing to accept the terms of the Assurance pursuant to New York Executive Law § 63(15), and to discontinue, as described in paragraph 56 below, its Investigation of DBSI;

WHEREAS, the parties each believe that the obligations imposed by this Assurance are prudent and appropriate;

IT IS HEREBY UNDERSTOOD AND AGREED, by and between the parties, that:

I. Relief for Auction Rate Security Investors

A. Buybacks from Auction Rate Securities Investors

16. DBSI will provide liquidity to Eligible Investors by buying-back Eligible Auction Rate Securities at par, with the exception of those Eligible Auction Rate Securities where auctions were continuously clearing between February 13, 2008 and August 29, 2008, in the manner described below.

17. "Eligible Auction Rate Securities," for the purposes of this Assurance, shall mean auction rate securities purchased from DBSI prior to February 13, 2008.

18. "Eligible Investors," for the purposes of this Assurance, shall mean:

- i. Individuals or legal entities forming the investment vehicles for family members (such as, for example, an IRA, trust, family limited partnership, or other similar entity) who purchased Eligible Auction Rate Securities at DBSI;
- ii. Charities, endowments or foundations with Internal Revenue Code Section 501(c)(3) status that purchased Eligible Auction Rate Securities at DBSI; and
- iii. Small to Medium-Sized Businesses that purchased Eligible Auction Rate Securities at DBSI. For purposes of this provision, "Small to Medium-Sized Businesses" shall mean DBSI customers not otherwise

covered in paragraph 18(i) and (ii) above that had \$10 million or less in assets in their accounts with Deutsche Bank, net of margin loans, as determined by the customer's aggregate household position(s) at Deutsche Bank as of July 31, 2008. Notwithstanding any other provision, "Small to Medium-Sized Businesses" does not include broker-dealers or banks acting as conduits for their customers, or customers that had total assets of greater than \$50 million as of July 31, 2008.

- iv. In no event shall DBSI be required by this Assurance to purchase more than \$10 million of auction rate securities from any Small to Medium-Sized Business.

19. No later than October 20, 2008, DBSI shall have offered to purchase, at par plus accrued and unpaid dividends/interest (subject to paragraph 22 below), from Eligible Investors their Eligible Auction Rate Securities, with the exception of those Eligible Auction Rate Securities where auctions were continuously clearing between February 13, 2008 and August 29, 2008 ("Buyback Offer"), and shall have explained what Eligible Investors must do to accept, in whole or in part, the Buyback Offer. The Buyback Offer shall remain open until at least midnight, Eastern Time, June 30, 2009 ("Offer Period"). DBSI may extend the Offer Period beyond this date.

20. DBSI shall have undertaken its best efforts to identify and provide notice to Eligible Investors who invested in Eligible Auction Rate Securities, with the exception of those Eligible Auction Rate Securities where auctions were continuously

clearing between February 13, 2008 and August 29, 2008, of the relevant terms of this Assurance by October 20, 2008.

21. No later than December 31, 2009, any Eligible Investor who for good cause (including but not limited to incapacity or failure to receive the notice provided for in paragraph 20) did not accept the Buyback Offer pursuant to paragraph 22 below, shall be entitled to sell their Eligible Auction Rate Securities, at par, to DBSI for (30) days after establishing such good cause, and DBSI shall purchase such Eligible Investor's Eligible Auction Rate Securities promptly.

22. Eligible Investors may accept the Buyback Offer by notifying DBSI at any time before midnight, Eastern Time, June 30, 2009, or such later date and time as DBSI may extend the Offer Period. For any Eligible Investor who accepts the offer between December 31, 2008 and June 30, 2009, DBSI will use its best efforts to complete the purchase within seven (7) business days of DBSI's receipt of his or her acceptance. However, Eligible Investors may request DBSI purchase the Eligible Auction Rate Securities on the next scheduled auction date after DBSI's receipt of his or her acceptance, in which event DBSI will use its best efforts to complete the purchase within seven business days of that auction and will pay the Eligible Investor par, plus accrued and unpaid dividends/interest.

23. No later than October 20, 2008, DBSI shall have established a dedicated toll-free telephone assistance line, with appropriate staffing, to provide information and to respond to questions concerning the terms of this Assurance; and no later than the date of this Assurance, DBSI shall establish a public Internet page on its corporate Web site(s), with a prominent link to that page appearing on DBAB's relevant homepage(s),

to provide information concerning the terms of this Assurance and, via an e-mail address or other reasonable means, to respond to questions concerning the terms of this Assurance. DBSI shall maintain the telephone assistance line and Internet page through June 30, 2009.

B. Relief for Eligible Investors Who Sold Below Par

24. By November 19, 2008, DBSI shall have undertaken its best efforts to identify any Eligible Investor who sold Eligible Auction Rate Securities below par between February 13, 2008 and August 29, 2008 and paid them the difference between par and the price at which the investor sold the Eligible Auction Rate Securities.

C. Reimbursement for Related Loan Expenses

25. DBSI shall make its best efforts to identify Eligible Investors who took out loans from DBSI, between February 13, 2008 and the date of this Assurance, that were secured by Eligible Auction Rate Securities that were not successfully auctioning at the time the loan was taken out from DBSI. DBSI shall refund to those Eligible Investors any interest associated with the auction rate securities-based portion of those loans in excess of the total interest and dividends received on the auction rate securities during the duration of the loan. Such refunds shall occur no later than June 30, 2009.

D. Consequential Damages Arbitration Process

26. DBSI shall consent to participate in a special arbitration ("Arbitration") for the exclusive purpose of arbitrating any Eligible Investor's consequential damages claim arising from their inability to sell Eligible Auction Rate Securities. DBSI shall have notified Eligible Investors of the terms of the Arbitration process by November 19, 2008.

27. The Arbitration shall be conducted by a single public arbitrator (as defined by section 12100(u) of the NASD Code of Arbitration Procedures for Customer Disputes, eff. April 16, 2007), under the auspices of FINRA. DBSI will pay all applicable forum and filing fees.

28. Any Eligible Investors who choose to pursue such claims in the Arbitration shall bear the burden of proving that they suffered consequential damages and that such damages were caused by their inability to access funds invested in Eligible Auction Rate Securities. In the Arbitration, DBSI shall be able to defend itself against such claims; provided, however, that DBSI shall not contest liability related to the sale of auction rate securities or use as part of its defense any decision by an Eligible Investor not to borrow money from DBSI.

29. Eligible Investors who elect to use the special arbitration process provided for herein shall not be eligible for punitive damages, or for any other type of damages other than consequential damages.

30. All customers, including but not limited to Eligible Investors who avail themselves of the relief provided pursuant to this Assurance, may pursue any remedies against DBSI available under the law. However, Eligible Investors that elect to utilize the special arbitration process set forth above are limited to the remedies available in that process and may not bring or pursue a claim relating to Eligible Auction Rate Securities in another forum.

E. Municipal Issuers

31. DBSI shall promptly refund to municipal issuers underwriting fees the issuers paid to DBSI for the refinancing or conversion of their auction rate securities that

occurred between February 13, 2008 and the date of this Assurance, where DBSI acted as underwriter for the primary offering of the auction rate securities between August 1, 2007 and February 13, 2008.

F. Institutional Investors

32. DBSI shall endeavor to work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously provide liquidity solutions for institutional investors not covered by Section I.A. above that purchased auction rate securities from DBSI (“Institutional Investors”).

33. The Attorney General has refrained from taking legal action against DBSI with respect to Institutional Investors. The Attorney General shall issue continuances as it deems appropriate.

34. Within 45 days of the end of each quarter, beginning with a report covering the quarter ended December 31, 2008 (due on February 17, 2009), and continuing through and including a report covering the quarter ended December 31, 2009 (due on February 14, 2010), DBSI shall submit a quarterly written report detailing DBSI’s progress with respect to its obligations pursuant to this Assurance. DBSI shall confer with the Attorney General on a quarterly basis to discuss DBSI’s progress to date. Such quarterly reports and meetings shall continue until no later than the quarter ended December 31, 2009. Following every quarterly meeting, the Attorney General shall advise DBSI of any concerns regarding DBSI’s progress in providing liquidity solutions for Institutional Investors and, in response, DBSI shall detail the steps that DBSI plans to implement to address such concerns. The reporting or meeting deadlines set forth above may be amended with written permission from the Attorney General.

G. Penalty and Remedial Procedures

35. DBSI shall pay a total civil penalty of FIFTEEN MILLION DOLLARS (\$15,000,000), of which SIX HUNDRED SEVENTY EIGHT THOUSAND TWO HUNDRED EIGHTY TWO DOLLARS AND FIFTY CENTS (\$678,282.50) shall be paid to the State of New York no later than ten business days after signing this Assurance, and the remainder to those states and territories that enter administrative or civil consent orders approving the terms of the NASAA settlement. The payment to the State of New York shall be in the form of a certified or bank check made out to "State of New York" and delivered to: Office of the Attorney General of the State of New York, 120 Broadway, 23rd Floor, New York, New York, 10271, Attn: David A. Markowitz, Chief, Investor Protection Bureau, or by wire.

36. DBSI agrees that it shall not, collectively or individually, seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, payment made pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to paragraph 35 above.

37. The penalty payable pursuant to paragraph 35 above addresses all underlying conduct relating to the sale of auction rate securities.

H. Other Relief

38. DBSI admits the jurisdiction of the Attorney General. DBSI will cease and desist from engaging in any acts in violation of the Martin Act, General Business Law § 349 and/or Executive Law § 63(12) and will comply with the Martin Act, General Business Law § 349 and Executive Law § 63(12).

II. Other Provisions

39. The Attorney General retains the right under Executive Law § 63(15) to compel compliance with this Assurance. Evidence of a violation of this Assurance proven in a court of competent jurisdiction shall constitute prima facie proof of a violation of the Martin Act, General Business Law §349 and/or Executive Law §63(12) in any civil action or proceeding hereafter commenced by the Attorney General against DBSI.

40. Should the Attorney General prove in a court of competent jurisdiction that a material breach of this Assurance by DBSI has occurred, DBSI shall pay to the Attorney General the cost, if any, of such determination and of enforcing this Assurance, including without limitation legal fees, expenses and court costs.

41. If DBSI defaults on any obligation under this Assurance, the Attorney General may terminate this Assurance, at his sole discretion, upon 10 days written notice to DBSI. DBSI agrees that any statute of limitations or other time related defenses applicable to the subject of the Assurance and any claims arising from or relating thereto are tolled from and after the date of this Assurance. In the event of such termination, DBSI expressly agrees and acknowledges that this Assurance shall in no way bar or otherwise preclude the Attorney General from commencing, conducting or prosecuting any investigation, action or proceeding, however denominated, related to the Assurance, against DBSI, or from using in any way any statements, documents or other materials produced or provided by DBSI prior to or after the date of this Assurance, including, without limitation, such statements, documents or other materials, if any, provided for

purposes of settlement negotiations, except as may otherwise be provided in a written agreement with the Attorney General.

42. Except in an action by the Attorney General to enforce the obligations of DBSI in this Assurance or in the event of termination of this Assurance by the Attorney General, neither this Assurance nor any acts performed or documents executed in furtherance of this Assurance: (a) may be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability or lack of wrongdoing or liability; or (b) may be deemed or used as an admission of or evidence of any such alleged fault or omission of DBSI in any civil, criminal, arbitration or administrative proceeding in any court, administrative agency or other tribunal. This Assurance shall not confer any rights upon persons or entities who are not a party to this Assurance.

43. DBSI shall cooperate fully and promptly with the Attorney General and shall use its best efforts to ensure that all the current and former officers, directors, trustees, agents, members, partners and employees of DBSI (and of any of its parent companies, subsidiaries or affiliates) cooperate fully and promptly with the Attorney General in any pending or subsequently initiated investigation, litigation or other proceeding relating to auction rate securities and/or the subject matter of the Assurance.

Such cooperation shall include, without limitation, and on a best efforts basis:

- (a) production, voluntarily and without service of subpoena, upon the request of the Attorney General, of all documents or other tangible evidence requested by the Attorney General and any compilations or summaries of information or data that the Attorney General requests that DBSI (or its parent companies, subsidiaries or affiliates) prepare, except to the extent such production would require the disclosure of information protected by the attorney-client and/or work product privileges;

- (b) without the necessity of a subpoena, having the current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners and employees of DBSI (and of any of its parent companies, subsidiaries or affiliates) attend any Proceedings (as hereinafter defined) in New York State or elsewhere at which the presence of any such persons is requested by the Attorney General and having such current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners and employees answer any and all inquiries that may be put by the Attorney General to any of them at any proceedings or otherwise, except to the extent such production would require the disclosure of information protected by the attorney-client and/or work product privileges; "Proceedings" include, but are not limited to, any meetings, interviews, depositions, hearings, trials, grand jury proceedings or other proceedings;
- (c) fully, fairly and truthfully disclosing all information and producing all records and other evidence in its possession, custody or control (or the possession, custody or control of its parent companies, subsidiaries or affiliates) relevant to all inquiries made by the Attorney General concerning the subject matter of the Assurance, except to the extent such inquiries call for the disclosure of information protected by the attorney-client and/or work product privileges; and
- (d) making outside counsel reasonably available to provide comprehensive presentations concerning any internal investigation relating to all matters in the Assurance and to answer questions, except to the extent such presentations or questions call for the disclosure of information protected by the attorney-client and/or work product privileges.

44. In the event DBSI fails to comply with paragraph 43 of the Assurance, the Attorney General shall be entitled to specific performance, in addition to any other available remedies.

45. The Attorney General has agreed to the terms of this Assurance based on, among other things, the representations made to the Attorney General by DBSI, its counsel, and the Attorney General's own factual Investigation. To the extent that any

material representations made are later found to be inaccurate or misleading, this Assurance is voidable by the Attorney General in its sole discretion.

46. DBSI shall, upon request by the Attorney General, provide all documentation and information reasonably necessary for the Attorney General to verify compliance with this Assurance.

47. To the extent applicable, this Assurance hereby waives any disqualification from relying upon the registration exemptions or registration safe harbor provisions that may be contained in the federal securities laws, the rules and regulations thereunder, the rules and regulations of self regulatory organizations or any states' or U.S. Territories' securities laws. In addition, this Assurance is not intended to form the basis for any such disqualifications.

48. All notices, reports, requests, and other communications to any party pursuant to this Assurance shall be in writing and shall be directed as follows:

If to DBSI:

Christian Mixter, Esq.
Morgan, Lewis & Bockius LLP
1111 Pennsylvania Avenue, NW
Washington, DC 20004

If to the Attorney General:

Office of the Attorney General of the State of New York
120 Broadway, 23rd Floor
New York, New York 10271
Attn: David A. Markowitz

49. This Assurance and any dispute related thereto shall be governed by the laws of the State of New York without regard to any conflicts of laws principles.

50. DBSI consents to the jurisdiction of the Attorney General in any proceeding or action to enforce this Assurance.

51. DBSI agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any finding in this Assurance or creating the impression that this Assurance is without factual basis. Nothing in this paragraph affects DBSI's: (a) testimonial obligations; or (b) right to take legal or factual positions in defense of litigation or other legal proceedings to which the Attorney General is not a party.

52. This Assurance may not be amended except by an instrument in writing signed on behalf of all the parties to this Assurance.

53. This Assurance constitutes the entire agreement between the Attorney General and DBSI and supersedes any prior communication, understanding or agreement, whether written or oral, concerning the subject matter of this Assurance. No representation, inducement, promise, understanding, condition or warranty not set forth in this Assurance has been relied upon by any party to this Assurance.

54. In the event that one or more provisions contained in this Assurance shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Assurance.

55. This Assurance may be executed in one or more counterparts, and shall become effective when such counterparts have been signed by each of the parties hereto.

56. Upon execution by the parties to this Assurance, the Attorney General agrees to suspend, pursuant to Executive Law § 63(15), this Investigation as and against

DBSI solely with respect to its marketing and sale of auction rate securities to Eligible Investors.

57. Any payments and all correspondence related to this Assurance must reference AOD # 08-184.

WHEREFORE, the following signatures are affixed hereto on the dates set forth below.

ANDREW M. CUOMO,
Attorney General of the State of New York

By: 

David A. Markowitz
Chief, Investor Protection Bureau
120 Broadway
23rd Floor
New York, New York 10271
(212) 416-8198

Dated: June 2, 2009

DEUTSCHE BANK SECURITIES INC.

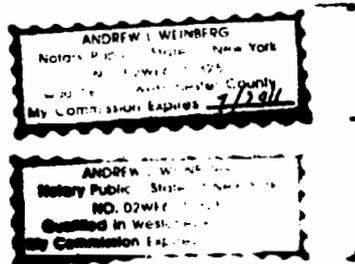
By: Joseph Polizzotto
Name: Joseph Polizzotto
Title: Managing Director

ACKNOWLEDGMENT

STATE OF NEW YORK)
)
) :SS.
COUNTY OF NEW YORK)

On this 3rd day of June, 2009, before me personally came Joseph Polizzotto known to me, who, being duly sworn by me, did depose and say that he is the Managing Director of Deutsche Bank Securities Inc., the entity described in the foregoing Assurance, and is duly authorized by Deutsche Bank Securities Inc. to execute the same, and that he signed his name in my presence by like authorization.

Andrew Weinberg
Notary Public
My commission expires: 7/2011



Assurance of Discontinuance
Reviewed By:
Christian J. Master / by ALW

Attorneys for Deutsche Bank Securities Inc.

Dated: June 3, 2009

DEUTSCHE BANK SECURITIES INC.

By: Robert E. Rice
Name: ROBERT E. RICE
Title: MANAGING DIRECTOR

ACKNOWLEDGMENT

STATE OF NEW YORK)
 :SS.
COUNTY OF NEW YORK)

On this 3rd day of June, 2009, before me personally came Robert E. Rice, known to me, who, being duly sworn by me, did depose and say that he is the Managing Director of Deutsche Bank Securities Inc., the entity described in the foregoing Assurance, and is duly authorized by Deutsche Bank Securities Inc. to execute the same, and that he signed his name in my presence by like authorization.

Andrew Weinberg
Notary Public
My commission expires:

7/2011

