

In the Matter of	)	
	)	[Matter No.
DEUTSCHE BANK SECURITIES, INC,	)	
	)	
Respondent.	)	<b>ADMINISTRATIVE CONSENT ORDER</b>
	)	<b>CO-2005- 0011</b>
	)	
	)	
	)	

WHEREAS, a coordinated investigation into Deutsche Bank activities concerning securities research analysts' conflicts of interest and investment banking business practices during the period of approximately 1999 through 2001 has been conducted by a multi-state task force and the U.S. Securities and Exchange Commission ("SEC");

WHEREAS, Deutsche Bank has cooperated with the above securities regulators during the investigation;

WHEREAS, Deutsche Bank agrees to adopt and implement certain changes to securities research analysts' conflicts of interest and investment banking business practices and to make certain payments as set forth herein;;

WHEREAS, The Alabama Securities Commission has jurisdiction over this matter pursuant to Title 8 Chapter 6, Code of Alabama 1975;

1  
2 WHEREAS, The Alabama Securities Commission finds the following relief appropriate  
3 and in the public interest; and

4 NOW, THEREFORE, the Alabama Securities Commission, as administrator of the  
5 Alabama Securities Act, hereby enters this Order:

6 **I. ALLEGATIONS OF FACT**

7 1. Deutsche Bank admits the jurisdiction the Alabama Securities Commission, neither  
8 admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and  
9 consents to the entry of this Order by the Alabama Securities Commission.

10 2. The Alabama Securities Commission finds the following facts applicable to this  
11 action:

12 **A. General Findings Of Fact:**

13 3. From July 1999 through 2001 ("the relevant period"), Deutsche Bank engaged in acts  
14 and practices that created and/or maintained inappropriate influence by investment banking over  
15 research analysts, thereby creating conflicts of interest for its research analysts. Deutsche Bank  
16 failed to manage these conflicts in an adequate manner. During this time period, Deutsche Bank  
17 offered research coverage in order to gain investment banking business and receive investment  
18 banking fees. It received over \$1 million from other investment banks to provide research  
19 coverage of their investment banking clients, and made payments of approximately \$10 million to  
20 other securities firms primarily for research coverage for its investment banking clients. In  
21 addition, Deutsche Bank compensated its research analysts based in part upon their contributions to  
22 Deutsche Bank's investment banking business. These relationships and activities constituted  
23 substantial conflicts of interest for Deutsche Bank's research analysts.

24 4. Deutsche Bank failed to establish and maintain adequate policies and procedures  
25 reasonably designed to manage these conflicts of interest.

26 5. Deutsche Bank also failed to promptly produce copies of e-mail communications that  
27 had been requested by the staff during the investigation. Despite repeated inquiries from the staff  
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1 and state investigators, Deutsche Bank insisted during the investigation that its production of the e-  
2 mail was complete. In fact, Deutsche Bank had produced less than one-fourth of the responsive e-  
3 mail by April 2003. Over the next year, Deutsche Bank produced another 227,000 e-mail, more  
4 than tripling its original production and delaying completion of the investigation for over a year.

## 5 **RESPONDENT**

6 6. Deutsche Bank Securities Inc. is a Delaware corporation with its headquarters and  
7 principal executive offices in New York, New York. It has branch offices throughout the U.S.,  
8 including Washington, D.C., San Francisco, Los Angeles, and Baltimore. Deutsche Bank is a  
9 broker-dealer registered with the United States Securities and Exchange Commission pursuant to  
10 Section 15(b) [15 U.S.C. § 78o(b)] of the Exchange Act and is a member of NASD and NYSE.  
11 Deutsche Bank provides a comprehensive range of advisory, financial, securities research, and  
12 investment services to corporate and private clients. Deutsche Bank's clients include both  
13 institutional investors and individual investors (often referred to as "retail customers"). Deutsche  
14 Bank also provides investment banking services to corporate clients.

15 7. Deutsche Bank is currently registered with the Alabama Securities Commission as a  
16 broker-dealer, and has been so registered since March 26, 1990.

## 17 **FACTUAL ALLEGATIONS**

### 18 **I. BACKGROUND**

#### 19 **A. The Role of Research Analysts at Deutsche Bank**

20 8. Deutsche Bank has a securities research department called the "equity research  
21 department," which provides its investment clients and the public with research reports on certain  
22 public companies. Research analysts at Deutsche Bank are generally assigned to review the  
23 investment outlook of specific public companies within a certain industry or sector, such as  
24 technology or biosciences. This is called "covering" a company's stock. In their research reports,  
25 analysts typically review the performance of the covered companies, evaluate their business  
26 prospects, and provide analysis and projections regarding the future prospects of the company.  
27 They also provide a rating or recommendation as to whether the company presents a good  
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1 investment opportunity, and often provide a price target (the market price at which the analyst  
2 expects the stock to trade within a given time).

3  
4 9. During the relevant period, Deutsche Bank analysts made themselves available via  
5 telephone, electronic mail, and in person to the firm's institutional and retail sales force to answer  
6 questions about industry sectors and companies covered by the analyst. In addition, analysts  
7 provided periodic research updates to the sales forces through "morning calls" held before the start  
8 of trading.

9 10. During the relevant period, Deutsche Bank had a four-point rating system: "Strong  
10 Buy"; "Buy"; "Market Perform"; and "Market Underperform." According to the firm's policy, a  
11 "Strong Buy" or "1" rating meant that "DBSI expects, with a high degree of confidence, that the  
12 securities will significantly outperform the market time frame and that the time to buy the  
13 securities is now." A "Buy" or "2" rating meant that "DBSI expects that the securities will out  
14 perform the market by 10% or more over the next 12 months." A "Market Perform" or "3" rating  
15 meant that "DBSI expects that the securities will broadly perform in line with the local market over  
16 a 12-month period and the share price is likely to trade within a range of +/- 10%." A "Market  
17 Underperform" or "4" rating meant that "DBSI expects the securities to underperform against the  
18 local market by 10% or more over the next 12 months."

19 11. During the relevant time period, a substantial majority of the companies covered by  
20 Deutsche Bank's analysts in the technology, biotechnology, media, and telecommunications  
21 sectors received a Buy or Strong Buy rating. In contrast, only one of the more than 250 companies  
22 covered by Deutsche Bank during the time period had lower than a Market Perform. Accordingly,  
23 what Deutsche Bank held out as a four-point rating system for stocks in the above sectors was  
24 effectively a three-point system.

25 12. Deutsche Bank distributed its analysts' research reports internally to various  
26 departments at the firm, made the reports available to its institutional and retail customers, and  
27 disseminated the reports to subscription services such as First Call and Bloomberg. The firm's  
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1 customers received the research reports through the firm's website and also through electronic mail  
2 or postal mail if they were on the firm's mailing lists. Analysts' recommendations were also  
3 reported in the U.S. financial news media.  
4

5 13. Deutsche Bank held out its research analysts as providing independent, objective and  
6 unbiased information, reports, and recommendations upon which investors could rely in making  
7 informed investment decisions.

8 **B. Investment Banking at Deutsche Bank**

9 14. Deutsche Bank's investment banking division assists companies with raising capital  
10 through initial public offerings ("IPOs"), "follow-on" offerings (subsequent offerings of stock to  
11 the public), and private placements of stock. It also assists companies with negotiating and  
12 brokering other corporate transactions, such as mergers and acquisitions. During the relevant  
13 period, investment banking was an important source of revenue for Deutsche Bank, accounting for  
14 approximately 29.2% of its total revenues.

15 15. Deutsche Bank generally competes with other investment banks for selection by issuers  
16 and other sellers of securities as lead underwriter or "bookrunner" on securities offerings. The lead  
17 underwriters receive the largest portion of the investment banking fees, called underwriting fees;  
18 accordingly, there are significant financial rewards to being selected as the lead underwriter. The  
19 lead underwriters also establish the allocation of shares in a securities offering and typically retain  
20 the greatest number of shares for themselves. The typical IPO generates significant investment  
21 banking fees for the lead underwriters. During the relevant period, Deutsche Bank was the ninth  
22 largest underwriter in the U.S. securities market, receiving about \$1.15 billion in investment  
23 banking fees.

24 16. In addition to their research responsibilities, analysts assisted investment bankers in  
25 performing due diligence on investment banking transactions.  
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1 **II. DEUTSCHE BANK'S RESEARCH STRUCTURE**  
2 **CONTAINED CONFLICTS OF INTEREST**

3 17. Because Deutsche Bank does not charge for its research, the Americas Equity Research  
4 Department at Deutsche Bank was a "cost center." Its costs were substantially funded by the  
5 firm's departments responsible for institutional clients and investment banking. During the  
6 relevant period, the equities department funded 50% of the research department's expenses, the  
7 investment banking department funded 43%, and the retail department funded 7%.

8 18. Investment banking considerations were an important factor in deciding what research  
9 to provide and how much research analysts were paid. As stated below, Deutsche Bank's  
10 compensation structure rewarded analysts for investment banking deals consummated in their  
11 sectors. Investment banking interests also played a role in determining which companies would be  
12 covered by the firm's analysts and which would be dropped.

13 **A. Analysts' Compensation Was Determined In Part By**  
14 **The Analysts' Contribution to Investment Banking Revenues**

15 19. In order to "align" the interests of the analysts with the interests of the other  
16 departments at the firm whose revenues funded the research department, Deutsche Bank created an  
17 "analyst performance matrix" that ranked all of Deutsche Bank's analysts based upon several  
18 criteria. Beginning in 2000, Deutsche Bank determined bonuses for its research analysts based  
19 upon this matrix. These bonuses, which ranged from hundreds of thousands to millions of dollars,  
20 made up the vast majority of most analysts' compensation.

21 20. In 2000, under the matrix, one-third of an analyst's ranking was based upon the  
22 analyst's contribution to investment banking, one-third upon his or her contribution to the  
23 institutional investor franchise, and one-third upon the research director's subjective assessment.  
24 In 2001, a fourth equally-weighted category – the analysts' ranking in independent surveys, such as  
25 the All American Institutional Investor Poll – was added to the matrix.

26 21. Analysts received "credit" for all investment banking deals in their sector (regardless of  
27 whether they worked on the deal), as well as deals outside their sector to which they contributed  
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1 personally. This amount was then adjusted upward or downward by 25-30% based upon the  
2 reviews provided by the investment bankers who worked with the analyst. Thus, if an analyst was  
3 helpful to investment bankers in the analyst's sector by, for example, generating deals for his  
4 sector, the analyst could get a high rating from the investment banker and thus increase his rating in  
5 the matrix and, potentially, the size of the analyst's bonus.

6 22. Investment bankers rated analysts based on a scale of 1 ("Analyst Extremely Important  
7 To A Majority Of Investment Banking Revenue. Without The Analyst, Our Revenue Would Have  
8 Been More Than 50% Below What We Generated.") to 5 ("Analyst Had A Negative Impact On  
9 Investment Banking Revenue."). Analysts at the top of the matrix – and thus who received the  
10 largest bonuses – typically received all 1's or 2's from investment bankers, as well as scored highly  
11 in other areas of the matrix.

12 23. Deutsche Bank research management circulated draft quarterly investment banking deal  
13 reports to analysts to verify the investment banking deals for which analysts were to receive credit.  
14 Analysts were encouraged to, and did, respond to these reports with additional examples of deals in  
15 their sector or on which they had worked.

16 24. In these responses and in the yearly performance self-evaluations that analysts  
17 completed, many analysts identified the importance of their work in bringing investment banking  
18 business to Deutsche Bank and the value of that work to the firm. For example, analysts stated in  
19 their self-evaluations:

- 20  
21 (a) "Won two lead managed IPO mandates ... Won one secondary offering ... as  
22 a result of relationship with management team (our investment bankers did  
23 not have any previous relationship with the Company). ... DBAB generated  
24 a \$400K (roughly) fee. Participated in winning mandate on ... convertible  
25 debt offering despite previous ... analyst leaving DBAB. ... DBAB earned  
26 a \$10M (roughly) fee.... My previous management relationships allowed the  
27 firm to make equity investment in a number of promised private  
28 communications equipment companies.";
- (b) Completed 8 banking deals ..., generating an estimated \$8-10 million in  
fees; 7 of the 8 were either research driven or solely research driven ... Were  
invited to pitch ... the \$2-3 billion [company] IPO; I started the ball rolling."

1           25. In certain instances, research management requested that analysts complete "business  
2 plans," such as when transitioning coverage from one analyst to another. Analysts discussed the  
3 investment banking imperatives that they had addressed through coverage of certain areas or  
4 companies or otherwise. For example, in an April 2001 e-mail exchange between two analysts,  
5 one analyst said that he was told one of his goals for the year was to "generate at least as much in  
6 banking fees as he did last year."

7           26. Research management based promotion decisions in part upon the analyst's assistance  
8 to the firm's investment banking business.

9  
10           27. In sum, research analysts at Deutsche Bank were compensated millions of dollars in  
11 part for their contribution in winning the business of investment banking clients, for whom they  
12 issued reports, ratings and recommendations.

13           **B. Investment Banking Interests Influenced Coverage Decisions**

14           28. The research department at Deutsche Bank made decisions about the stocks on which  
15 its analysts would initiate and maintain coverage based in part upon investment banking concerns.  
16 According to the director of research, investment banking opportunities were a factor in  
17 determining research coverage. For example, one analyst testified that he agreed to maintain  
18 coverage of certain companies he would otherwise drop until the banker had the opportunity to  
19 "close" the transactions the banker was hoping to win.

20           29. In another example, an analyst expressed her disappointment in a February 2001 e-mail  
21 that Deutsche Bank had not been included in an offering by Charlotte Russe Holding Inc. The  
22 analyst stated that "the only reason we picked up coverage of the stock [Charlotte Russe Holding  
23 Inc.] was to be involved in IB flow." The analyst had just rated the company a "Buy" on  
24 December 21, 2000.

25           30. Analysts also routinely identified to their investment banking counterparts private  
26 companies that might go public. Often, it was the research analyst's relationship with the company  
27 that convinced the company to use Deutsche Bank's investment banking services. If the company  
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1 did indeed use Deutsche Bank for its investment banking business, the analyst would typically  
2 cover the company for Deutsche Bank. The fact that the analyst had originated Deutsche Bank's  
3 investment banking transaction with the company that he covered presented a potential conflict of  
4 interest.

5 31. In July 2000, a banker in the Hong Kong office of Deutsche Bank sent an e-mail to the  
6 director of research stating that "the lack of coverage [of Pacific Century Cyberworks] continues to  
7 be a major problem in our relationship, and we have been categorically assured that none of [the  
8 company owner's] (very substantial) deal flow will come our way until we make good on our  
9 promise . . . ." The director of research later sent an e-mail to his assistant stating "we need to have  
10 active, co-coverage of this name in the US. been [sic] a big fee paying customer of ours that we  
11 have promised US coverage that past US research management agreed to."

12 32. In addition to initiating positive coverage on investment banking clients, Deutsche Bank  
13 research analysts at times maintained favorable ratings on investment banking clients' stocks, even  
14 in the face of precipitous declines in the stocks' prices.

15 33. For example, Deutsche Bank acted as a lead underwriter for the Webvan IPO in  
16 November 1999 and initiated coverage with a Strong Buy rating and \$50 price target shortly  
17 thereafter. At the time, the stock was trading at \$24.69. In a series of reports issued in April-July  
18 2000, although the new analyst covering the stock recognized and discussed significant risk factors  
19 facing the company in his reports, he maintained the Strong Buy rating (with no price target) even  
20 as the stock dropped to the \$6-9 range. On September 15, 2000, with the stock trading at \$3.47, the  
21 analyst downgraded Webvan to a Buy. On January 10, 2001, with Webvan at \$0.44, the analyst  
22 downgraded it to Market Perform, and held that rating on July 9, 2001, when Webvan declared  
23 bankruptcy.

24 34. Similarly, in March 2000, Deutsche Bank had a Strong Buy recommendation on the  
25 stock of Peregrine Systems. At the time, the stock was trading at over \$70. In April 2000,  
26 although the stock had dropped to \$24.50, Deutsche Bank maintained its Strong Buy  
27 recommendation. Deutsche Bank continued its Strong Buy recommendation until the stock price  
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1 hit \$0.24 in September 2002.

2 **C. Deutsche Bank Implicitly Promised Potential**  
3 **Investment Banking Clients Favorable Research Coverage**

4 35. To win investment banking business for a public company, securities firms typically put  
5 together a presentation (soliciting an issuer's investment banking business is called "pitching the  
6 company"). Investment banks make "pitches" for any kind of investment banking business, most  
7 frequently for initial public offerings ("IPOs") and follow-on offerings. The presentation material  
8 is referred to as a "pitchbook." The pitchbooks were presented to the company's management by  
9 Deutsche Bank investment bankers.

10 36. During the relevant period, Deutsche Bank implicitly promised in its pitchbooks that its  
11 research analysts would cover the company if the company gave it investment banking business.  
12 Deutsche Bank pitchbooks spoke of the firm's "commitment to research" and to the company,  
13 stating that Deutsche Bank's "commitment doesn't end with the IPO" and that Deutsche Bank  
14 would "be [the company's] leading advocate." Analysts prepared one section of the pitchbooks,  
15 entitled "Research Positioning." Deutsche Bank analysts typically prepared this section after  
16 completing some due diligence on the company and discussed in the section how the analyst would  
17 market the company to investors in research reports. Generally, the research positioning section of  
18 the pitchbook made a variety of positive statements about the company. For example, the  
19 pitchbook would sometimes state that Deutsche Bank analysts would promote the company's  
20 "compelling business model," its action in "rebuilding supply chains to provide superior value to  
21 producers and customers," or its "huge market opportunity." Pitchbooks described analysts as the  
22 "key 'Champion'" of the pitched companies.

23 37. In other pitchbooks, the promise of positive research coverage was suggested by  
24 reference to Deutsche Bank's positive coverage of other companies. Deutsche Bank described how  
25 the analyst had covered another company – and how the analyst's favorable ratings of the stock  
26 corresponded with the stock's rise in price. For example, the December 11, 2001 pitchbook for  
27 LeapFrog Enterprises, Inc. ("LeapFrog") similarly promoted the analyst's reports on another  
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1 company – his Buy and Strong Buy ratings of that company in frequent research reports – and  
2 graphed them against the stock price of the company to suggest that the analyst’s ratings and  
3 reports assisted in the increase in the stock’s price. Several months later, Deutsche Bank was  
4 selected as a co-manager for LeapFrog and received investment banking fees.

5 38. Deutsche Banks’ pitchbooks also typically discussed the “research commitment” of the  
6 firm, stating that the analyst would engage in various activities in connection with the IPO,  
7 including pre-marketing, marketing, initial coverage, ongoing coverage, industry reports,  
8 sponsorship of visits, dinners with key investors, and investor presentations. The analyst also  
9 assisted the investment bankers in performing due diligence on the company, and had a say in  
10 whether the firm would participate in the offering. If the analyst did not support the deal, the firm  
11 typically would not proceed with the offering.

12 39. In addition to preparing part of the pitchbook, research analysts often accompanied  
13 investment bankers on the pitches to the company. After the pitch and once Deutsche Bank was  
14 selected as the underwriter, the analyst typically worked together with the investment banker to  
15 (among other things) perform additional “due diligence” on the offering and participated in so-  
16 called “roadshows” to meet institutional investors.

17 40. It was understood by all parties involved - the analyst, the underwriters, and the issuer -  
18 that the analyst would speak favorably about the issuer when initiating coverage. Indeed, at least  
19 one pitchbook implied that Deutsche Bank would provide favorable coverage. In October 1999,  
20 Deutsche Bank marketed a European-based company called Autonomy for its U.S. IPO. (At the  
21 time, Deutsche Bank had an analyst in London covering the company for the European markets.)  
22 The pitchbook for Autonomy showed a timeline for the deal and indicated that after the “quiet  
23 period” (statutorily-mandated period of time after an offering during which the underwriting firms  
24 cannot publish research), the analyst would “Raise Rating and Estimates.” After the pitch,  
25 Deutsche Bank became the lead underwriter. The analyst who was involved in the pitch began  
26 covering the company in the U.S. after its U.S. IPO at the same Buy rating that his European  
27 counterpart had used prior to the U.S IPO.  
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1           41. In another example, an analyst sent an e-mail to an issuer stating the analyst would  
2 provide bi-monthly research coverage on the issuer “if [Deutsche Bank were] meaningfully  
3 included in [the issuer’s] financing activities.” The analyst also stated that she would present the  
4 issuer to Deutsche Bank’s sales force once a week and to publish several in-depth reports to send  
5 out to Deutsche Bank’s institutional base.

6           42. The foregoing all contributed to Deutsche Bank’s ability to win investment banking  
7 deals and receive investment banking fees from such offerings and subsequent investment banking  
8 relationships.

9           **D.     Deutsche Bank Knew That Research Was An**  
10           **Important Factor In Winning Investment Banking Business**

11           43. Deutsche Bank knew that companies expected the firm to commit to provide them with  
12 research coverage before they would award the firm investment banking business. For example, in  
13 an e-mail from Deutsche Bank’s Asia office, a banker reported that a company told them that “for  
14 any future business, [they] had to have research coverage and it had to be from a U.S. analyst ...  
15 the lack of coverage continues to be a major problem in our relationship, and we have been  
16 categorically assured that none of deal flow will come our way until we make good on our  
17 promise”. Thus, in at least some cases, companies often demanded research coverage before  
18 selecting an investment banker.

19           44. Indeed, at least one company conditioned payment of its investment banking fee to  
20 Deutsche Bank upon receiving research coverage after the transaction. Proxima ASA withheld  
21 payment to Deutsche Bank of approximately \$6 million in investment banking fees relating to its  
22 merger with another company in 2000 because Deutsche Bank had not published research on the  
23 company. After Deutsche Bank subsequently issued a September 21, 2001 research report on the  
24 company, the fee was paid.

25           45. In some instances, Deutsche Bank analysts also internally suggested conditioning the  
26 continuation of research coverage upon whether the company gave Deutsche Bank its investment  
27 banking business. One analyst e-mailed the director of research in April 2000 and asked whether  
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1 he should tell a company whom he believed had misled him about its earnings report that he would  
2 drop coverage, unless they brought their recently announced financing transaction to Deutsche  
3 Bank. The director of research responded, "I think that is EXACTLY [sic] what you should do."  
4 The firm ultimately did not drop coverage.

5 **III. IN CERTAIN INSTANCES, THE FIRM PUBLISHED**  
6 **EXAGGERATED OR UNWARRANTED RESEARCH**

7 46. In some instances, Deutsche Bank analysts gave advice to institutional clients or others  
8 that conflicted with their published ratings on particular stocks, thus indicating that in those  
9 instances, Deutsche Bank published research that was exaggerated, unwarranted, or unreasonable.

10 47. In the spring of 2001, one of Deutsche Bank's analysts met with a large institutional  
11 client of the firm to discuss the stocks that analyst covered. One of those stocks was Oracle, on  
12 which the analyst had Buy recommendations in his published research on March 1, 2001, March  
13 15, 2001, and April 30, 2001. After meeting with the analyst in the spring of 2001, the institutional  
14 investor placed an order with Deutsche Bank to sell more than a million shares of its position in the  
15 stock. Immediately after the sale, the Deutsche Bank institutional salesperson responsible for the  
16 account sent an e-mail to the director of research, commending the analyst's performance and  
17 stating that the client would be sending its *Institutional Investor* votes to the analyst. (Subscribers  
18 vote for analysts that have provided information in an annual poll of the most influential research  
19 analysts conducted by *Institutional Investor* magazine.) Other institutional salespeople also  
20 commented about the analyst's helpfulness to them, stating that he had put a "great sell on Oracle."

21 48. In another example, an analyst in the software application sector e-mailed an  
22 investment banker in April 2001 on another stock he covered, Eprise Corp., with a "request to drop  
23 coverage," stating that the "stock continues to trade below \$1 and these guys are permanent toast."  
24 The analyst had a January 5, 2001 Market Perform rating on the stock at the time.

25 49. In April 2002, an analyst communicated to an executive officer of Deutsche Bank's  
26 investment banking client, Getty Images, Inc., about the price target he had given the company in  
27 and April 5, 2002 report. He told the executive not to worry about his current price target, because  
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1 he would consider raising it at another time:

2 I thought my approach was appropriately supportive of my favorite company [the  
3 client], but still realistic.... My best guess is the stock stays in a trading range  
4 pending another quarter's evidence of [the client's] superior operating skills, *[sic]*  
5 leveraged by further improvements in the ad market. This leaves me room to boost  
6 the target price in conjunction with future increases in the earnings estimates *[sic]*.  
I certainly wouldn't want to put you under any near-term pressure by raising the bar  
too high. After all, I'm only thinking about you!

7 **IV. DEUTSCHE BANK RECEIVED AND MADE PAYMENTS FOR**  
8 **SERVICES THAT INCLUDED THE PROVISION OF RESEARCH**

9 50. During the relevant time period, Deutsche Bank received over \$1 million from other  
10 investment banks for services that included research coverage of those firms' banking clients. In  
11 addition, it directed payments of more than \$10 million to other brokers for services that included  
12 research coverage of Deutsche Bank's banking clients. These payments were made from the  
underwriting proceeds of the transaction, and in certain instances, were directed by the issuers.

13 51. In a January 2000 e-mail discussing the "norm" on Wall Street, a banker stated that for  
14 transactions above \$75 million, "there are plenty of gross spread dollars to be allocated for future  
15 research coverage in the management fee."

16 **A. Deutsche Bank Received Payments for Research**

17 52. During the relevant time period, Deutsche Bank received payments on at least four  
18 deals for which it was not the lead or co-lead manager. Internal documents at the firm reflect that  
19 these payments were made for research.

20 53. For example, in the spring of 2001, Deutsche Bank was covering Transkaryotic  
21 Therapeutics, Inc. with a "Strong Buy" and was pitching for the company's investment banking  
22 business. When the company selected another investment bank, the research analyst called  
23 Transkaryotic and expressed his displeasure that Deutsche Bank had not been selected to do the  
24 deal. The analyst told the company that he had spent his morning on the phone supporting the deal  
25 and that it was the analyst's upgrade of the stock from a Market Perform to a Strong Buy several  
26 weeks before that had increased the stock price and helped make the deal a success. The company  
27 directed that Deutsche Bank receive a payment of \$300,000 from the underwriting proceeds. The  
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1 analyst recorded in his self-evaluation form for that year that the firm had been “paid for our  
2 research” on this and one other deal.

3 54. Similarly, in October 1999, a company called Emisphere, which was not being covered  
4 by Deutsche Bank, decided to do a follow-on offering. Although Deutsche Bank did not  
5 participate in the deal, it received an \$87,500 payment from the proceeds of the deal. The deal  
6 sheet and the \$87,500 check from the lead manager both reflected that the payment was made “for  
7 research.” In fact, the deal sheet specifically stated “Not in Deal / Received \$87500.00 for  
8 research.” Moreover, a contemporaneous internal e-mail from Deutsche Bank states that “[t]here  
9 was talk about us participating in the deal but b/c of the small size, proposed economics, etc we  
10 opted to pass. However, we did agree to pick up research coverage and a[s] result we will be  
11 getting the sales credit on 10% of the institutional pot.” (During an offering, whenever the sale of  
12 shares to large institutional clients cannot be attributed to the selling efforts of any one firm, the  
13 commissions for the sales are placed into an “institutional pot.” The credits are then divided  
14 among the firms as selling concessions). Deutsche Bank initiated research coverage of Emisphere  
15 with a Buy recommendation on November 17, 1999, after the end of the quiet period. The research  
16 report did not disclose the \$87,500 payment.

17 55. Deutsche Bank also received a payment of \$150,000 in March 2000 for research on  
18 United Therapeutics, Inc. and a payment of \$375,764 in December 2001 for covering Trimeris, Inc.

19 56. In each of the four instances where Deutsche Bank received a payment for research,  
20 Deutsche Bank was not a member of the underwriting syndicate. (In several of the instances,  
21 Deutsche Bank was considered a member of the “selling group,” however, the selling group  
22 members do not retain any underwriting risk and Deutsche Bank did not acquire or sell any shares  
23 in these offerings). The payments were made from the underwriting proceeds of the offerings. The  
24 payments totaled over \$900,000.

25 57. In each instance, Deutsche Bank issued research reports recommending the stocks of  
26 the issuers involved in the offerings. Emisphere was initiated at a “Buy”; the ratings of the three  
27 stocks already covered by Deutsche Bank did not change. However, in all four instances, Deutsche  
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1 Bank failed to disclose in its research reports that the firm had received the payments and the  
2 source and amount of the payments.

3 **B. Deutsche Bank Made Payments To Other Firms for Coverage**

4 58. During the relevant period, Deutsche Bank made payments to other investment banking  
5 firms to have them, among other things, provide research coverage of Deutsche Bank's investment  
6 banking clients. A senior executive in Deutsche Bank's Equity Capital Markets department  
7 testified that, during the relevant time period, these payments were made on "one out of four" deals  
8 for which Deutsche Bank was the lead or co-lead manager.

9 59. Although in many instances the payments were made at the issuer's direction, Deutsche  
10 Bank actively participated in the process. In its pitches for the business, Deutsche Bank advised  
11 the issuer that it would select members for the underwriting syndicate based upon that firm's  
12 ability to provide research coverage. In at least one instance, Deutsche Bank advised its client that  
13 it would be possible to "attract specific additional Research Analysts" by offering them free  
14 retention shares.

15 60. During the relevant period, Deutsche Bank made these payments in at least 25 offerings  
16 where it was the lead or co-lead manager. The payments, which came from the underwriting  
17 proceeds, were made to at least 35 other broker-dealers who either were not part of the  
18 underwriting syndicate or who received a payment significantly in excess of their underwriting fee  
19 on the transaction. In many of these instances, Deutsche Bank's internal e-mail and other internal  
20 documents recorded these payments as "research payments."

21 61. For example, Deutsche Bank was the lead manager for U.S. Aggregates' follow-on  
22 offering of 5.475 million shares of stock in August 1999. The dealer book (the document used by  
23 Deutsche Bank to track firms' involvement in the deal) noted under one firm's name:  
24 "RESEARCH FOR \$\$ ADDL 100M SHARES OF CREDIT." The dealer book made similar  
25 notations for other firms.

26 62. Similarly, Deutsche Bank was the lead manager for Endwave Corporation's follow-on  
27 offering of 6.9 million shares of stock in October 2000. Deutsche Bank's dealer book reflected that  
28



1 another firm would receive payment as part of the deal and notes that the Deutsche Bank deal  
2 captain “spoke to Jan – their going rate is \$100,000 – no less for research, she will follow with [ ]  
3 analyst....” On January 12, 2001, Deutsche Bank sent a \$100,000 check to the firm. The  
4 accompanying statement reflected that the payment was a “Research Payment.”

5 63. Although not all of the firms appear to have issued research after receiving the  
6 payments, internal e-mails indicate that Deutsche Bank policed the other firms to ensure that  
7 research was in fact issued. For example, in connection with Deutsche Bank’s lead-managed  
8 follow-on offering for Align Technologies, Inc. in January 2001, one of the deal captains wrote,  
9 “They [another firm] owe us on a past deal for which they promised and got paid on research but  
10 lost the analyst prior to rollout. They are picking this up regardless with no fees associated.”

11 64. In all, Deutsche Bank made payments totaling over \$10 million on at least 50 deals in  
12 order to have other firms provide research coverage of Deutsche Bank’s investment banking  
13 clients. These payments were not disclosed in the prospectus or other publicly available  
14 documents disclosing the terms of the underwriting deal. Deutsche Bank did not take steps to  
15 ensure that these firms disclosed in their research reports that they had been paid to issue research.  
16 Further, where applicable, Deutsche Bank did not disclose or cause to be disclosed in the offering  
17 documents or elsewhere the details of these payments.

18 **V. DEUTSCHE BANK FAILED TO REASONABLY SUPERVISE**  
19 **RESEARCH ANALYSTS’ ACTIVITIES AND TO ESTABLISH**  
20 **PROCEDURES TO GUARD AGAINST IMPROPER CONDUCT**

21 65. Deutsche Bank failed to establish and maintain adequate policies and procedures to  
22 ensure the objectivity and independence of its research reports and recommendations. Although  
23 Deutsche Bank had written policies governing the preparation and distribution of research during  
24 the relevant period, these policies were not reasonably designed to prevent or manage conflicts of  
25 interest that existed between research and investment banking.

26 66. In addition, at least several analysts were unfamiliar with or did not comply with the  
27 policies. Deutsche Bank’s written policies in effect after May 2001 prohibited research analysts  
28 from sending issuers draft reports containing the analysts’ recommendations and price targets. At

1 least one analyst was unaware of this policy; other analysts admitted that even though they knew of  
2 the policy, they violated it by sending draft reports with recommendations and price targets to  
3 issuers for comment before the reports were published.

4 **VI. DEUTSCHE BANK FAILED TO PROMPTLY**  
5 **PRODUCE ALL ELECTRONIC MAIL**

6 67. In April 2002, state and federal regulators requested that Deutsche Bank produce all e-  
7 mail for a two-year period for certain employees in its research and investment banking  
8 departments. At the same time, Deutsche Bank was asked to not delete e-mail or overwrite e-mail  
9 backup tapes. Deutsche Bank agreed to the requests, sent out such instructions, and began  
10 producing e-mail. State regulators joined in the investigation in coordination with the federal  
11 regulators.

12 68. In their review of Deutsche Bank's production, the SEC and California state regulators  
13 noticed apparent discrepancies in the volume of e-mail that was being produced for various  
14 individuals. The regulators also believed that anticipated responses to certain e-mails were missing  
15 and the production appeared to be incomplete. These discrepancies were immediately brought to  
16 the attention of Deutsche Bank. Deutsche Bank repeatedly assured the regulators that its e-mail  
17 production was complete. Responding to the issues raised by the regulators, the firm stated that the  
18 variance in the volume of emails for particular individuals was attributable to a) individual  
19 practices (that is, that some people received and kept more e-mail than others), b) the fact that  
20 different entities that now comprised Deutsche Bank had differing historical e-mail retention  
21 practices, or c) Deutsche Bank's failure to maintain all of its e-mail for the required three-year time  
22 period, for which the firm had been fined \$1.65 million in joint actions by the SEC, the NASD, and  
23 the NYSE in December 2002.

24 69. The regulators continued to examine the production discrepancies. One discrepancy  
25 involved Deutsche Bank's production of e-mails for only twelve of the twenty-four months for the  
26 e-mail server located in its San Francisco office. Ultimately, on the eve of the Global Settlement in  
27 April 2003, Deutsche Bank, based on inquiries by California state regulators, determined that one  
28 or more e-mail backup tapes had not been restored to retrieve available e-mail, and so informed the

1 regulators. Deutsche Bank subsequently learned, and informed the regulators, that in numerous  
2 instances, their production retrieval process had failed.

3 70. Deutsche Bank failed to ensure that it was producing all responsive e-mail. Deutsche  
4 Bank relied upon the statements of low level supervisory and information technology personnel  
5 that all available e-mail had been produced, without confirming that such assurances were accurate.  
6 The information technology personnel who retrieved the email data from backup tapes and other  
7 storage media did not have sufficient guidance and had not been adequately trained on how to  
8 respond to regulatory or other requests for e-mail. Despite Deutsche Bank's assurances to  
9 regulators that e-mail would not be overwritten or deleted, a number of electronic backup tapes  
10 containing e-mail were discarded during the production period by an employee who believed that  
11 they contained no recoverable e-mail. Internal or external third parties with forensic data retrieval  
12 expertise were not consulted to confirm that the tapes were corrupted and to assess whether  
13 restoration was possible using different technology.

14 71. In certain instances, Deutsche Bank neglected to restore backup tapes to determine  
15 whether they contained responsive e-mail. In other instances, Deutsche Bank incorrectly identified  
16 as "unavailable" backup tapes that were, in fact, available or in offsite storage facilities, and also  
17 stated that certain tapes had been overwritten when that turned out not to be the case. Deutsche  
18 Bank also discovered, after continued questioning by the regulators, that a large volume of e-mail  
19 still existed on file servers, an offline help desk server, and backup tapes that had been scrapped but  
20 not yet overwritten. Once the tapes were restored and data retrieved from them, Deutsche Bank  
21 found certain e-mail for analysts for whom Deutsche Bank had previously stated that no e-mail  
22 existed. After Deutsche Bank had informed the regulators that it was close to completing its  
23 production, Deutsche Bank determined that it had the ability to retrieve certain previously-deleted  
24 e-mail which had not been retrieved by Deutsche Bank's original restoration process.

25 72. Deutsche Bank's inability to reliably locate and produce e-mail in response to  
26 regulatory requests and subpoenas, which resulted from a lack of guidance to information  
27 technology personnel, a lack of adequate procedures, and a lack of proper supervision, delayed the  
28

1 completion of the investigation into analyst conflicts of interest at Deutsche Bank by over a year.  
2 As the investigation continued, the regulators were forced to invest considerable time and resources  
3 to probe Deutsche Bank's e-mail production failures, including taking testimony from numerous  
4 information technology personnel. In response to the problems that were identified by the  
5 regulators in April 2003, Deutsche Bank took steps to ensure that the previously overlooked e-mail  
6 was restored and produced to regulators, and revised its procedures and protocol for gathering and  
7 producing historical e-mail. Ultimately, however, the failure of Deutsche Bank to fully and  
8 completely respond to the initial requests of the regulators significantly delayed the completion of  
9 the investigation for an unreasonable length of time.

10 73. Over the course of the following year, Deutsche Bank produced an additional 227,000  
11 e-mail -- more than three times the volume that it produced during the investigation as of  
12 December 2002.

13 74. By failing to timely produce e-mail, Deutsche Bank breached its obligation to comply  
14 with a reasonable regulatory request for documents that it is required by law to maintain and  
15 produce for inspection to the Commission staff and state regulators.

## 16 **VII. CONCLUSIONS OF LAW**

17 The Alabama Securities Commission has jurisdiction over this matter pursuant to the  
18 Alabama Securities Act.

19 The Alabama Securities Commission finds that the above conduct is in violation of 830-x-  
20 3-.13 (1) & (3), 8-6-3(j)7, 830-X-2-.06(2), and 8-6-3(i).

21 75. The Firm violated 830-x-3-.13 (1) & (3) by failing to establish and maintain adequate  
22 policies, systems and procedures for supervision and control of the Research and Investment  
23 Banking Departments reasonably designed to detect and prevent the foregoing investment banking  
24 influences and manage the conflicts of interest to assure compliance with applicable securities laws  
25 and regulations.

26 76. The Firm, during the period from July 1999 through June 2001, engaged in acts or  
27 practices that created or maintained inappropriate influences by Investment Banking over Research  
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1 Analysts, imposed conflicts of interest on its Research Analysts, and failed to manage these  
2 conflicts in an adequate or appropriate manner in violation of just and equitable principles of trade.  
3 The NASD and NYSE have both established rules governing ethical practices and conduct. The  
4 standards established by the NASD and the NYSE are recognized by the Alabama Securities  
5 Commission as minimum standards of ethical conduct for the purposes of § 8-6-3(j)7, relating  
6 generally to dishonest or unethical practices in the securities business. During the relevant period,  
7 Deutsche Bank engaged in acts and practices violative of:

8  
9 (a) NASD Conduct Rule 2110 requiring members to observe high standards of commercial  
10 honor and just and equitable principles of trade;

11 (b) NYSE Rule 401 requiring that broker dealers shall at all times adhere to the principles  
12 of good business practice and the conduct of his or its business affairs;

13 (c) NYSE Rule 476(a)6 prohibiting the engagement in practices of conduct inconsistent  
14 with just and equitable principles of trade;

15 (d) NASD Conduct Rule 2210(d)1 and 2210(d)2 prohibiting exaggerated or unwarranted  
16 claims in public communications and requiring a reasonable basis for all recommendations made in  
17 advertisements and sales literature; and

18 (e) NYSE Rule 472 prohibiting the issuance of communications that contain exaggerated or  
19 unwarranted claims or opinions that lack a reasonable basis.

20 By engaging in the acts and practices described above that created and/or maintained  
21 inappropriate influence by Investment Banking over Research Analysts and therefore imposed  
22 conflicts of interest on its Research Analysts, Deutsche failed to manage these conflicts in an  
23 adequate or appropriate manner, in violation of § 8-6-3(j)7.

24 77. The Firm, during the period from July 1999 through June 2001, issued research  
25 reports, including those for Eprise Corp. and Getty Images, Inc., that were not based on principles  
26 of fair dealing and good faith, did not provide sound basis for evaluating facts, were not properly  
27 balanced, and/or contained exaggerated or unwarranted claims and opinions of which there was no  
28 reasonable basis, in violation of rule 830-X-2-.06(2).

78. The Firm, during the investigation, failed to completely comply to request for the

1 produce e-mail for a two-year period for certain employees in its research and investment banking  
2 departments. Failure to produce documents for review upon request is violative of 8-6-3(i).

3 79. The Firm made payments totaling over \$10 million on at least 50 deals in order to have  
4 other firms provide research coverage of the Firm's investment banking clients. These payments  
5 were not disclosed in the prospectus or other publicly available documents disclosing the terms of  
6 the underwriting deal. The Firm did not take steps to ensure that these firms disclosed in their  
7 research reports that they had been paid to issue research. Further, where applicable, The Firm  
8 Bank did not disclose or cause to be disclosed in the offering documents or elsewhere the details of  
9 these payments. Failure to make adequate disclosure is violative of 8-6-3(j)7.

10 The Alabama Securities Commission finds the following relief appropriate and in the public  
11 interest.

## 12 **VIII. ORDER**

13 On the basis of the Findings of Fact, Conclusions of Law, and Deutsche Bank Securities  
14 Inc., consent to the entry of this Order, for the sole purpose of settling this matter, prior to a hearing  
15 and without admitting or denying any of the Findings of Fact or Conclusions of Law,

### 16 **IT IS HEREBY ORDERED:**

17 1. This Order concludes the investigation by the Alabama Securities Commission and  
18 any other action that the Alabama Securities Commission could commence under applicable  
19 Alabama law on behalf of Alabama as it relates to certain research practices at Deutsche Bank  
20 described herein, provided, however, that [state agency] may enforce any claims against defendant  
21 arising from or relating to any violation of the "Order" provisions herein.

22 2. Respondent Deutsche Bank will CEASE AND DESIST from engaging in acts in  
23 violation of the 830-x-3-.13 (1) & (3), 8-6-3(j)7, 830-X-2-.06(2), and 8-6-3(i) in connection with  
24 the research practices referenced in this Order and will comply with the undertakings of Addendum A,  
25 incorporated herein by reference.

26 3. As a result of the Findings of Fact and Conclusions of Law contained in this Order,  
27 Deutsche Bank shall pay a total amount of \$87,500,000.00. This total amount shall be paid as  
28

1 specified in the final judgment in the related action by the SEC against Deutsche Bank ("SEC Final  
2 Judgment") as follows:

- 3 a) \$28,750,000 to the states (50 states, plus the District of Columbia and Puerto Rico),  
4 which amount includes the states' portion of the penalty for violating Section 17(b)  
5 of the Exchange Act as specified in the SEC Final Judgment and related state law  
6 (Deutsche Bank's offer to the state securities regulators hereinafter shall be called  
7 the "state settlement offer"). Upon execution of this Order, Deutsche Bank shall  
8 pay the total sum of \$394,052 of this amount to the state of Alabama as further  
9 delineated as stated herein. The total amount to be paid by Deutsche Bank to state  
10 securities regulators pursuant to the state settlement offer may be reduced due to the  
11 decision of any state securities regulator not to accept the state settlement offer. In  
12 the event another state securities regulator determines not to accept Deutsche  
13 Bank's state settlement offer, the total amount of the Alabama payment shall not be  
14 affected, and shall remain at \$394,052;"

15  
16  
17 Upon execution of this Order, the Firm shall pay the sum of \$394,052 as follows:

- 18  
19 1) That in accordance with Section 8-6-19 (j) (1), Code of Alabama 1975, Deutsche  
20 Bank shall pay to the State of Alabama an Administrative penalty in the total sum of  
21 \$200,000, said funds to be tendered in certified funds contemporaneously with the entry of  
22 this Order;
- 23 2) That in accordance with Section 8-6-19 (k) (1), Code of Alabama 1975, Deutsche  
24 Bank shall pay to the Alabama Securities Commission, as partial reimbursement for the  
25 Commission's cost for investigating this matter, the sum of \$50,000, said funds to be  
26 tendered in certified funds contemporaneously with the entry of this Order;
- 27 3) Deutsche shall pay the sum of \$10,000 payable to the Office of the Attorney  
28 General, State of Alabama for reimbursement of its cost in this investigation and past and  
future investigations for the use of that office as it sees fit in its efforts to continue to  
safeguard the citizens of the State of Alabama;

1 4) Deutsche shall pay the sum of \$34,052 to the Investor Protection Trust, a non profit  
2 corporation and such funds are designated specifically for investor education and investor  
3 protection in the State of Alabama as directed by the Alabama Securities Commission in its  
4 sole discretion.

5 5) Deutsche shall pay the sum of \$50,000 to the Alabama District Attorney's  
6 Association, a non-profit association, for the use of that office as it sees fit in its efforts to  
7 continue to safeguard the citizens of the State of Alabama.

8 6) Deutsche shall pay the sum of \$50,000 to the Alabama Department of Forensic  
9 Sciences for the use of that office as it sees fit in its efforts to continue to safeguard the  
10 citizens of the State of Alabama.

11 The total amount to be paid by the Firm to state securities regulators pursuant to the  
12 state settlement offer may be reduced due to the decision of any state securities regulator  
13 not to accept the state settlement offer. In the event another state securities regulator  
14 determines not to accept the Firm's state settlement offer, the total amount of the Alabama  
15 payment shall not be affected, and shall remain at \$394,052;

- 16 b) \$25,000,000 as disgorgement of commissions, fees and other monies as specified in  
17 the SEC Final Judgment;  
18 c) \$25,000,000, to be used for the procurement of independent research, as described  
19 in the SEC Final Judgment;  
20 d) \$5,000,000, to be used for investor education, as described in Addendum A,  
21 incorporated by reference herein;  
22 e) \$3,750,000 to the SEC, as a penalty for violating Section 17(b) of the Exchange Act,  
23 as specified in the SEC Final Judgment.

24 4. Deutsche Bank agrees that it shall not seek or accept, directly or indirectly,  
25 reimbursement or indemnification, including, but not limited to payment made pursuant to any  
26 insurance policy, with regard to all penalty amounts that Deutsche Bank shall pay pursuant to this  
27 Order or Section II of the SEC Final Judgment, regardless of whether such penalty amounts or any  
28 part thereof are added to the Distribution Fund Account referred to in the SEC Final Judgment or  
otherwise used for the benefit of investors. Deutsche Bank further agrees that it shall not claim,  
assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any



1 penalty amounts that Deutsche Bank shall pay pursuant to this Order or Section II of the SEC Final  
2 Judgment, regardless of whether such penalty amounts or any part thereof are added to the  
3 Distribution Fund Account referred to in the SEC Final Judgment or otherwise used for the benefit  
4 of investors. Deutsche Bank understands and acknowledges that these provisions are not intended  
5 to imply that the Alabama Securities Commission would agree that any other amounts Deutsche  
6 Bank shall pay pursuant to the SEC Final Judgment may be reimbursed or indemnified (whether  
7 pursuant to an insurance policy or otherwise) under applicable law or may be the basis for any tax  
8 deduction or tax credit with regard to any state, federal or local tax.

9         5. If payment is not made by Deutsche Bank or if Deutsche Bank defaults in any of its  
10 obligations set forth in this Order, the Alabama Securities Commission may vacate this Order, at its  
11 sole discretion, upon 10 days notice to Deutsche Bank and without opportunity for administrative  
12 hearing and Deutsche Bank agrees that any statute of limitations applicable to the subject of the  
13 Investigation and any claims arising from or relating thereto are tolled from and after the date of  
14 this Order.

15         6. This Order and any dispute related thereto shall be construed and enforced in  
16 accordance with, and governed by, the laws of the Alabama without regard to any choice of law  
17 principles.

18         7. This Order is not intended by Alabama Securities Commission to subject any  
19 Covered Person to any disqualifications under the laws of any state, the District of Columbia or  
20 Puerto Rico (collectively, "State"), including, without limitation, any disqualifications from relying  
21 upon the State registration exemptions or State safe harbor provisions. "Covered Person" means  
22 Deutsche Bank, or any of its officers, directors, affiliates, current or former employees, or other  
23 persons that would otherwise be disqualified as a result of the Orders (as defined below.).

24         8. The SEC Final Judgment, the NYSE Stipulation and Consent, the NASD Letter of  
25 Acceptance, Waiver and Consent, this Order and the order of any other State in related proceedings  
26 against Deutsche Bank (collectively, the "Orders") shall not disqualify any Covered Person from  
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1 any business that they otherwise are qualified, licensed or permitted to perform under the  
2 applicable law of the state of Alabama and any disqualifications from relying upon this state's  
3 registration exemptions or safe harbor provisions that arise from the Orders are hereby waived.

4 9. The Orders shall not disqualify Deutsche Bank from any business that they  
5 otherwise are qualified or licensed to perform under applicable state law.

6 10. For any person or entity not a party to this Order, this Order does not limit or create  
7 any private rights or remedies against Deutsche Bank including, without limitation, the use of any  
8 e-mails or other documents of Deutsche Bank or of others regarding research practices, or limit or  
9 create liability of Deutsche Bank, or limit or create defenses of Deutsche Bank to any claims.

10 11. Nothing herein shall preclude Alabama, its departments, agencies, boards,  
11 commissions, authorities, political subdivisions and corporations, other than the Alabama  
12 Securities Commission and only to the extent set forth in paragraph 1 above, (collectively, "State  
13 Entities") and the officers, agents or employees of State Entities from asserting any claims, causes  
14 of action, or applications for compensatory, nominal and/or punitive damages, administrative, civil,  
15 criminal, or injunctive relief against Deutsche Bank in connection with securities research analysts'  
16 conflicts of interest and investment banking business practices at Deutsche Bank.

17 12. Deutsche Bank agrees not to take any action or to make or permit to be made any  
18 public statement denying, directly or indirectly, any finding in this Order or creating the impression  
19 that this Order is without factual basis.

20 13. This Order shall be binding upon Deutsche Bank and its successors and assigns.  
21 Further, with respect to all conduct subject to Paragraph 2 above and all future obligations,  
22 responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions, the  
23 terms "Deutsche Bank" and "Deutsche Bank's" as used herein shall include Deutsche Bank's  
24 successors and assigns which, for these purposes, shall include a successor or assign to Deutsche  
25 Bank's investment banking and research operations, and in the case of an affiliate of Deutsche  
26 Bank, a successor or assign to Deutsche Bank's investment banking or research operations.  
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1 Dated this 31<sup>st</sup> day of MARCH, 2005.

2  
3 BY ORDER OF THE ALABAMA SECURITIES COMMISSION

4 By

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6 Joseph P. Borg, Director  
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1 **CONSENT TO ENTRY OF ADMINISTRATIVE ORDER**  
2 **BY DEUTSCHE BANK SECURITIES, INC.**

3 DEUTSCHE BANK SECURITIES, INC. hereby acknowledges that it has been  
4 served with a copy of this Administrative Order, has read the foregoing Order, is aware of its right to a  
5 hearing and appeal in this matter, and has waived the same.

6 DEUTSCHE BANK SECURITIES, INC. admits the jurisdiction of the Alabama  
7 Securities Commission, neither admits nor denies the Findings of Fact and Conclusions of Law  
8 contained in this Order; and consents to entry of this Order by the Alabama Securities Commission as  
9 settlement of the issues contained in this Order.

10 DEUTSCHE BANK SECURITIES, INC. states that no promise of any kind or nature  
11 whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order  
12 voluntarily.

13 DEUTSCHE BANK SECURITIES, INC. understands that the State of Alabama  
14 may make such public announcement concerning this Order and the subject matter thereof as the  
15 State of Alabama may deem appropriate.

16 I, Robert Khuzami represent that I am General Counsel -  
17 America of DEUTSCHE BANK SECURITIES, INC. and that, as such, have been authorized by  
18 DEUTSCHE BANK SECURITIES, INC. to enter into this Order for and on behalf of DEUTSCHE  
19 BANK SECURITIES, INC..

20 Dated this 11 day of February, 2005.

21 DEUTSCHE BANK SECURITIES, INC.

22 By: Robert Khuzami  
23 Title: General Counsel

24 SUBSCRIBED AND SWORN TO before me this 11 day of February, 2005.

25 **NYREE A. McALLISTER**  
26 Notary Public, State of New York  
No. 01MC6045554  
Qualified in Queens County  
Certificate Filed in New York  
Commission Expires July 31, 2006

27 Nyree A. McAllister  
28 Notary Public

My Commission expires: 7/31/06