ATTORNEY GENERAL OF THE STATE OF NEW YORK
BUREAU OF INVESTMENT PROTECTION

Execution Copy
(December 20, 2006)

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In the Matter of

DEUTSCHE ASSET MANAGEMENT, INC.,
DEUTSCHE INVESTMENT MANAGEMENT
AMERICAS, INC., and
DEUTSCHE BANK SECURITIES, INC.,

Respondents.

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ASSURANCE OF DISCONTINUANCE
PURSUANT TO EXECUTIVE LAW § 63(15)

WHEREAS, pursuant to the provisions of the Martin Act (Article 23-A of the General Business Law), Eliot Spitzer, Attorney General of the State of New York, commenced an investigation in July 2003 into the practices, procedures, and conduct of Respondents Deutsche Asset Management, Inc. ("DAMI")[1], Deutsche Investment Management Americas, Inc. ("DIMA")[2] and their predecessor entities (individually and collectively, "DEAM") and Deutsche Bank Securities, Inc. and its predecessor entity (individually and collectively "DBSI")[3] during

[1] DAMI is a registered investment advisor incorporated in Delaware and headquartered in New York. DAMI and its affiliates are the investment advisor to 44 retail mutual funds formerly marketed in the United States under the brand name Deutsche Funds. The Deutsche Funds' predecessors include Flag, Morgan Grenfell, and Bankers Trust Funds. By May 2003, the Deutsche Funds had been rebranded Scudder Funds. DAMI was paid an advisory fee by the Deutsche Funds calculated as a percentage of the average daily net assets under management. (As used herein, "DAMI" includes all DAMI's predecessors).

[2] DIMA, previously named Zurich Scudder Investments ("ZSI") is a registered investment advisor incorporated in Delaware and headquartered in New York and was purchased by Deutsche Bank on April 8, 2002. Prior to 2001, Zurich Financial Services, the parent company of ZSI, had acquired the Kemper Funds, the Scudder Funds, and their advisors. In 2001, all the funds were rebranded the Scudder Funds. DIMA and its predecessor advisors provided investment advisory services to 107 retail mutual funds and was paid an advisory fee calculated as a percentage of the average daily net assets under management. (As used herein, "DIMA" includes all DIMA's predecessors).

[3] DBSI was formerly Alex Brown Securities, Inc., which was purchased by Deutsche Bank, AG in 1998.

the period 1998 through September 2003 respecting market timing and substituted late trading of mutual funds (the "Investigation");[4]

WHEREAS, the Investigation was conducted in cooperation with an investigation of the Respondents by the U.S. Securities and Exchange Commission ("SEC");

WHEREAS, Respondents are subsidiaries of Deutsche Bank, AG ("DB"), one of the world's largest international financial service providers, and have offices in New York.

WHEREAS, DEAM was the investment advisor to the Scudder Family of Mutual Funds ("Scudder Funds"). The Scudder Funds previously operated as different families of funds including the Morgan Grenfell Funds, Banker's Trust Funds, Flag Funds, Kemper Funds, and Deutsche Funds.

WHEREAS, in the course of the Investigation, numerous witnesses were interviewed and/or deposed and extensive documentary evidence was reviewed;

WHEREAS, Respondents have cooperated in the Investigation by producing documentary evidence and witnesses and identifying evidence relevant to the Investigation;

WHEREAS, the Investigation revealed that certain practices by Respondents have violated the Martin Act, Executive Law § 63(12), and the General Business Law § 349;

WHEREAS, Respondents have advised regulators of their desire to resolve the Investigation;

WHEREAS, after commencement of the Investigation, DEAM reduced management fees charged to certain Scudder Funds distributed to retail fund holders in the United States;

WHEREAS, DEAM will maintain such reductions as provided herein;

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[4] "Market timing" refers to the practice of short-term investing in mutual fund shares and/or the exploitation of pricing inefficiencies in mutual fund share pricing. "Late trading" refers to the practice of making investment decisions and placing orders after 4:00 p.m.

WHEREAS, DEAM agrees not to manage or advise the Scudder Funds unless DEAM agrees to and implements certain changes with respect to the corporate governance of the Scudder Funds;

WHEREAS, Respondents agree to make certain payments; and

WHEREAS, the Office of the Attorney General ("OAG") finds certain sanctions appropriate and in the public interest and Respondents agree to the sanctions provided herein;

NOW THEREFORE, the OAG, based upon the Investigation, makes the following findings:

FINDINGS

I. Background on Timing in the Mutual Fund Industry

A. Fund Timing

1. Mutual funds are meant to be long-term investments. They are designed for buy-and-hold fund holders, and are therefore the favored instruments for Americans' retirement and college savings accounts. Nevertheless, quick-turnaround traders look for opportunities to siphon value out of mutual funds. One such scheme is mutual fund timing -- trading in and out of certain types of mutual funds to exploit inefficiencies in the way the funds set their prices or Net Asset Values ("NAVs").

2. Generally, mutual funds are valued once a day, usually at 4:00 p.m. Eastern Time ("ET"), when the New York market closes. The NAV reflects the closing price of the securities that comprise a given fund's portfolio, plus the value of any cash that the fund manager maintains for the fund. A mutual fund stands ready to buy or sell its shares (the mutual fund industry calls sales by fund holders "redemptions" or "exchanges") at the NAV with the public all day-- but unlike a stock, the price of a mutual fund does not change during the course of the

day. Rather, a mutual fund always fills orders it receives at the next available NAV. Accordingly, orders placed at any time during the trading day up to the 4:00 p.m. ET, get that day's NAV, but an order placed at 4:01 p.m. or thereafter receives the next day's NAV. This is the rule of "forward pricing," which became law in 1968.

3. Mutual fund timing is the rapid trading of a fund's shares to exploit arbitrage in the fund's NAV. It works because some funds use stale prices to calculate the value of securities held in their portfolios. A typical example is a U.S. mutual fund that holds Japanese shares. Because of the time zone difference, the Japanese market may close at 1:00 a.m. ET. If the U.S. mutual fund manager uses the closing prices of the Japanese shares in his or her fund to arrive at an NAV at 4:00 p.m. in New York, he or she is relying on market information that is fifteen hours old. If there have been positive market moves during the New York trading day that will cause the Japanese market to rise when it later opens, the stale Japanese prices will not reflect such value, and the fund's NAV will be artificially low. Put another way, the NAV does not reflect the true current market value of the stocks the fund holds. On such a day, a trader who buys the Japanese fund at the stale price is virtually assured of a profit that can be realized the next day by selling after the increased fund value is reflected in its price. This and similar strategies are known as "time zone arbitrage."

4. A similar type of timing is possible in mutual funds that contain illiquid securities such as high-yield bonds or small capitalization stocks. Here, the fact that some of the fund's securities may not have traded for hours before the New York closing time can render the fund's NAV stale, and thus open it to being timed. This is sometimes known as "liquidity arbitrage."

5. A third type of arbitrage is available to the timers who engage in "late trading"--buying or selling shares after 4:00 p.m. ET on a given day while receiving that day's NAV. Late

trading allows timers to capitalize illegally on post-market close events. In essence, all NAVs are "stale" after 4:00 p.m. ET, so the ability to trade late creates arbitrage opportunities in any kind of mutual fund.

B. The Effect of Fund Timing on the Long-Term Shareholder

6. Effective mutual fund timing captures an arbitrage profit that comes dollar-for-dollar out of the pockets of the long-term fund holders: the timer steps in at the last moment and takes part of the buy-and-hold fund holders' upside when the market goes up, so the next day's NAV is reduced for those who are still in the fund.

7. Fund timing is not entirely risk free, however. The timer has to keep his or her money in the target fund for at least a day, in order to enjoy additional gains or incur losses, depending on the market. But such gains and losses are distinct from the timer's arbitrage profit, which capitalizes on price inefficiencies.

8. Besides the pure wealth transfer of arbitrage (called "dilution"), timers also harm long-term fund holders in their target funds in a number of other ways. First, they impose their transaction costs, such as commissions, on the long-term fund holders. Second, trades necessitated by timer redemptions can lead to realization of taxable capital gains or losses at an undesirable time, increasing the tax bill for long-term fund holders. Third, the timer's trades may result in the portfolio managers having to buy stock as it is going up in price or sell it into a falling market.

9. Fund managers often seek to minimize the disruptive impact of timers by keeping cash on hand to pay out the timers' profits without having to sell stock. This "strategy" does not eliminate the transfer of wealth out of the mutual fund caused by timing; it only reduces the

administrative cost of those transfers and allows the long-term fund holders' money to be skimmed in a streamlined way. The strategy can also reduce the overall performance of the fund by requiring the fund manager to keep a certain amount of the fund's assets in cash at all times, thus depriving the fund holders of the advantages of being fully invested in a rising market. Some fund managers even enter into special investments as an attempt to "hedge" against timing activity (instead of just refusing to allow it), thus deviating altogether from the ostensible investment strategy of their funds, and incurring further transaction costs.

C. Tools to Combat Fund Timing

10. Mutual fund managers are aware of the damaging effect that fund timers have on their funds. And while the effects on individual fund holders may be small once they are spread out over all the fund holders in a fund, their aggregate impact amounts to billions of dollars a year. While it is virtually impossible for fund managers to identify every timing trade, large movements in and out of funds are easier to spot. And mutual fund managers have tools to fight back against timers.

11. Fund managers have the power simply to reject timers' trades. Many funds have also instituted short-term trading fees ("early redemption fees") that effectively wipe out the arbitrage that timers exploit. Generally, these fees go directly into the affected fund to reimburse it for the costs of short-term trading. In addition, fund managers have the right to update NAVs at the end of the day in New York when there have been market moves that might render the NAV stale. This is called giving the fund a "fair value." It eliminates the timer's arbitrage. As fiduciaries for their fund holders, mutual fund managers are obliged to do their best to use these weapons to protect their customers from the dilution that timing causes.

D. Incentives for Allowing Fund Timing

12. Typically a single management company sets up a number of mutual funds to form a family of mutual funds or a fund complex that carry its name. Thus, DEAM was the investment manager for the Scudder Funds. While each mutual fund is ostensibly its own company, as a practical matter the management company runs each fund. The portfolio managers who make the investment decisions for the funds and the executives to whom they report all receive their paychecks from the management company, not from the mutual funds themselves. Still, the management company owes fiduciary duties to each fund and the fund holder.

13. The management company makes its profit from fees it charges the funds for financial advice and other services. These fees are typically a percentage of the assets in the fund, so the more assets in the family of funds, the more money the manager makes. The timer understands this perfectly, and offers the manager more assets for the funds in exchange for the right to time. Often the manager and the timer simply agree that the timing assets will remain in the manager's family of funds at all times, so that they will always be either in the manager's target fund or parked in a money market fund run by the manager.

14. As an additional inducement for allowing the timing, management companies often receive "sticky assets." These are typically long-term investments by the timers in the same fund or in one of the fund manager's other financial vehicles (often a bond fund or a hedge fund run by the manager) that assure a steady flow of management fees to the manager.

II. Introduction

A. DEAM

15. From 1998 through March 2003, DEAM allowed preferred clients to engage in market timing in the Scudder Funds and did not disclose the arrangements to the other fund

holders and the independent trustees of the funds. DEAM entered into arrangements with ten clients and allowed them to market time at least 22 different Scudder Funds in amounts totaling over $2.5 billion and caused approximately $34 million in dilution. The deals increased the assets under management, the advisory fees earned by DEAM, and the compensation paid to DEAM executives.

16. DEAM entered into the arrangements knowing or having had reason to know that these clients were market timers, and knowing or having had reason to know that market timing could have a harmful effect on the funds and on the investment returns of the long-term fund holders.

17. One arrangement that caused damage to the Scudder Funds also involved "sticky assets" – investments that were to remain static in return for allowing those clients who deposited them to market time in one or more Scudder Funds. Sticky assets also increase the assets under management, advisory fees, and executive compensation.

18. In addition to market timing arrangements, DEAM knew or should have known that hundreds of accounts were market timing the Scudder Funds, and DEAM failed to prevent such market timing. Between January 1998 and September 2003, the DEAM failed to prevent over $ 52.5 billion in market timing trading volume contrary to the funds' prospectuses that caused $68 million in dilution. There were a total of 44,730 purchases followed by sales contrary to the prospectus disclosures (a purchase followed by a sale is referred to as a "round-trip"): Kemper Funds had over 25,136 round-trips; Scudder Funds had 10,347; and Deutsche Funds had 4,502. One account registered under the name JM Keynes, LLC had 303 round-trips in various Scudder Funds between June 1999 and June 2000. Moreover, in April 2000, DIMA employees created a spreadsheet titled "Timing Offenders" to track and monitor accounts that

were market timing. Nonetheless, certain account owners continued market timing until the summer of 2002. From the summer of 2001 through 2003, trading by market timers, who did not have an arrangement, declined.

19. As early as November 1998, DIMA's senior executives knew that market timing harmed the funds. At that time, a memorandum was distributed by the head of the Product Management Group, a group that acted as a liaison between the portfolio managers and sales, concerning the current market timing policy. He indicated that one of the reasons why the firm could not meet all of the increased demands for timing in the Scudder Funds was that frequent exchanges could increase portfolio turnover and require portfolio managers to maintain large cash positions resulting in a decrease of performance and efficiency.

20. In or about November 2000, in response to a growing market timing problem, DAMI created a Market-Timing Committee ("MT Committee") consisting of senior and mid-level executives from legal, compliance, marketing, and operations whose purpose was to prevent market timing. In general, the MT Committee met bi-monthly from March 2001 until September 2003. One MT Committee member served on the Board of Directors for the mutual funds and was responsible for board relations. Two other members were officers of various funds. The MT Committee identified timers even before they had four round-trips and would notify traders who they suspected were market timers. As part of the monitoring and prevention process, the MT Committee maintained a list of market timers who traded more than $100,000 a day. The MT Committee described market timers as harmful to the long-term fund holders in that they disrupted the orderly management of the portfolios and possibly raised the costs.

21. DEAM had a fiduciary duty to act at all times in the best interests of the fund holders in the Scudder Funds. As a result, DEAM had an affirmative obligation to act in the

utmost good faith, and to provide full and fair disclosure of all material facts, including conflicts of interest, to the fund holders and the independent trustees of the Scudder Funds. It further had an affirmative obligation to apply reasonable care to avoid misleading the fund holders.

22. DEAM senior executives knew or should have known that the foregoing arrangements with market timers and other market timing violated the express language in the prospectuses restricting market timing because of the harmful effect on the funds. For example, arrangements and trades were contrary to DAMI's representations that certain funds would allow no more than four exchanges per fund per year or that any short-term trading could be stopped at the discretion of DAMI. The prospectuses did not disclose the market timing arrangements or the other market timing.

23. Throughout the relevant period, DEAM did not disclose its conflict of interest arising from the deals with market timers and its duties to the Scudder Funds and their investors. DEAM failed to disclose the conflicts of interest created by the disparate treatment between long-term fund holders and the select clients in the same fund who enjoyed special arrangements that allowed them to engage in market timing.

B. DBSI

24. DBSI, the brokerage division within DB and a sister company to DEAM, facilitated deceptive market timing and a form of late trading by a client. Certain mutual funds had previously restricted the client's trading because of market timing. DBSI's brokers opened multiple brokerage accounts for the market timer in order for the market timer to avoid detection

by the mutual fund. Finally, the brokers allowed the client to substitute trades, i.e. place an order after 4:00 p.m. to replace a rejected trade made prior to 4:00 p.m.

III. Specific Examples of Arranged Market Timing

25. DEAM entered into ten market timing arrangements with preferred clients, who were not held to the same trading standards required by the prospectuses and by DEAM of its other clients. DEAM failed to disclose the arrangements to the independent trustees of the funds and the other fund holders. One arrangement included sticky assets. Some examples of the arrangements include the following:

A. Maillot Jaune

26. From March 2000 through September 2003, Maillot Jaune Capital, LLC, a San Francisco hedge fund, and its affiliates ("Maillot Jaune") made approximately 383 round-trips in 5 International Scudder Funds through 21 different accounts. During the first half of 2001, Maillot Jaune made $87 million of purchases and $94 million of redemptions. A substantial number of these trades were made pursuant to an arrangement with DAMI and approved in June 2000 by Ross Youngman, a DAMI senior executive for mutual funds in North America and creator of the MT Committee. The parties agreed that average assets invested would total approximately $27 million with timed trades to range between $2.5 million and $7.5 million or approximately a 4 to 1 ratio of sticky asset to market timing assets. They also agreed to limit the amount of each trade to less than .75% of the assets of the particular mutual funds being timed. Maillot Jaune was allowed to place an unlimited number of trades in the agreed upon mutual funds.

27. In June 2000, the prospectuses for the agreed upon funds allowed four exchanges per year.

28. By December 2000, Maillot Jaune's clearing broker, who was placing the market timing trades, was detected as a market timer by the members of the MT Committee. The MT Committee, however, continued to permit Maillot Jaune to market time the funds until the spring of 2003.

29. On April 5, 2001, Maillot Jaune placed a $14 million buy, which was "blocked" by the transfer agent for DAMI because of a "stop purchase" on the account. During the following week, the MT Committee informed the clearing broker that DAMI would no longer allow it to clear trades in the International Funds. Both actions prevented Maillot Jaune from using the clearing broker to place trades in the agreed upon funds.

30. On April 10, 2001, Maillot Jaune complained to its wholesaler about the $14 million blocked trade. After the wholesaler told the transfer agent that an arrangement had been approved by Youngman, the trade was processed.

31. During an April 27, 2001 meeting, the MT Committee removed the stop purchase placed on the Maillot Jaune account. As a result, Maillot Jaune continued to market time.

32. Throughout the first year of the arrangement, Maillot Jaune disregarded the negotiated trading parameters and routinely placed trades in the Top Fifty Asia Fund that were greater than $500,000, well in excess of the agreed upon $150,000 (or .75% of assets in the fund). Although, the MT Committee sent a letter on July 16, 2001 requesting that Maillot Jaune trade within the parameters of the agreement, by that time Maillot Jaune had already made its final purchase of Top Fifty Asia, in January 2001.

33. At a January 2003 MT Committee meeting, a junior DEAM employee, who had joined the MT Committee in August 2002, sought to end the Maillot Jaune arrangement. He was instructed by a senior DAMI executive in the compliance department and a member of the MT

Committee, to bring the issue to another senior DAMI executive. The next day, he did so. At the end of March, more than two months later, the arrangement was terminated. Before the termination, however, Maillot Jaune placed over $46 million in market timing trades.

34. Under the arrangement, Maillot Jaune placed approximately $1 billion in market timing trades. The dilution caused by Maillot Jaune's trading totaled approximate $4.6 million, and garnered DAMI fees of approximately $800,000.

B. J.C. Bradford

35. In August 1998, representatives from J.C. Bradford ("Bradford"), a Tennessee broker-dealer, and the broker for two market timers including Daniel Calugar, met with various representatives of DIMA. DIMA agreed that the clients of Bradford would be allowed to market time certain Scudder Funds. The portfolio manager of the Technology Fund agreed to allow 2% of the fund to be timed or approximately $18 million; the portfolio manager for the Small Cap Equity Fund agreed to allow $15 million to be timed; and the portfolio manager of the Growth Fund agreed to $12.5 million. Bradford was allowed unlimited round-trips.

36. DIMA entered into this arrangement despite knowing that between the fall of 1997 and May 1998, Bradford had market timed two Scudder Funds contrary to the language in the prospectus. During this time, the prospectus language for the Scudder Funds required a trade to be maintained for 15 days if the trade were greater than $1 million.

37. One month after the arrangement began, the portfolio manager for the Small Cap Fund wanted to reduce his fund's exposure to the Bradford market timing. He was having difficulty managing the fund because of the large in-flows and out-flows of cash caused by Bradford's trading. Yet, instead of preventing Bradford from trading in the future, the manager agreed to continue to permit market timing at the reduced level of $10 million.

38. In October 1998, the arrangement was changed, further reducing allocations in the original funds but adding new funds, as follows: $5 million each in the Technology Fund, Growth Fund, Small Cap Equity Fund, and Value Fund; and $3 million in the Small Cap Value Fund. The allocations were subject to a determination made by the portfolio management team.

39. In April 1999, DIMA agreed to increase Bradford's total market timing capacity to $32 million, and allowed two new funds to be timed. The parties agreed that Bradford would have to limit its trading to no more than 24 round-trip trades per year and 8 round-trip trades per quarter. Between May and December 1999, Bradford made 154 trades in the Scudder Technology Fund, consisting of 88 buy exchanges and 76 sell exchanges, grossly in excess of the agreement and contrary to the prospectus disclosure.

40. In August 1999, DIMA issued a guideline for terminating market timers who did not comply with the prospectus language. Bradford's accounts, however, were never held to these standards because senior DIMA executives understood that Bradford had received an exemption from the standards set forth in the prospectuses.

i. Calugar's Market Timing

41. In December 1998, Daniel Calugar set up his own company, Security Brokerage, and with the consent of senior DIMA executives, began directly executing market timing trades with Scudder Funds. DIMA monitored Securities Brokerage trading and knew that Securities Brokerage was exchanging millions of dollars between the Scudder Blue Chip, Growth, Small Cap Equity, Small Cap Value, Technology, Total Return, and Value Funds. Securities Brokerage's market timing continued until early 2001.

ii. Bradford's Other Market Timing

42. By March 2000, a junior member of DIMA, who was policing market timing, asked two senior DIMA executives, including Peter Jacobs, head of the Product Development

Group, to stop Bradford's excessive trading. The portfolio manager for the Small Cap Equity fund was being overwhelmed by market timers with $45 million to $50 million in trades per day. The two senior executives took no action. In June 2001, Jacobs questioned the legality of the arrangement. Yet, no action was taken to restrict Bradford's market timing until January 2002, and the market timing continued until March 2002.

43. The market timing trading by Bradford (including Calugar) caused approximately $10.4 million in dilution and netted fees for DIMA of $34,000.

C. Peconic Capital Management, Inc.

44. In January 1998, Peconic Capital Management, Inc., also known as Peconic Off-Shore and Agawam ("Peconic") began market timing the Scudder Development Fund, the portfolio manager of which had a social relationship with a Peconic trader. Subsequently, Peconic received permission to time Scudder's Global Fund, Global Discovery Fund, Pacific Opportunities Fund, Gold and Precious Metals Fund, and Emerging Markets Income Fund as well. One of the wholesalers described one part of the market timing arrangement as follows: "the deal that was agreed upon was that if Peconic keeps the money invested in Scudder at all times they can trade a certain amount of assets." According to another employee of DIMA, Peconic was given permission to trade: $11 million in the Development Fund, $700,000 in the Global Discovery Fund, and $500,000 in the Global Fund. Between October 1998 and January 2000, one Peconic account had 191 round-trips in the Scudder Funds.

45. In January 1998, a wholesaler, in an email, described other prospective trading to the portfolio manager for the Pacific Opportunities Fund as follows: "[the Peconic trader will trade] between the Pac Opps fund and money market fund about 50 times per year. This is an acceptable arrangement for us because the money stays with Scudder." From April to July 1998, Peconic proceeded to market time and placed 32 trades in the Pacific Opportunities Fund.

46. In June 2000, the Emerging Markets Income Fund portfolio manager gave Peconic permission to market time her fund with trades not to exceed $500,000. DIMA did not apply the language of Scudder Fund prospectuses or any of the internal Scudder market timing policies to Peconic. Although, the prospectus language allowed DIMA to reject exchanges, particularly when there appeared to be a pattern of market timing, DIMA allowed Peconic to place over 50 round-trip trades in the Emerging Markets Income Fund over a 15-month period.

47. In June 2000, a DIMA employee flagged one of the Peconic accounts for market timing and placed a stop purchase on the account. Shortly thereafter, the employee was told by a more senior DIMA employee to remove the flag and perform the trade because someone at Peconic had social relationships with Scudder Funds' portfolio managers, and there was an arrangement.

48. In October 2000, a DIMA employee, referring to Peconic's trading, stated in an email: "I don't know why any portfolio manager would allow someone to short-term trade his/her fund with so much money (Millions!!!)." Peconic was allowed to continue market timing until January 2002, despite efforts by some DIMA employees to terminate the arrangement.

49. During the time that Peconic was allowed to market time the Scudder Funds, Peconic made approximately 790 round-trip trades that caused approximately $14.6 million in dilution and yielded fees for DIMA of $218,000.

D. Millenium

50. International Equity Trading ("IET") was a hedge fund that managed money on behalf of Millenium International LTD ("Millenium"). In July 1998, a trader for IET and a DIMA employee agreed that IET would be allowed to market time once a week up to $1.5 million in each of the International, Development, and Global Funds. The portfolio managers of

these funds approved the arrangement despite the prospectus language restricting such trading. The DIMA employee told the trader that the account would be closely monitored and that if the account were traded more frequently than once a week, the agreement would be breached and DIMA could stop the trading. IET and Millenium commenced market timing the three Scudder Funds.

51. In February 1999, IET was asked to stop market timing the International Fund because the trading was adversely effecting the performance of the fund. IET was allowed to continue market timing other Scudder Funds.

52. In June 2000, Millenium began to manage the trading in the accounts previously handled by IET. Between May 2001 and December 2001, Millenium placed 50 round-trips in the Global Fund and 75 round-trips in the Development Fund, well exceeding the agreed upon number of trades and well in excess of the Scudder Funds prospectus disclosures and the Scudder frequent trading policy. One Millenium account alone made 319 trades consisting of 168 buys and 151 sells in the Global Fund during that period.

53. By October 2001, Millenium was market timing the Development Fund twice a week with $1.5 million in round-trip trades. The DIMA employee who was notified stated that if the portfolio manager permitted the timing then it could continue.

54. In December 2001, the Scudder Transfer Agent placed a stop purchase on the Millenium accounts because of market timing. Shortly thereafter, a Millenium trader called DIMA and asked that the stops be removed so he could continue market timing based on the arrangement. The stops were removed, and those trades were processed. Those were the final trades that Millenium placed in the Scudder Funds.

55. Millenium's market timing amounted to more than 500 exchanges into and out of Scudder equity mutual funds that resulted in approximately $2.5 million of dilution and generated $36,000 in fees for DIMA.

E. Christopher Venuti

56. Christopher Venuti, a broker, market timed the Scudder Funds from June 1997 to June 2000 on behalf of his clients. A DIMA employee and the portfolio manager for the Municipal Bond and California Tax-Free Income Funds agreed to allow Venuti to market time the Funds, contrary to the prospectuses. Venuti also market timed the International Fund, without an express arrangement.

57. On April 8, 1999, Jacobs, DIMA's head of product management, was notified by the transfer agent that 63 accounts controlled by Venuti were engaging in market timing that caused havoc for the portfolio managers. Yet, Jacobs took no action, and Venuti was allowed to continue to market time for another year.

58. On April 12, 1999, Venuti wrote a DIMA employee asking for clarification of DIMA's new proposed market timing policy, scheduled to take effect on June 1, 1999. Venuti summarized a prior discussion with the employee and indicated that he expected his clients would be subject to the fees associated with buying mutual funds but that the fund manager would allow them unlimited exchanges among various Scudder Funds and that the trading would not be subject to the 15-day hold period between exchanges. The Venuti arrangement was terminated in May 2000.

59. Venuti's trading caused approximately $862,000 in dilution and netted DIMA $50,000 in fees.

F. Savino and Chung

60. Brokers William Savino and Christopher Chung negotiated market timing capacity in the Scudder Funds on behalf of their clients. They were allowed to market time certain Scudder Funds from May to October 2001. Prior to the negotiations, DIMA employees identified the Savino and Chung accounts as trading contrary to the representations in the Scudder Fund prospectuses. Yet, DIMA negotiated an arrangement that expressly allowed Savino and Chung to market time certain funds.

61. One DIMA employee described Savino and Chung's intention to market time as follows:

> [Savino and Chung] are the reps., as a group, they claim to be the number one producer in fund sales and annuity business in the system. They control upwards of $1 billion, and are very interested in working with us with [the] understanding up-front about what [our] joint expectations are as well as placing long-term sticky assets in any number of funds. They have somewhat jumped the gun these past weeks, moving approximately $5 million in and out of the International, Global Disc., and New Europe [Funds].

62. Savino and Chung represented to DIMA that they would hold their positions for five days. In July 2001, a junior DIMA employee within product management notified Jacobs and Chip Robison, a senior manager within DIMA's distributor, that Savino and Chung were not complying with even this restriction: "In the months of June and July, they [Savino and Chung] violated the 5-day rule 31 times (23 of those violations represented buying an International Fund and selling it the very next business day - textbook market timing)." The junior DIMA employee recommended terminating Savino and Chung's arrangement but received no response.

63. In early October 2001, the transfer agent noticed Savino and Chung's market timing and notified a junior DIMA employee. The employee told the transfer agent to stop the trading, but it continued until the end of October.

64. On Friday, October 26, 2001, the same DIMA employee sent an email to Jacobs and Robison, again pointing out Savino and Chung's market timing: "Chung and Savino are once again not abiding by their 5-day-hold rule....[One of the] trade[s] alone cost[s] the firm $18,000. I recommend we pull this relationship."

65. On October 30, 2001, the same employee informed Jacobs and Robison that he was ending the arrangement on his own. This action was precipitated by a complaint from the International Research Fund portfolio manager. Savino and Chung had made a $750,000 redemption forcing the portfolio manager to sell securities from his $15 million fund in order to raise the necessary cash to meet the redemption. The Savino and Chung trading caused approximately $736,000 in dilution and garnered DIMA $116,000 in fees.

G. Tactical Asset Management

66. In September 1998, Jacobs gave Tactical Asset Management ("Tactical") permission to market time five Scudder Funds with trades up to $2 million. The arrangement was modified on May 22, 2000 to allow Tactical to market time only two Scudder Funds.

67. On May 1, 2001, Jacobs wrote to subordinates stating that in April he had approved Tactical's request to market time in the Scudder Blue Chip Fund with trades up to $3 million. Tactical market timed the Blue Chip Fund from May 2001 until November 2002; every trade was held for less than 15 days.

68. On March 19, 2002, a junior DIMA employee asked Jacobs to discontinue the arrangement and require Tactical to abide by the prospectuses. She stated that Tactical was making round-trips in the Scudder Blue Chip Fund (a fund the parties had not included in the arrangement) within one day. Although, Jacobs promptly told the junior employee no longer to accept Tactical's market timing trades, Tactical continued to market time the Scudder Blue Chip

Fund for another eight months. In total, Tactical's trading caused approximately $290,000 in dilution and generated fees of $4,000.

IV. Other Market Timing

69. In addition to the foregoing examples, DEAM failed to prevent other market timing that amounted to approximately $68 million in dilution and garnered fees for DEAM of $7 million. DEAM knew or should have known about such market timing.

70. The most egregious offender, CIBC Oppenheimer, placed through its brokers, approximately $13 billion of trades in 777 accounts and caused a substantial portion of the dilution.

71. In April 2000, DIMA employees created a list of market timers referred to as "timing offenders." The list showed that CIBC had made over $350 million in market timing trades in the Scudder Funds through 19 different accounts from January 1 to April 13, 2000.

72. Between June 20, 2000 and March 25, 2003, DEAM employees sent CIBC more than 280 letters indicating that the trading could be detrimental to the fund, that a stop purchase was being placed on the account, and that all exchange privileges were being removed. Nonetheless, CIBC's brokers continued to place market timing trades into the Scudder Funds.

VI. Deutsche Bank Securities, Inc.

73. DBSI was the broker-dealer division of DB and functioned as an intermediary between clients who wanted to place trades in securities and mutual fund companies looking to sell their funds.

74. Between March and September 2003, one of the brokerage groups within DBSI facilitated market timing and a "substitute late trading" scheme for a client, Andrew Goodwin, trading on behalf of his hedge fund.

75. The substitute late trading scheme evolved when the trades Goodwin placed prior to 4:00 p.m. were rejected by a fund company. A senior DBSI broker, Michael Velasco or his assistant would phone Goodwin after 4:00 p.m. and inform him of the rejected trade; thereafter, they permitted Goodwin to substitute a different trade - after 4:00 p.m. and sometimes as late as 5:00 p.m. - for the rejected trade. These late trades were treated by DBSI as if they had been placed prior to 4:00 p.m.

76. Goodwin was also able to market time mutual funds through DBSI. Despite knowing that Goodwin was only trading on behalf of his hedge fund and that he had one strategy - market timing - Velasco and his supervisors allowed him to set up 28 different accounts and 14 were used for the purpose of perpetuating the market timing strategy. By permitting market timing through multiple accounts, Velasco and his assistant enabled Goodwin to disguise the timing activity and make its detection by the funds less likely. The multiple accounts were set up even though Velasco, and his supervisors knew that mutual fund companies were trying to prevent market timing of their funds. By April 30, 2003, Goodwin's market timing was so active that he had been blocked in 15 funds and had opened 6 new accounts in order to continue trading in funds that had blocked him.

77. Senior DBSI executives were aware that Velasco and his assistant were opening multiple accounts to facilitate market timing of mutual funds that had earlier restricted Goodwin's trading because of market timing.

78. From March to September 2003, at least 15 mutual fund families detected the market timing performed by Velasco and sent DBSI letters indicating that the brokerage group would be barred from trading in the future.

79. During the same time period, Velasco executed more than 2,100 market timing trades in greater than 160 mutual funds on behalf of his clients. These trades had an aggregate value of approximately $1 billion.

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

81. The foregoing acts and practices of Respondents violated § 349 of the General Business Law.

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

AGREEMENT

IT NOW APPEARING THAT Respondents desire to settle and resolve the Investigation without admitting or denying the Attorney General's Findings, which Findings are not binding on any other person or entity in this or any other proceeding, the Attorney General and Respondents hereby enter into this Assurance of Discontinuance, pursuant to Executive Law § 63(15), and agree as follows:

I. Affirmative Relief

A. Disgorgement and/or Restitution and Civil Penalty

1. Respondents shall pay, joint and severally, $102,314,360 in disgorgement and/or restitution plus a civil money penalty in the amount of $20,000,000 for a total payment of $122,314,360, exclusive of the value of the management fee reductions provided for in Paragraphs I.C.1-3. By January 31, 2007, Respondents shall deposit, $122,314,360 into an interest-bearing escrow account for the benefit of the shareholders of the Scudder Funds who were impacted as a result of the conduct described herein. By February 28, 2007, Respondents shall appoint Navigant Consulting, Inc. (the "Distribution Consultant") to develop a plan for the distribution of all of the restitution and penalty ordered herein, and any interest and earnings thereon (the "Distribution Plan"), according to a methodology developed in consultation with Respondents and acceptable to the Attorney General and the Independent Trustees. Respondents shall require that the Distribution Consultant submit the Distribution Plan to Respondents, the Attorney General, and the the Independent Members of the Scudder Funds' Board of Trustees ("the Independent Trustees") no more than six months after the date of the execution of the Assurance of Discontinuance. Respondents may request a reasonable extension of the deadline, which shall not be unreasonably denied. The Distribution Plan shall be binding unless, within 30 days after receipt of the Distribution Plan, Respondents, the Attorney General, or the Independent Trustees submit to the Distribution Consultant a written objection as to any

determination or calculation in the Distribution Plan and state in writing the reasons for such objection. With respect to any determination or calculation that the Respondents, the Attorney General, or the Independent Trustees do not agree, the parties shall attempt in good faith to reach an agreement within 30 days after receipt of the submission described in the foregoing sentence. In the event that Respondents, the Attorney General, and the Independent Trustees are unable to agree on an alternative determination or calculation, the determinations and calculations of the Distribution Consultant shall be binding. Following final resolution of the Distribution Plan, Respondents shall take all necessary and appropriate steps to implement the final Distribution Plan in an expeditious manner. Respondents shall certify in writing to the Attorney General when the Distribution Plan has been implemented and completed. Amounts ordered to be paid as civil money penalties pursuant to this Assurance of Discontinuance shall be treated as penalties paid to the government for all purposes, including tax purposes.

2. Respondents agree that they shall not 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 this Assurance of Discontinuance, provided that nothing in this Assurance of Discontinuance (including without limitation Paragraph II.A 3) shall: (a) prevent Respondents from bringing claims (including claims for indemnity and/or contribution) against persons or entities for injuries sustained by, or for amounts paid in disgorgement by, Respondents as a result of such persons' or entities' engagement or involvement in, agreement to permit or failure to prevent market timing; or (b) limit or impair the rights of persons other than Respondents under any applicable insurance policy.

3. Except as specified in Section I.D.8 pertaining to the hiring of consultants, experts or staff for Supplemental Duties as defined herein, the Respondents shall bear or

reimburse the Scudder Funds, all costs associated with compliance with the terms of this Assurance of Discontinuance. Without limiting the foregoing, no payments made or costs incurred by Respondents pursuant to or in connection with this Assurance of Discontinuance shall be borne directly or indirectly by any of the Scudder Funds or the shareholders thereof. Respondents agree and undertake that they and their affiliates shall not directly or indirectly assess any fee or charge to any of the Scudder Funds or the shareholders thereof to defray, recoup or reimburse any such payments or costs, including, but not limited to, the reduction in management fees provided for in Paragraphs I.C.1-3. Within 45 days after the end of Respondents' fiscal years 2007 through 2012, the president or chief executive officer of DEAM shall certify in writing to the New York State Attorney General that DEAM has complied in all material respects with the provisions of this paragraph.

B. General Relief

1. Respondents admit the jurisdiction of the Attorney General in connection with the subject matter of this Investigation. Respondents 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).

2. Evidence of a violation of this Assurance of Discontinuance by Respondents shall constitute prima facie proof of violation of the Martin Act, General Business Law § 349 and Executive Law § 63(12) in any civil action or proceeding hereafter commenced by the Attorney General.

C. Reduction of Management Fee Rates For Five Years

1. DEAM represents and warrants that it has previously reduced the Net Management Fee Rates for certain of the Scudder Funds as identified on Schedule A, attached hereto, (the "Affected Funds") and that such reduced Net Management Fee Rates have been in effect continuously from the dates of such reduction (the "Reduction Dates") to the date of this Assurance of Discontinuance. "Net Management Fee Rates" means the percentage fee rates specified in the relevant agreements between DEAM, and its affiliates and the Scudder Funds, less waivers and reimbursements by DEAM and its affiliates, in effect immediately prior to the Reduction Dates. The reduced Net Management Fee Rates shall result in a total reduction of $17 million a year in fees paid by the Scudder Funds, based on assets under management in the Scudder Funds as of the Reduced Funds' Reduction Dates (the "Net Management Fee Reduction") for a projected total reduction of $86 million over five years from the Reduction Dates. Net Management Fee Rates for Affected Funds will not be increased for a period of five years after each Affected Fund's Reduction Dates.

2. If any Affected Fund on Schedule A ceases to operate (*e.g.*, due to liquidation or merger) ("Ceased Fund") at any time prior to the completion of the five year term from the Reduction Date, then the Net Management Fee Rates of other Scudder Fund(s) (which in the event of merger includes the survivor fund) to which DEAM provides advisory services as of the date of such cessation shall be reduced by an amount equal to the Ceased Fund's Net Management Fee Reduction. The reduction shall be calculated based on the assets under management of the other Scudder Fund(s) as of the Ceased Fund's Reduction Date.

3. DEAM represents and warrants that Schedule A accurately and completely states: (a) assets under management for all the Scudder Affected Funds as of the Reduction Date; (b) the Net Management Fee Rates for all the Scudder Affected Funds immediately prior to the

Reduction Dates; (c) the reduced Net Management Fee Rates; and (d) the resulting Net Management Fee Reduction of $86 million as provided in Paragraph I.C.1.

D. Corporate Governance of Mutual Funds

1. On or after 80 days from the signing of the document, DEAM shall not directly or indirectly manage or provide investment advisory services to any Scudder Fund that has not agreed to and implemented the provisions of Section I (Affirmative Relief) of this Assurance of Discontinuance insofar as they concern acts by the Scudder Funds. In the event that any Scudder Fund to which DEAM provides direct or indirect management or investment advisory services ceases to continue to act in accordance with such provisions, DEAM shall promptly terminate its management of, and/or provision of advisory services to, such Scudder Fund. Any such termination will be made in accordance with the terms of DEAM investment advisory agreement with such Scudder Fund (insofar as such investment advisory agreement terms are not inconsistent with this Assurance of Discontinuance), in accordance with the provisions of the Investment Company Act of 1940 (15 U.S.C. 80a-1, *et seq.*) and the Investment Advisers Act of 1940 (15 U.S.C. 80b-1, *et seq.*)(collectively, the " '40 Acts"), and within 180 days, unless this period is extended by agreement of the parties to this Assurance of Discontinuance. For purposes of Subsections C, D and E, Scudder Fund(s) shall mean any open-ended United States mutual fund that is currently managed, or becomes managed by DEAM or its affiliates and includes without limitation: (a) any such mutual fund that is part of a variable annuity program; (b) any mutual fund into which any of the Scudder Funds is merged or its assets are transferred; or (c) any reorganized mutual fund into which the assets of any of the Scudder Funds are transferred.

Chairman of the Board

2. DEAM may manage or advise a Scudder Fund only if the Chairman of the Board of Trustees of such Scudder Fund is in all respects independent of Respondents, their respective affiliates and has had no prior relationship (other than a purely social acquaintance) at any time, with Respondents, their respective present or former affiliates (excluding any relationship with a present or former affiliate, that was not an affiliate of Respondents at the time of such relationship), directors, officers, employees or agents acting in their capacity as such agents, with such mutual fund or a mutual fund advised and/or managed by DEAM (other than to have been a mutual fund trustee or director or owner of shares of a Scudder Fund mutual fund or closed-end fund on customary terms); (hereinafter referred to as an "Impermissible Relationship"), provided however, that in the event of the death, resignation or removal by the Scudder Funds' Board of Trustees of such Chairman, DEAM may continue to manage or advise such Scudder Funds provided that the Scudder Funds' Board of Trustees, as soon as practicable and in no case later than 120 days after such death, resignation, or removal, appoints as a replacement a Chairman who satisfies the requirements for a Chairman as set forth in this Paragraph I.D.2 (including without limitation, having no Impermissible Relationship), and provided further that until such appointment, the Chairman of the Scudder Funds' Board of Trustees shall be a trustee who is an "Independent Member" as defined in Paragraph I.D.5. An Impermissible Relationship includes, but is not limited to, any of the following types of relationships: (i) substantial commercial, banking, or financial relationship; (ii) any legal, accounting, consulting, advisory, familial, charitable, employee, director, trustee or officer relationship; provided, however, a charitable relationship shall not be deemed an Impermissible Relationship if the charitable relationship is disclosed to the Board of Trustees. During the period when acting as Chairman and for two years thereafter, the Chairman and any firm with

which he or she is affiliated shall have no such Impermissible Relationship, provided that nothing in this sentence shall prevent any firm with which such Chairman becomes affiliated in the two years after acting as Chairman from continuing a pre-existing commercial, banking or financial relationship with Respondents and their respective affiliates but only if such Chairman did not during such two year period have any direct or indirect participation with such pre-existing relationship. An interested person of Respondents or of a Scudder Fund shall not be deemed "independent." For purposes of this Assurance of Discontinuance, "interested person" has the same meaning as defined in the Investment Company Act of 1940 ("Investment Company Act"); and "familial" means all individuals within three degrees of consanguinity or affinity.

3. In the event that DEAM desires input from the Attorney General as to whether a proposed Chairman of the Board of Trustees (or Senior Officer or Independent Fee Consultant, as defined below) has a relationship that is an Impermissible Relationship, DEAM may make full disclosure of the facts and circumstances and seek the prior guidance of the Attorney General; provided, however, that nothing contained herein shall be construed to excuse a breach of the Assurance of Discontinuance where a Chairman, Senior Officer or Independent Fee Consultant has already assumed office before the input of the Attorney General was sought by DEAM.

4. If the Independent Members of a Scudder Fund establish they have made a good faith determination, based on their diligent inquiry ("Determination"), that a proposed Chairman of the Board of Trustees of such Fund (i) neither has nor had any Impermissible Relationship and (ii) is in all respects independent as provided in Paragraph I.D.5 (the "Independence Requirements"), then appointment of such Chairman shall be deemed to be in

compliance with Paragraph I.D.2. In the event that subsequent to the Determination, additional information comes to the attention of such Fund, any Trustee thereof, or DEAM indicating that the Chairman does not or did not fully satisfy the Independence Requirements, then the Independent Members shall, within 15 days thereof, make an additional Determination respecting the Chairman's satisfaction of the Independence Requirements. If the Independent Members' Determination is that the Chairman does not or did not fully satisfy the Independence Requirements, then unless such Chairman resigns as Chairman of the Fund within 10 days from the date of the Determination, DEAM shall implement the termination provisions of Paragraphs I.D.1 and 2. Deutsche Bank shall cooperate in all respects concerning any inquiry undertaken pursuant to this paragraph.

Trustees

5. DEAM may manage or advise a Scudder Fund only if at least seventy-five percent of the members of a Scudder Fund's Board of Trustees: (a) are not interested persons, as defined by the Investment Company Act, of Respondents or any of their affiliates; and (b) at any point during the preceding 10 years, have not been directors, officers or employees of Respondents ("Independent Members") or any of their affiliates. In the event that a Scudder Fund's Board of Trustees fails to meet this requirement at any time due to the death, resignation, retirement or removal of any Independent Member, DEAM shall terminate its management of, and provision of advisory services to such Scudder Fund unless the Independent Members bring the Scudder Fund's Board of Trustees into compliance within a reasonable period of time as provided under the provisions of the '40 Acts, not to exceed 120 days (or 180 days if a shareholder vote is necessary), unless extended by written agreement of the parties to this Assurance of Discontinuance.

Senior Officer

6. Within 80 days of the parties' execution of this Assurance of Discontinuance, DEAM shall recommend in writing to the Board of Trustees of each Scudder Fund that the Scudder Fund either:

(a) appoint a full-time Senior Officer ("Senior Officer") with the title of at least Senior Vice President who shall have no Impermissible Relationship (as defined above) during the period he or she is acting as Senior Officer and for two years thereafter; provided, however, that a Scudder Fund's Senior Officer may be technically employed and paid by DEAM, or an affiliate and be the same person the Scudder Fund designates as the Chief Compliance Officer of the Scudder Fund pursuant to Rule 38a-1(a)(4) under the Investment Company Act, 17 C.F.R. 270.38a-1(a)(4), so long as such person is not also employed by DEAM or its affiliates pursuant to Rule 206(4)-7 of the Investment Advisors Act, 17 C.F.R. 275.206(4)-7, or has any duties or responsibilities other than as Chief Compliance Officer of the Scudder Fund pursuant to Rule 38a-1(a)(4), and as Senior Officer of the Fund pursuant to this Assurance of Discontinuance. The Senior Officer may also be assigned the following supplemental duties ("Supplemental Duties"): assisting in the development of agendas for board meetings, reviewing and preparing materials furnished to the board in connection with such meetings, and acting as liaison between the board and various service providers to the Funds, provided that: (i) such Supplemental Duties do not interfere with performance of the Senior Officer's duties and responsibilities pursuant to Paragraphs I.D. 6 - 16; and (ii) no additional duties are assigned. The Senior Officer may serve as Senior Officer to more than one Scudder Fund; or

(b) engage an independent compliance consultant (the "Independent Compliance Consultant") who shall have no Impermissible Relationship during the period he or

she is acting as Independent Compliance Consultant and who has the duties and responsibilities set forth in Paragraph I.D.9. The Independent Compliance Consultant shall be a named individual who is either self-employed or a principal, partner, member or officer of an entity. The Independent Compliance Consultant may not be employed by DEAM pursuant to Rule 206(4)-7 of the Investment Advisors Act, 17 C.F.R. 275.206(4)-7, but the Independent Compliance Consultant may be the same person who serves as the Independent Compliance Consultant pursuant to Paragraph 51 of the SEC Order, so long as the Independent Compliance Consultant has no duties or responsibilities to Respondents, Respondents' affiliates, or any of the officers, directors, or agents of the foregoing. For a period of two years following the conclusion of the Independent Compliance Consultant's services as such, Respondents and their affiliates shall not enter into any substantial commercial, banking, or financial relationship or any attorney-client accounting, consulting, or advisory relationship with the Independent Compliance Consultant or with any firm with which the Independent Compliance Consultant was affiliated while the Independent Compliance Consultant.

7. DEAM may manage or advise a Scudder Fund only if the Senior Officer and/or Independent Compliance Consultant of the Scudder Fund acknowledges that he or she owes a fiduciary duty to the Scudder Funds, and only if, he or she reports directly to the Scudder Fund's Board of Trustees and such reporting is as often as may be appropriate, but no less than quarterly.

8. DEAM may manage or advise a Scudder Fund only if, subject to approval by the Independent Members of the Scudder Fund's Board of Trustees, the Senior Officer, the Independent Compliance Consultant, and/or the Independent Fee Consultant have the authority to retain or consult consultants, experts or staff as may be reasonably necessary to assist the

Senior Officer, the Independent Compliance Consultant, and/or the Independent Fee Consultant in the performance of his or her duties, provided, however, that costs associated with the Senior Officer retaining consultants, experts or staff to perform his Supplemental Duties shall be borne by the Scudder Funds. The Senior Officer, the Independent Compliance Consultant, and the Independent Fee Consultant and such consultants, experts or staff shall be compensated at their reasonable and customary rates as determined by the Independent Members of the Scudder Funds. The Senior Officer, the Independent Compliance Consultant, and the Independent Fee Consultant may be terminated only with the approval of a majority of the Independent Members of the Scudder Fund's Board of Trustees.

9. DEAM may manage or advise a Scudder Fund only if the duties and responsibilities of the Scudder Fund's Senior Officer or Independent Compliance Consultant include at least monitoring compliance by the Scudder Fund and its investment advisor(s) (insofar as the advisors act in connection with the Scudder Fund), with: (i) applicable federal and state securities laws; (ii) applicable state laws respecting potential or actual conflicts of interests; (iii) their respective fiduciary duties; and (iv) applicable codes of ethics and/or compliance manuals.

10. DEAM may manage or advise a Scudder Fund only if the Independent Members of the Scudder Fund's Board of Trustees (i) assign to the Senior Officer, appointed pursuant to Paragraph I.D.6(a), duties and responsibilities that include managing the process by which proposed management fees (including, but not limited to, advisory fees) to be charged the Scudder Fund are negotiated so that they are negotiated in a manner which is at arms' length and reasonable and consistent with this Assurance of Discontinuance; or (ii) appoint a second Senior Officer, or an independent fee consultant (the "Independent Fee Consultant") whose duties and

responsibilities are the same as referenced in (i) of this paragraph. Proposed management fees include, but are not limited to, renewal of existing management fee agreements or continuation of such existing fee agreements for an additional year or other period after approval by the Board of Trustees of the Scudder Fund. If the Fund's Board of Trustees elects to appoint a second Senior Officer pursuant to this paragraph, then such Senior Officer shall be governed by all provisions of this Assurance of Discontinuance applicable to a Senior Officer (including but not limited to having no Impermissible Relationship under Paragraph I.D.2) except the compliance duties referred to Paragraph I.D.9.

11. The Independent Fee Consultant shall be a named individual who is either self-employed or a principal, partner, member or officer of an entity, who shall acknowledge that he or she owes a fiduciary duty to the Scudder Funds. The Independent Fee Consultant shall have no duties or responsibilities to Respondents, Respondent's affiliates, or any of the officers, directors or agents of the foregoing and shall have no Impermissible Relationship (except that the Independent Fee Consultant may have previously served as an Independent Fee Consultant to the Scudder Fund) during the period he or she is acting as Independent Fee Consultant. For a period of two years following conclusion of the Independent Fee Consultant's services as such, Respondents and their affiliates shall not enter into any substantial commercial, banking, or financial relationship or any attorney-client, accounting, consulting, or advisory relationship with the Independent Fee Consultant or with any firm with which the Independent Fee Consultant was affiliated while Independent Fee Consultant.

12. DEAM may manage or advise a Scudder Fund only if the reasonableness of the proposed management fees is determined by the Board of Trustees of the Scudder Fund using either:

(a) an annual competitive bidding process, supervised by the Senior Officer or the Independent Fee Consultant, that includes at least three sealed bids with proposed management fees; or

(b) an annual independent written evaluation prepared by or under the direction of the Senior Officer or the Independent Fee Consultant that considers at least the following: (i) management fees (including any components thereof) charged to institutional and other clients of DEAM for like services; (ii) management fees (including any components thereof) charged by other mutual fund companies for like services; (iii) costs to DEAM and its affiliates of supplying services pursuant to the management fee agreements, excluding any intra-corporate profit; (iv) profit margins of DEAM, and its affiliates from supplying such services; (v) possible economies of scale as the Scudder Fund grows larger; and (vi) the nature and quality of DEAM's services, including the Scudder Fund's performance.

13. DEAM may manage or advise a Scudder Fund only if the Scudder Fund's Senior Officer or Independent Fee Consultant keeps the Scudder Fund's Board of Trustees fully and promptly informed of the bidding process or the fee evaluation process, as the case may be.

14. DEAM may manage or advise a Scudder Fund only if it cooperates fully and promptly with the Scudder Fund's Senior Officer, Independent Compliance Consultant, and/or Independent Fee Consultant and provides any information (including preparation of summaries or other compilations of data) and documents in the possession, custody or control of DEAM that the Senior Officer, Independent Compliance Consultant, and/or Independent Fee Consultant requests and that relate to or concern any of the matters referenced in this Section I.D. DEAM shall promptly provide the Senior Officer, Independent Compliance Consultant, and/or the Independent Fee Consultant with access to any director, officer or employee of

DEAM, and use its best efforts to cause such persons to answer any and all inquiries put to them by the Senior Officer, Independent Compliance Consultant, or the Independent Fee Consultant that relate to or concern any such matters.

15. DEAM may manage or advise a Scudder Fund after May 1, 2007, only if the Scudder Fund has hired and continues to employ or retain the Scudder Fund's Senior Officer, Independent Compliance Consultant, and/or Independent Fee Consultant so that all the duties and responsibilities described in Paragraphs I.D. 6-14 are assigned to such Senior Officer, Independent Compliance Consultant, and/or Independent Fee Consultant. In the event of the death, resignation or removal by the Scudder Funds' Board of Trustees of the Senior Officer, Independent Compliance Consultant, or Independent Fee Consultant, DEAM may continue to manage or advise such Scudder Funds provided that the Scudder Funds' Board of Trustees, as soon as practicable and in no case later than 120 days after such death, resignation, or removal, appoints as a replacement a Senior Officer, Independent Compliance Consultant, or Independent Fee Consultant (as the case may be) who satisfies the requirements for a Senior Officer, Independent Compliance Consultant, or Independent Fee Consultant as set forth in Paragraphs I.D 6 - 10 (including without limitation, having no Impermissible Relationship). By May 1, 2007, DEAM shall provide a written schedule to the Attorney General that identifies the name of the Scudder Fund's Senior Officer, Independent Fee Consultant, and/or the Independent Compliance Consultant as applicable and describes his or her background and compensation. DEAM shall keep the information on the schedule current and provide an updated schedule to the New York State Attorney General within 10 days of any change in such information.

16. Within 45 days after the Board of Trustees of a Scudder Fund has completed its review of the written fee evaluation provided for in Paragraph I.D.10 and approved

a new advisory agreement or continuation of a presently existing advisory agreement, DEAM shall publicly disclose a summary of such evaluation and any opinions or conclusions arising from or included in the evaluation (hereinafter referred to as the "Fee Summary"). The Fee Summary shall be prepared and signed by either the Senior Officer or the Independent Fee Consultant, as the case may be, and shall discuss the factors referenced in Paragraph I.D.11 with sufficient specifics so that an investor in the Scudder Fund can evaluate the reasonableness of the fees; provided, however, that the Fee Summary shall not be required to include or reveal confidential, competitively sensitive data, such as (but not limited to) institutional fee rates, internal costs and profit margins. Public disclosure shall include, at least: (a) continuous, prominent posting (in downloadable format) on the Scudder Fund's website of Fee Summaries of at least the two most recent fee evaluations as part of the Scudder Fund description; (b) delivery or incorporation of the Fee Summary of the most recent fee evaluation with, or in, the annual and semi-annual reports furnished to shareholders; and (c) prominent notice, in any periodic account statements furnished by the Scudder Fund to individual direct investors, of the fact that the Fee Summaries are available as provided in (a) and (b) of this paragraph I.D.15.

17. With respect to any of the provisions of this Section I (Affirmative Relief) insofar as they concern acts by a Scudder Fund, if any of the Scudder Funds: (a) does not agree to such Affirmative Relief provisions; (b) does not implement such provisions; and/or (c) ceases to continue to act in accordance with such provisions (an "Event of Non-Compliance"), DEAM shall have 20 days therefrom to cure such Event of Non-Compliance, prior to implementation of any termination as provided in Paragraph I.D.1.

E. Disclosure to Investors

1. DEAM shall bear the costs for developing procedures, to be implemented by May 1, 2007, whereby DEAM, in an easy to understand format, shall:

(a) include with each periodic account statement a Scudder Fund sends to investors: (i) the fees and costs, in actual dollars, on a fund-by-fund basis, charged to the investor-recipient of the statement based upon the investor's most recent quarterly closing balance; and (ii) the fees and costs, in actual dollars, that would be charged a hypothetical investment of $10,000 held for the next 10 years and the impact of such fees and costs on fund returns for each year and cumulatively, assuming a 5% return for each year and continuation of the reduced Net Management Fee Rates provided in Paragraphs I.C.1 - 3 for disclosures made during the period through the fifth year after the implementation of the Net Management Fee Reduction, and assuming for disclosures made five years after the implementation of the Net Management Fee Reduction, a 5% return for each year and the then current DEAM Net Management Fee Rates;

(b) maintain continuous, prominent posting on its website of: (i) a calculator that will enable an investor to calculate the fees and costs, in actual dollars, on a fund-by-fund basis, charged to each investor based upon the investor's most recent quarterly closing balance; and (ii) the fees and costs, in actual dollars, that would be charged a hypothetical investment of $10,000 held for the next 10 years and the impact of such fees and costs on fund returns for each year and cumulatively, assuming a 5% return for each year and continuation of the reduced Net Management Fee Rates provided in Paragraphs I.C.1 - 3 above for disclosures made during the period through the fifth year after the implementation of the Net Management Fee Reduction, and assuming for disclosures made five years after the implementation of the Net

Management Fee Reduction, a 5% return for each year and the then current DEAM Net Management Fee Rates; and

(c) unless a SEC written comment letter states to the contrary, disclose in the applicable prospectus or amendment thereto a summary showing the fees and costs, in actual dollars, that would be charged a hypothetical investment of $10,000 held for the next 10 years and the impact of such fees and costs on fund returns for each year and cumulatively, assuming a 5% return for each year and continuation of the reduced Net Management Fee Rates provided in Paragraphs I.C.1 - 3 above for disclosures made during the period five years after the implementation of the Net Management Fee Reduction, and assuming for disclosures made five years after the implementation of the Net Management Fee Reduction, a 5% return for each year and the then current DEAM Net Management Fee Rates; provided however that, in the case of money market funds, DEAM shall make disclosures comparable to that required under Paragraph I.E.1.(a) through (c).

2. Any disclosure requirement to investors in Paragraph I.E.1. shall not be required if and to the extent that any such disclosure is expressly prohibited by rules promulgated and adopted by the SEC or the NASD.

II. Other Provisions

A. Scope Of This Assurance of Discontinuance

1. This Assurance of Discontinuance concludes the Investigation brought by the Attorney General and any action the Attorney General did or could commence against Respondents, any of its current corporate affiliates, or any of the Scudder Funds arising from or relating to the subject matter of the Investigation; provided however, that nothing contained in this Assurance of Discontinuance shall be construed to cover claims of any type by any other

state agency or any claims that may be brought by the Attorney General to enforce Respondents' obligations arising from or relating to the provisions contained in this Assurance of Discontinuance. This Assurance of Discontinuance shall not prejudice, waive or affect any claims, rights or remedies of the Attorney General with respect to any person or entity not a party hereto (except for Respondents, Respondents' current corporate affiliates, and any of the Scudder Funds as provided in the first sentence of this paragraph 1) all of which claims, rights and remedies are expressly reserved.

2. If Respondents do not make the payments as provided in Paragraph I.A.1 of this Assurance of Discontinuance, or the Net Management Fee Reduction as provided in Paragraphs I.C.1 - 3 of this Assurance of Discontinuance, or Respondents commit a breach of any of their obligations under this Assurance of Discontinuance, the Attorney General may terminate this Assurance of Discontinuance, at his sole discretion, upon written notice to Respondents followed by Respondents' failure to cure such breach within a reasonable time, and Respondents agree that any statute of limitations or other time related defenses applicable to the subject of the Investigation and any claims arising from or relating thereto are tolled from and after December 31, 2003. In the event of such termination, Respondents expressly agree and acknowledge that this Assurance of Discontinuance shall in no way bar or otherwise preclude the Attorney General from commencing, conducting or prosecuting any investigation, action or proceeding, however denominated, arising from or relating to the subject matter of the Investigation, against Respondents or from using in any way any statements, documents or other materials produced or provided by Respondents after commencement of the Investigation, including, without limitation, any statements, documents or other materials provided for purposes of settlement negotiations.

3. For any person or entity not a party hereto, this Assurance of Discontinuance does not prohibit, limit or create any rights, remedies or liabilities. It also does not limit or prohibit any defenses of Respondents, their current or former affiliates or their respective heirs, successors, executors, administrators, and assigns to claims asserted by a person or entity not a party hereto.

4. This Assurance of Discontinuance is not intended by the Attorney General to subject Respondents or any of its affiliates to any disqualifications under the federal laws and laws of any state, the District of Columbia, Puerto Rico or territory (collectively "State"), including, without limitation, any disqualifications from relying upon the State registration exemptions or State safe harbor provisions.

5. The SEC Order, this Assurance of Discontinuance, and any order of any other State in a proceeding based upon the acts, practices, and procedures of Respondents which are the subject of the Investigation (collectively, the "Settlement Documents") shall not disqualify Respondents or their affiliates from any business that they otherwise are qualified, licensed or permitted to perform under the applicable law of the State of New York and any disqualifications from relying upon this state's registration exemptions or safe harbor provisions that arise from the Settlement Documents are hereby waived.

B. <u>Cooperation</u>

1. Respondents, their respective successors, assigns, current affiliates and/or purchasers of all or substantially all the assets of any of the foregoing ("Deutsche Bank Entities") agree to cooperate fully and promptly with the Attorney General with regard to any investigation, litigation or other proceeding initiated by the Attorney General or to which the Attorney General is a party, whether pending or subsequently initiated, relating to market timing

or late trading. Deutsche Bank Entities shall use their best efforts to ensure that all the current and former officers, directors, trustees, agents and employees of Deutsche Bank Entities and/or the Scudder Funds also fully and promptly cooperate with the Attorney General.

2. Such cooperation shall include, without limitation:

(a) production, voluntarily and without service of a subpoena, 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 be prepared, with the exception of any information or documents with respect to which Deutsche Bank Entities has a statutory or contractual obligation of confidentiality to persons or entities who are not parties to this Assurance of Discontinuance ("Confidential Information") and information or documents protected by the attorney-client and/or work product privileges ("Privileged Information");

(b) without the necessity of a subpoena, having the current officers, directors, and employees of Deutsche Bank Entities attend any proceedings in New York State or elsewhere at which the presence of any such persons is requested by the Attorney General and having such current officers, directors, and employees answer any and all inquiries that may be put by the Attorney General to any of them at any proceedings or otherwise ("proceedings" include, but are not limited to, any meetings, interviews, depositions, hearings, trials or other proceedings), except to the extent to which such inquiries call for the disclosure of Confidential Information or Privileged Information;

(c) Deutsche Bank Entities using their best efforts to cause former officers, directors, trustees, agents and employees of Deutsche Bank Entities and the then-current trustees and agents of Deutsche Bank Entities to attend any proceedings in New York State or elsewhere at which the presence of any such persons is requested by the Attorney General and to

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 to which such inquiries call for the disclosure of Confidential Information or Privileged Information;

(d) fully, fairly, and truthfully disclosing all information and producing all records and other evidence in their possession relevant to all inquiries made by the Attorney General, except to the extent to which such inquiries call for the disclosure of Confidential Information or Privileged Information;

(e) making outside counsel reasonably available to provide comprehensive presentations concerning any internal investigation relating to all matters in this Assurance of Discontinuance and to answer questions, except to the extent to which such presentations or questions call for the disclosure of Confidential Information or Privileged Information.

3. All communications relating to cooperation pursuant to this Assurance of Discontinuance may be made to Deutsche Bank Entities' attorneys as follows:

Christian J. Mixter, Esq.
Morgan, Lewis, & Bockius LLP
1111 Pennsylvania Avenue, NW
Washington, DC 20004
Counsel for Deutsche Asset Management, Inc., Deutsche Investment Management Americas, Inc., and Deutsche Bank Securities, Inc.
Tel. (202) 739-5575

4. In the event Deutsche Bank Entities fail to comply with this Section II.B. of the Assurance of Discontinuance and fails to cure such non-compliance within 20 days after written notice to either DEAM or Morgan, Lewis & Bockius LLP from the Attorney General, the Attorney General shall be entitled, in addition to any other remedies in the Assurance of Discontinuance or otherwise, to: (a) liquidated damages of $100,000 for each day that Deutsche

Bank Entities is in non-compliance; and (b) specific performance.

C. No Indemnification

1. Except as otherwise required by applicable law, by written agreement existing on the date, this Assurance of Discontinuance is executed, including but not limited to, then presently existing articles of incorporation and then presently existing by-laws of Respondents and/or their corporate affiliates, Deutsche Bank Entities shall not make any payments of indemnification or allowances of expenses respecting "market timing" transactions to any person, including, without limitation, current or former directors, officers, employees or agents. However, any such payments by Deutsche Bank Entities required by law, the foregoing articles of incorporation or by-laws, or prior written agreement shall be payable at the time and in the manner of Deutsche Bank Entities choosing. In determining whether it is permitted to make any payments of indemnification or allowance of expenses under this paragraph, Deutsche Bank Entities shall be entitled to rely on a written opinion from applicable state law counsel as to Deutsche Bank Entities' legal obligations for indemnification or allowance of expense under applicable law, the foregoing articles of incorporation or by-laws, or prior written agreement.

2. Nothing in this Assurance of Discontinuance shall prevent or limit Deutsche Bank Entities from indemnifying the Scudder Funds or their successors in connection with any business combination, merger or otherwise.

D. Miscellaneous Provisions

1. This Assurance of Discontinuance 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.

2. No failure or delay by the Attorney General in exercising any right, power

or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein shall be cumulative.

3. Respondents consent to the jurisdiction of the Attorney General in any proceeding or action to enforce this Assurance of Discontinuance.

4. Respondents enter into this Assurance of Discontinuance voluntarily and represent that no threats, offers, promises, or inducements of any kind have been made by the Attorney General or any member, officer, employee, agent or representative of the Attorney General to induce Respondents to enter into this Assurance of Discontinuance.

5. Respondents agree 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 of Discontinuance or creating the impression that this Assurance of Discontinuance is without factual basis. Nothing in this paragraph affects Respondents: (a) testimonial obligations; or (b) right to take legal or factual positions in any legal or administrative proceeding in which the Attorney General is not a party.

6. This Assurance of Discontinuance may be changed, amended or modified only by a writing signed by all parties hereto.

7. This Assurance of Discontinuance and the attached schedule constitutes the entire agreement between the Attorney General and Respondents and supersedes any prior communication, understanding or agreement, whether written or oral, concerning the subject matter of this Assurance of Discontinuance.

8. This Assurance of Discontinuance shall be binding upon Respondents, their respective successors, assigns, and/or purchasers of all or substantially all of the assets of

any of the foregoing ("Successors") for as long as any of them continues to provide investment advisory services to the Scudder Funds or any successors thereof (including any funds with which any of the Scudder Funds is merged) provided, however, that Respondents or any successor to Respondents may petition the Attorney General to obtain relief from such undertakings.

9. This Assurance of Discontinuance shall be effective and binding only when this Assurance of Discontinuance is signed by all parties. This Assurance of Discontinuance may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one instrument.

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

Dated: ___, 2006

Deutsche Asset Management, Inc.,

By_____
[Name]
[Title]

Deutsche Investment Management Americas, Inc.,

By_____
[Name]
[Title]

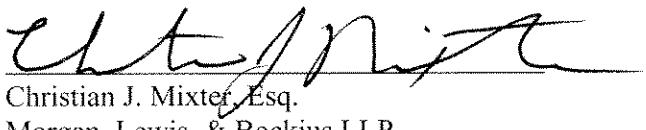
Deutsche Bank Securities, Inc.,

By Robert Ichizumi
[Name]

[Title] Managing Director and General Counsel

Dated: ___, 2006

Reviewed by:



Christian J. Mixter, Esq.
Morgan, Lewis, & Bockius LLP
1111 Pennsylvania Avenue, NW
Washington, DC 20004
Counsel for Deutsche Asset Management, Inc., Deutsche Investment Management Americas, Inc., and Deutsche Bank Securities, Inc.

Dated: ___, 2006

ELIOT SPITZER,
Attorney General of the State of New York

By: _____
John C. Henry
Assistant Attorney General
Investment Protection Bureau

ACKNOWLEDGMENT

STATE OF NY)

:ss.

COUNTY OF NY)

On this 20th day of Dec. , 2006, before me personally came Michael Cidon known to me, who, being duly sworn by me, did depose and say that he is COO of DWS Scudder/DeAM the entity described in the foregoing Assurance of Discontinuance, is duly authorized by Deutsche Bank to execute the same, and that he signed his name in my presence by like authorization.

Notary Public
My commission expires:

GERMANY V ANDRADE
Notary Public - State of New York
NO. 01AN5073587
Qualified in New York County
My Commission Expires 02-24-07

ACKNOWLEDGMENT

STATE OF NY)

:ss.

COUNTY OF NY)

On this 20th day of Dec. , 2006, before me personally came Michael Colon known to me, who, being duly sworn by me, did depose and say that he is COO of DWS Scudder/DeAM the entity described in the foregoing Assurance of Discontinuance, is duly authorized by Deutsche Bank to execute the same, and that he signed his name in my presence by like authorization.

Notary Public
My commission expires:

GERMANY V ANDRADE
Notary Public - State of New York
NO. 01AN5073587
Qualified in New York County
My Commission Expires 02.24.07

ACKNOWLEDGMENT

STATE OF NY)
:ss.
COUNTY OF New York)

On this 19 day of Dec , 2006, before me personally came Robert Khuzami, known to me, who, being duly sworn by me, did depose and say that he is MD - General of Deutsche Bank, the entity described in the foregoing Assurance of Discontinuance, is duly authorized by Deutsche Bank to execute the same, and that he signed his name in my presence by like authorization.

Nyree A. McAllister
Notary Public
My commission expires: July 31 2010

NYREE A. McALLISTER
Notary Public, State of New York
No. 01MC6045554
Qualified in Queens County
Certificate Filed in New York
Commission Expires July 31, 2010