Auction Rate Securities Material Information
** Important Information Regarding Auction Rate Securities Settlement **
September 2008

Deutsche Bank AG and its affiliates (collectively, "Deutsche Bank") will commence an offer as soon as practicable to purchase at par auction rate securities held by eligible investors.[1] Deutsche Bank has agreed to complete by November 19, 2008 all purchases from eligible investors who accept the offer prior to November 19, 2008, and in addition shall keep the offer open until December 31, 2008, whereupon Deutsche Bank shall complete all additional purchases. In addition, eligible investors that Deutsche Bank can reasonably identify who sold auction rate securities below par between February 13, 2008 and August 29, 2008 will be paid by Deutsche Bank the difference between par and the price at which the eligible investor sold the auction rate securities. Deutsche Bank has also agreed to work expeditiously to provide liquidity solutions for its larger institutional clients who purchased auction rate securities from Deutsche Bank. Deutsche Bank has agreed to pay a penalty in the amount of $15 million.

A public arbitrator (under the auspices of the Financial Industry Regulatory Authority) will be available for the exclusive purpose of arbitrating any consequential damages claim made by a Deutsche Bank retail client. Such arbitration shall be conducted by public arbitrators and Deutsche Bank shall pay all applicable forum and filing fees.

Deutsche Bank is in discussions with the Securities and Exchange Commission ("SEC") regarding the process by which auction rate securities will be purchased from eligible investors. Investors who are eligible to have their auction rate securities repurchased by Deutsche Bank or be compensated for sales below par will receive information from Deutsche Bank shortly after the completion of these discussions.

Understanding Auction Rate Securities and the Recent Auction Failures.

Introduction.

Recently, issuers of auction rate securities ("ARS") have experienced many instances of "failed auctions." Previously, such failures had been a highly unusual occurrence. A failed auction occurs when the supply of a particular ARS being sold exceeds the demand. These failed auctions have affected a broad range of ARS, including closed-end fund preferred shares, loan securities, municipal bonds, and student loan backed ARS. A failed auction of ARS does not result in a default or a loss of capital; it is an indication of a lack of liquidity in the marketplace. Because of the recent number of failed auctions, we have addressed some of the more frequently asked questions below.

What is an auction rate security?

An ARS is typically a long-term fixed-income security with a dividend or interest rate that periodically resets at a "Dutch auction" in which bids with successively higher rates are accepted until all of the securities in the auction are sold. The final rate at which all of the securities are sold is the "clearing rate" that applies to all of the securities in that particular auction until the next auction. These auctions are usually held every 7, 28, or 35 days with dividend or interest payments made at the end of each auction period. ARS historically have been a relatively liquid investment and are often held as a higher-yielding alternative to cash or certificates of deposit. Typically, the minimum investment in ARS is $25,000. ARS are auctioned at par. Thus, the return on the investment to the investor and the cost of financing to the issuer between auction dates is determined by the interest rate or dividend yield set through the auctions. Investors should consider consulting the prospectus (available from the SEC either in paper form or electronically on the SEC's EDGAR website) for any particular ARS to determine the specific Dutch auction process for that ARS.

1 The offer will be made pursuant to settlement agreements that were entered into between Deutsche Bank and the Attorney General of New York and the North American Securities Administration Association on August 29, 2008 and September 3, 2008, respectively, with respect to the sale of auction rate securities to certain clients of Deutsche Bank.

It is important to note that ARS issued by closed-end funds are subject to strict asset coverage requirements imposed under the Investment Company Act of 1940 (the “1940 Act”). Under the 1940 Act, a closed-end fund must maintain 200% asset coverage for all auction rate preferred stock that it has issued and 300% asset coverage for auction rate notes. In addition, closed-end funds must meet stringent portfolio requirements imposed by the rating agencies for the funds’ ARS.

Student loan backed ARS display an additional element, related to the structure of the transactions. Student loan ARS are a form of asset-backed security, and, accordingly, payment of interest and principal can only be made from the proceeds of payments on the underlying student loans. Therefore, the issuer is generally unable to refinance these types of ARS.

How do Dutch auctions normally work?

A Dutch auction is a commonly used alternative to traditional pricing mechanisms. (For example, US Treasuries are sold at Dutch auctions.) When auctions are used to determine ARS dividend or interest rates, existing security holders declare whether they intend to sell or hold their securities, while buyers declare the dividend or interest rate at which they wish to purchase securities and in what quantity. The buyers all ultimately receive securities that pay the same rate, which normally is the “clearing rate” of the auction. The clearing rate is the lowest rate bid that is sufficient to cover all of the shares for sale in the particular auction. For an auction to be successful, the number of shares bid must meet or exceed the number of shares being offered for sale.

Why did many recent auctions fail?

Recent auctions of ARS have failed because there were not enough bids to cover the quantity of securities for sale in the auction, indicating a lack of liquidity in the market. For any given auction, when the supply of securities to be sold exceeds the number of shares bid, the broker-dealers participating in the auction – although they are not obligated to do so – may determine that it is appropriate to submit bids for their own accounts to prevent a failed auction. Due to conditions in the credit markets, participating broker-dealers have been declining to take this step.

What are the consequences of a failed auction?

Although historically rarely triggered, there are procedures built into the auction process governing an ARS issue in the event of a failure of an auction. The dividend or interest rate after a failed auction that is paid to all holders of that ARS adjusts to a “maximum rate” specified in the issuer’s offering document/prospectus, the related indenture, or relevant charter documents. In addition, existing holders that have submitted sell orders in an auction may not be able to sell any or all of the securities for which they have submitted sell orders.

The determination of the failed auction rate, the “maximum rate” described above, requires a close study of the relevant documents because it may change over time, particularly with respect to Student Loan ARS and other ARS issued in asset backed securities transactions.

What are existing holders’ choices with respect to the auction process?

ARS holders may decide to hold their securities and continue to receive dividend or interest payments at the failed auction rate, whatever that may be for the particular security. Or, if they wish to sell their securities, they may wait until the next scheduled auction and offer them for sale in that auction, subject to the same risk that the subsequent auction will not attract sufficient demand for a successful auction to occur. Broker-dealers may also try to facilitate secondary trading in the particular ARS. The holders may endeavor to sell their securities in that manner, although such secondary trading may be limited and may only be available for holders willing to sell at a discount. A failed auction does not obligate the issuer to redeem the securities, nor do ARS holders have the right to tender shares back to the issuer. However, some issuers may decide to redeem their ARS in order not to continue paying higher than anticipated dividend or interest rates.

What is the certainty of the results of any particular auction?

Holders of ARS will be able to sell their securities in an auction only if there are bidders willing to purchase all the securities offered for sale in the auction. There are not always enough bidders to prevent an auction from failing. Failed auctions are possible, especially if the issuer's credit were to deteriorate, a market disruption were to occur or if, for any reason, broker-dealers participating in the auction were unable or unwilling to take the securities into their own inventories. No assurances can be made about the outcome of any particular auction or that any bid will be accepted or that the auction will clear at a rate that a bidder considers acceptable. In addition, bids may be rejected or may be only partially filled, and the rate on any ARS purchased or retained may be lower than the bidder expected.

The Role of Deutsche Bank Securities inc. ("DBSI") in the Auction Process

What has DBSI's role been as Broker-Dealer in the auction process?

DBSI has served as the designated broker-dealer in various auctions, contacting existing holders and potential holders and soliciting bids for the securities. When acting as a designated broker-dealer, DBSI has been appointed to that role by the auction agent and/or the issuer of the ARS and DBSI has been paid by those issuers for its services. Specifically, DBSI receives broker-dealer fees from such issuers at an agreed-upon annual rate (typically 0.15% to 0.25%) that is applied to the principal amount of securities sold or successfully placed through DBSI. As a result, DBSI's interests when participating in an auction or soliciting participation in an auction by a potential seller or bidder may differ from those of investors who participate in auctions. DBSI may share a portion of any such fees with non-participating broker-dealers that submit orders through DBSI for an auction. DBSI will receive broker-dealer fees from the issuer with respect to the securities sold or successfully placed through DBSI in auctions. Similarly, another broker-dealer may share a portion of a re-marketing or service fee with DBSI when they submit orders for DBSI into auctions in which DBSI is not a participating broker-dealer.

DBSI is permitted, but not obligated, to submit orders in auctions for its own account either as a bidder or a seller and has previously done so in its sole discretion. If DBSI submits an order for its own account, DBSI may have an advantage over other bidders because DBSI would have knowledge of some or all of the other orders placed through DBSI in that auction, and thus could determine the rate and size of its order so as to ensure that its order is likely to be accepted in the auction and/or the auction is likely to clear at a particular rate. For this reason, and because DBSI is appointed and paid by the issuer to serve as a broker-dealer in the auction, DBSI's interests in conducting an auction may differ from those of existing holders and potential holders who participate in auctions. DBSI would not have knowledge of orders submitted to the auction agent by any unaffiliated broker-dealers.

DBSI is not obligated to bid to prevent a "failed" auction (i.e., one in which there are insufficient bids and the clearing rate would have become the maximum rate), an "all hold" auction (i.e., all of the outstanding securities to be auctioned are subject to hold orders, meaning that current investors will keep the ARS at the rate at which the auction clears) or an auction clearing at a rate that DBSI believes, in its business judgment, is not a rate at which it chooses to deploy its capital and other financial resources. DBSI may, but is not obligated to, advise beneficial owners of the ARS to be auctioned that the rate that would apply in an "all hold" auction may be lower than would apply if beneficial owners submit bids. DBSI may encourage others to bid in auctions generally, including to prevent a failed auction or a clearing rate DBSI believes is not a market rate, even after obtaining knowledge of some or all of the other orders.

No assurances can be made that a secondary market for ARS will develop or, if it does develop, that it will provide holders the ability to resell ARS on the terms or at the times desired by a holder. DBSI may, in its own discretion, decide to buy or sell ARS in the secondary market for its own account to or from investors at any time and at any price, including at prices equivalent to, below, or above the par value of the securities. Although DBSI may buy and sell ARS for its own account in the secondary market, it has no obligation to do so and may discontinue such trading at any time without notice.

Does DBSI or any of its affiliates act in other capacities in connection with ARS?

DBSI or its affiliates may act in multiple capacities with respect to a particular ARS. DBSI or its affiliates may have acted as an underwriter, and DBSI or one or more of its affiliates may act as a participating broker-dealer and as an auction agent with respect to the security. These multiple roles by DBSI and its affiliates may create potential or actual conflicts of interest. Current and potential investors should carefully review the offering documentation relating to the ARS for a description of risk factors and potential conflicts of interest, along with a description of the auction procedures and the obligations of the broker-dealers.

Why are some of my ARS valued as "N/A" on my customer statement?

Pershing LLC recently informed DBSI that their pricing service, Interactive Data Pricing and Reference Data, Inc. ("IDC"), is no longer providing values for certain student loan auction rate securities that have been the subject of repeated failed auctions. DBSI is not able to predict when pricing for these ARS will be available on client statements, although Pershing has indicated that it expects to show values for these ARS if IDC or another pricing service provides pricing. IDC has indicated that it expects to reinstate price feeds for these ARS if and when auctions for them resume or the issuer for an ARS commences a tender offer for the securities.

The values for these ARS will be shown by Pershing on your customer statements (beginning with your May 2008 statement) as "N/A," meaning that an independent price is "not available." Use of the "N/A" indicator does not mean that the related ARS are worth zero or that they are in default. It does mean, however, that DBSI and Pershing are not able to establish a trading value for these ARS for purposes of customer statements.

As a result of the N/A designation for these ARS, your statement will not show a market value for the portion of your portfolio that is invested in these ARS. These ARS were previously reflected on customer statements at par value. DBSI may be required to provide values for these ARS in our own books and records or in transactions with customers for purposes other than customer statements. For example, DBSI is required to provide values for these ARS for regulatory capital purposes when DBSI holds the securities in its own portfolio and to provide a value to its customers for whom it has extended loans based on these ARS as collateral. For these purposes, DBSI may use internal pricing models or other internal analyses to provide values for these ARS. These values may differ depending upon DBSI's use and will differ from the "N/A" designation shown on your customer statement.

You should discuss with your own accountant what value to use for these ARS for purposes of your own accounting records.