



ARIZONA CORPORATION COMMISSION

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Commission Approves Deutsche Bank Securities Settlement, Orders Fines and Restitution for Others Who Defrauded Investors

PHOENIX, AZ—The Arizona Corporation Commission today approved a consent order requiring Deutsche Bank Securities, Inc. to pay a \$115,823 penalty in connection with its auction-rate securities (ARS) sales in Arizona. Additionally, the Commission today ordered multiple individuals and their companies to pay a total of \$639,453 in restitution and \$95,000 in administrative penalties for defrauding investors.

The penalty amount levied against Deutsche Bank Securities represents Arizona's pro-rata share of a \$15 million global settlement negotiated by a multistate task force of state regulators formed by the North American Securities Administrators Association (NASAA). The agreement marks the sixth settlement of an ARS case in Arizona since the widespread market failure last year. In the past five months, the Commission sanctioned RBC Capital Markets, Merrill Lynch, Wachovia Securities, LLC, Wachovia Capital Markets, LLC, Citigroup Global Markets, Banc of America Securities, LLC, and Banc of America Investment Services, Inc. Among the principal components of the Deutsche Bank Securities settlement is the buyback of ARS from investors who purchased them from or through Deutsche Bank Securities. In Arizona, the Deutsche Bank Securities buyback involves 14 investors and over \$15.1 million in ARS.

The Commission found that Deutsche Bank Securities misled investors about ARS by marketing the securities as safe, highly liquid, cash-alternative investments when ARS are actually long-term investments subject to a complex auction process that, upon failure, can lead to illiquidity and financial loss. For eligible customers, Deutsche Bank Securities agreed to buyback at par any ARS purchased from or through Deutsche Bank Securities on or before February 13, 2008. To each investor who sold ARS below par between February 13, 2008 and August 31, 2008, Deutsche Bank Securities agreed to reimburse any investor who sold at a financial loss. Additionally, Deutsche Bank Securities agreed to refund refinancing fees from specified municipal ARS issuers, make a best effort to provide liquidity solutions for institutional investors and other customers and arbitrate any claim for consequential damages. Any investor who purchased ARS from Deutsche Bank Securities during the specified time frame, but has not received notice from them, can call Deutsche Bank Securities' ARS assistance hotline at 1-866-926-1437 to request a repurchase.

In settling this matter, Deutsche Bank Securities neither admits nor denies the Commission findings, but agrees to the entry of the consent order. This consent order is the final step in Arizona's ARS case against Deutsche Bank Securities. Penalties and settlements arising from securities law violations are directed by law to the Arizona General Fund and do not remain with the Arizona Corporation Commission. The Commission's funding is appropriated through the normal state budget process.

In a separate case, the Commission ordered Goodyear resident Dona Kuryanowicz to pay \$102,978 in restitution and \$20,000 in administrative penalties for committing securities fraud. The Commission found that Kuryanowicz—while unlicensed to sell securities in Arizona—convinced at least 19 investors to give her over \$1.8 million. Kuryanowicz told investors that the money would be invested with a friend, Deborah Bennett, who claimed to know how to profit on the trading range of a stock, a strategy known as “channel trading.” Pointing to a 40-year friendship with Bennett, Kuryanowicz told investors that Bennett was an experienced and successful stock trader offering double-digit monthly returns and assuring investors that their principal would be guaranteed. The Commission found, however, that Kuryanowicz failed to request or receive sufficient information to confirm any of Bennett’s claims or guarantees. The restitution amount represents the returns Kuryanowicz received on her own investment with Bennett, while most of the investors have yet to realize any monetary returns. In settling this matter, Kuryanowicz neither admits nor denies the Commission’s findings, but agrees to the entry of the consent order.

In another case, the Commission ordered former Higley resident Jeffrie Harper to pay \$179,000 in restitution and \$50,000 in administrative penalties for fraudulently promoting an unregistered foreign currency (forex) trading program. While not registered to sell securities in Arizona, Harper collected nearly \$200,000 from six investors and deposited the funds into the account of Knuckleball Capital Management, LLC, which is controlled by Harper and his associate, Donald Mattson. The Commission found that Harper made assurances that the investment was growing and doing well, but withdrew a portion of the investor funds in cash to pay medical bills and to repay one investor, while most of the other investors have yet to see any monetary returns. Additionally, the Commission found that Harper failed to disclose to investors that he filed for bankruptcy and voluntarily resigned from his position as a securities salesman at World Group Securities after an internal investigation alleged misconduct. In settling this matter, Harper neither admits nor denies the Commission’s findings, but agrees to the entry of the consent order.

Finally, the Commission ordered former Phoenix resident Rick McCullough and his mortgage broker company to pay \$357,475 in restitution and \$25,000 in administrative penalties for defrauding investors in a promissory note scheme. McCullough was the president of licensed mortgage broker, CactusCash, Inc., formerly Kodiak Investments, LLC. The Commission found that McCullough convinced four senior investors to refinance their home mortgages through his business and then loan him the net proceeds of this refinancing. While not registered to sell securities in Arizona, McCullough told investors that he would use their money to invest in real estate property loans and other real estate projects, claiming that his company had substantial financial backing to guarantee the promissory notes. The Commission found that McCullough lacked the assets to guarantee the loans and used the money for his own benefit, including the purchase of expensive jewelry and the remodeling of his personal residence. McCullough is currently serving a three and one-half-year prison sentence after pleading guilty to securities fraud and fraudulent schemes and artifices in a criminal case brought by the Arizona Attorney General’s office.

More caution for investors:

Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission’s Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9. The Division’s investor education web site also has helpful information at www.azinvestor.gov.

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