

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF:)
)
Credit Suisse Securities (USA) LLC,)
) **No. 0900085**
)
Respondent.)
)

CONSENT ORDER

WHEREAS, coordinated investigations of the activities of Credit Suisse Securities (USA) LLC (hereinafter "Respondent Credit Suisse") and its affiliates in connection with its marketing and sales practices for investment products generally known as "auction rate securities" have been conducted by a multistate task force composed of members of the North American Securities Administrators Association Inc. (hereinafter "NASAA"); and

WHEREAS, Respondent Credit Suisse has cooperated with regulators conducting the investigations by responding to inquiries, providing documentary evidence and other materials, and providing regulators with access to facts relating to the investigations; and

WHEREAS, Respondent Credit Suisse has advised regulators of its agreement to resolve the investigations relating to its marketing and sales practices to certain investors in auction rate securities; and

WHEREAS, Respondent Credit Suisse elects to permanently waive any right to a hearing and appeal under the Act with respect to this Order;

WHEREAS, Respondent Credit Suisse admits that this matter is within the subject matter jurisdiction of the Illinois Securities Department and that it is personally subject to the

jurisdiction of the Illinois Securities Department. Respondent Credit Suisse expressly waives any right to a hearing, the making of Findings of Fact and Conclusions of Law, and all further proceedings before the Illinois Securities Department to which it may be entitled under the Act, or any other law. Respondent Credit Suisse expressly waives all rights to seek judicial review or otherwise challenge the validity of this Order.

WHEREAS, Respondent Credit Suisse, without admitting or denying the Findings of Fact and Conclusions of Law contained in this Order, consents to the entry of this Order by the Illinois Securities Department.

NOW, THEREFORE, the Illinois Securities Department, as administrator of the Act, hereby enters this Order:

I.

FINDINGS OF FACT

1. At all times relevant herein, the Respondent, Respondent Credit Suisse, a limited liability company organized under the laws of the state of Delaware, has been and remains a securities dealer registered with the Illinois Securities Department under the provisions of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et seq.*] (hereinafter “the Act”). In addition, Respondent Credit Suisse is a registered securities broker-dealer and an investment adviser covered under federal law offering brokerage and investment products and services to investors across the United States of America.

DEFINITIONS

2. For the purposes of this Order:

(a.) “Auction rate securities” are long-term debt or equity instruments that include auction rate preferred shares of closed-end funds, municipal auction rate bonds, and various

asset-backed auction rate bonds. Some auction rate securities products have maturity dates of 20 years or longer; auction rate preferred shares of certain closed-end funds have no maturity date whatsoever. While auction rate securities are all long-term instruments, one significant feature of auction rate securities, which historically provided the potential for short-term liquidity, is that the variable interest rates reset through a bidding process known as a Dutch auction that occurred in varying increments, generally between seven (7) and forty-two (42) days. At a Dutch auction, bidders generally state the number of auction rate securities they wish to purchase and the minimum interest rate they are willing to accept. Bids are then ranked, from lowest to highest, according to the minimum interest rate each bidder is willing to accept. The lowest interest rate required to sell all of the auction rate securities available at auction, known as the “clearing rate,” becomes the rate paid to all holders of that particular security until the next auction. If an auction is successful, investors wishing to sell are able to exit the auction rate securities market on a short-term basis. When there are not enough orders to purchase all of the auction rate securities being sold, a “failed” auction occurs. If an auction fails, investors are required to hold all or some of their auction rate securities until the next successful auction in order to liquidate their funds, or they may attempt to sell those auction rate securities in a secondary market transaction, if such a secondary market even exists and is functioning. Beginning in February 2008, the auction rate securities market experienced widespread and repeated failed auctions.

(b.)“Individual Investor” means any natural person who purchased auction rate securities from or through an account at Respondent Credit Suisse prior to February 14, 2008, and also includes:

- i. legal entities acting as an investment vehicle for family members, including but not limited to IRA accounts, Trusts, Family Limited Partnerships, and other legal entities performing a similar function;
- ii. charities and non-profits; and
- iii. small to medium-sized businesses with up to \$10 million in assets in accounts with Respondent Credit Suisse, any of which purchased auction rate securities from or through Respondent Credit Suisse prior to February 14, 2008.

Notwithstanding any other provision, "Individual Investor" does not include broker-dealers, banks, registered investment advisers, other investment firms or investment institutions regardless of whether any of the foregoing were acting for their own account or as conduits for their customers.

(c.) "Institutional Investor" means any other legal entity not meeting the definition of "Individual Investor" in paragraph 2(b), above, and which purchased auction rate securities from or through Respondent Credit Suisse.

(d.) "Proceedings" include, but are not limited to, any meetings, interviews, depositions, hearings, trials, grand jury proceedings, or any other proceedings.

(e.) All other words, terms, and phrases used in this Order shall have the usual and ordinary meanings given to them in everyday speech, and are to be taken and understood in their plain, ordinary, and popular sense.

EVENTS

3. Respondent Credit Suisse was an underwriter of a limited number of offerings of auction rate securities. Respondent Credit Suisse also acted as a manager for certain issues of

auction rate securities. When acting as a sole manager, Respondent Credit Suisse was the only firm that could submit bids into the auction on behalf of its clients and/or other broker-dealers who wanted to buy and/or sell any auction rate securities. When acting as a co-lead manager, Respondent Credit Suisse and the other co-lead managers could directly submit orders into the auction, while other broker-dealers were able to submit orders on behalf of their clients and on their own behalf into the auction through a co-lead manager. Respondent Credit Suisse received revenue in connection with auction rate securities, including underwriting fees representing a percentage of total issuance and a fee for managing the auctions.

4. From time to time over many years, Respondent Credit Suisse submitted support bids, or purchase orders, for some or all of an auction rate security issue for which it acted as the sole or lead manager. Support bids were Respondent Credit Suisse's proprietary orders that would be filled, in whole or in part, if there was otherwise insufficient demand in an auction. When Respondent Credit Suisse purchased auction rate securities through support bids, those auction rate securities were then owned by Respondent Credit Suisse and were recorded on Respondent Credit Suisse's balance sheet.

5. Because investors could not ascertain how much of an auction was filled through proprietary bids of Respondent Credit Suisse and other firms acting as sole or lead managers, they could not determine if auctions were clearing because of normal marketplace demand, or because Respondent Credit Suisse and other firms acting as lead managers were supporting the auctions through their own proprietary purchase orders. Generally, investors also were not aware of the extent to which the auction rate securities market was dependent upon Respondent Credit Suisse's and other broker-dealers' use of support bids for its successful operation. While Respondent Credit Suisse could track its own inventory as a measure of the supply and demand

for auction rate securities for which it was a sole, lead, or co-lead manager, ordinary investors had no comparable ability to assess the operation of the market. There was no way for those investors to monitor supply and demand in the market or to assess when broker-dealers might decide to stop supporting the market, which could cause numerous and repeated auction failures.

6. In August of 2007, the credit crisis and other deteriorating market conditions strained the auction rate securities market. Some institutional investors withdrew from the market, decreasing demand for auction rate securities.

7. The potential for a market dislocation should have been evident to Respondent Credit Suisse. In those auctions where Respondent Credit Suisse was a lead manager, Respondent Credit Suisse's support bids filled the increasing gap between the supply of and the demand for auction rate securities, maintaining the impression that the auction process was functioning. From the fall of 2007 until February of 2008, demand for auction rate securities continued to erode and Respondent Credit Suisse's inventory of auction rate securities grew. Respondent Credit Suisse was aware of increasing strains on the auction rate securities market and increasingly questioned the viability of the auction rate securities market. On January 28, 2008, Respondent Credit Suisse provided written disclosure of these increasing risks of owning or purchasing auction rate securities to its customers; prior to that date, certain of its representatives did not fully disclose those increasing risks to certain of their clients.

8. In February of 2008, Respondent Credit Suisse and other broker-dealers stopped supporting the auctions. Without the benefit of support bids, the auction rate securities market collapsed, leaving investors who thought they were buying liquid, short-term investments instead holding long-term or perpetual securities that they were unable to sell at par value.

9. In certain instances, representatives of Respondent Credit Suisse told certain of the firm's customers that auction rate securities were liquid investments that were alternatives to money market funds as part of a strategy for cash management. Specifically, certain employees acting on behalf of Respondent Credit Suisse represented to certain investors that auction rate securities were highly liquid, highly rated alternatives to money market investments and other cash-equivalent investments.

10. In the context of the offer and sale of auction rate securities, the failure of certain employees acting on behalf of Respondent Credit Suisse to adequately state complete facts concerning auction rate securities constituted a basis for sanctions under Section 8.E(1)(b) of the Act.

11. Respondent Credit Suisse, by failing reasonably to supervise its registered salesmen under the Act, as described in these Findings of Fact, is subject to sanctions under Section 8.E(1)(e)(i) of the Act.

ACTION NECESSARY TO PROTECT PUBLIC

12. Action by the Illinois Securities Department to halt further conduct by Respondent Credit Suisse as described above is necessary and appropriate in the public interest and for the protection of investors, and is consistent with the purposes fairly intended by the policy and provisions of the Act.

13. Respondent Credit Suisse, affirmatively states that it has freely agreed to the entry of this Order, and that no threats, promises, representations, inducements, or offers of any kind, other than as stated in this document, have been made by the Illinois Securities Department or any member of the staff of the Illinois Securities Department, or any agent or employee of the Illinois Securities Department in connection with the entry of this Order.

14. Based upon the foregoing Findings of Fact, and consistent with the consent of the Respondent Credit Suisse, the Illinois Securities Department makes the following Conclusions of Law:

II.

CONCLUSIONS OF LAW

1. The Illinois Securities Department has jurisdiction over the subject matter of securities transactions with persons in Illinois and the person of Respondent Credit Suisse under the Act.

2. Respondent Credit Suisse Failed to Supervise: As described in the Findings of Fact, Respondent Credit Suisse may be sanctioned under Section 8.E(1)(e)(i) of the Act by its failure to reasonably supervise certain of its registered salesmen in their communication of material information concerning auction rate securities.

3. Respondent Credit Suisse Engaged in Dishonest or Unethical Practices: By reason of the matters described in the Findings of Fact, Respondent Credit Suisse, through the activities of certain of its registered salesmen, may be sanctioned under Section 8.E(1)(b) of the Act by failing to adequately state complete facts concerning auction rate securities.

4. Action by the Illinois Securities Department against Respondent Credit Suisse pursuant to the cited provisions of the Act is necessary and appropriate in the public interest and for the protection of investors, and is consistent with the purposes fairly intended by the policy and provisions of the Act.

III.

ORDER

On the basis of the Findings of Fact, Conclusions of Law, and Respondent Credit Suisse's

consent to the entry of this Order,

IT IS HEREBY ORDERED:

1. This Order terminates the investigation by the Illinois Securities Department with respect to Respondent Credit Suisse's marketing and sale of auction rate securities to Individual Investors. However, nothing herein limits the ability of the Illinois Securities Department, individually or jointly with other States, in pursuing any investigation with respect to any individual concerning Respondent Credit Suisse's marketing and sale of auction rate securities, whether that individual is associated with Respondent Credit Suisse or otherwise; and specifically excluded from and not covered by this paragraph are any claims by the Illinois Securities Department arising from or relating to the Order provisions contained herein.

2. This Order is entered into solely for the purpose of resolving the previously referenced multistate investigation, and is not intended to be used for any other purpose.

3. Respondent Credit Suisse will CEASE AND DESIST from violating the Act and will comply with the provisions of the Act.

4. Within ten (10) days following the entry of this Order, Respondent Credit Suisse shall pay the sum of one million, three hundred and seven thousand, four hundred and ten dollars and sixteen cents (\$1,307,410.16) to the Illinois Secretary of State, Investor Education Fund which amount constitutes Illinois' proportionate share of the FIFTEEN MILLION DOLLARS (\$15,000,000.00) that Respondent Credit Suisse previously agreed to pay as part of the global settlement with NASAA. In the event another state securities regulator determines not to accept Respondent's settlement offer, and does not enter an administrative or civil consent order approving the terms of the NASAA global settlement, the total amount of the Illinois allocated

payment shall not be affected, and shall remain at one million, three hundred and seven thousand, four hundred and ten dollars and sixteen cents (\$1,307,410.16).

5. Respondent Credit Suisse shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any administrative monetary payment that Respondent Credit Suisse shall pay pursuant to this Order.

6. Respondent Credit Suisse shall fully and fairly comply with all of the following requirements:

- a. As soon as practicable after September 23, 2008, Respondent Credit Suisse will have offered to purchase at par auction rate securities that since February 14, 2008, have not been successfully auctioning from Individual Investors who purchased those auction rate securities from or through a Respondent Credit Suisse account prior to February 14, 2008;
- b. Respondent Credit Suisse shall have purchased such securities from investors who accepted this offer prior to December 11, 2008, by that date;
- c. Respondent Credit Suisse shall have kept such offer open until December 31, 2009, and promptly shall have purchased such securities from any Individual Investor who accepted the offer between December 11, 2008, and December 31, 2009;
- d. Respondent Credit Suisse promptly will have provided notice to customers of the settlement terms publicly announced on September 16, 2008, and Respondent Credit Suisse promptly will have established a dedicated telephone assistance line, with appropriate staff, to respond to questions from customers concerning the terms of the settlement;

- e. No later than December 11, 2008, any Individual Investor that Respondent Credit Suisse could reasonably have identified who sold auction rate securities in a Credit Suisse account below par between February 14, 2008, and September 16, 2008, will have been paid by Respondent Credit Suisse the difference between par and the price at which the Individual Investor sold those auction rate securities;
- f. No later than December 11, 2008, Respondent Credit Suisse shall have notified all Individual Investors that a public arbitrator (as defined by section 12100(u) of the *NASD Code of Arbitration Procedure for Customer Disputes*, effective April 16, 2007), under the auspices of the Financial Industry Regulatory Authority (“FINRA”), will be available for the exclusive purpose of arbitrating any Individual Investor’s consequential damages claim. Arbitration shall be conducted by public arbitrators and Respondent Credit Suisse will pay all applicable forum and filing fees. Any Individual Investors who choose to pursue such claims shall bear the burden of proving that they suffered consequential damages and that such damages were caused by investors’ inability to access funds consisting of investors’ auction rate securities holdings in Credit Suisse accounts. Respondent Credit Suisse shall be able to defend itself against such claims; provided, however, that Respondent Credit Suisse shall not contest in these arbitrations liability related to the sale of auction rate securities; and further provided that Respondent Credit Suisse shall not be able to use as part of its defense an Individual Investor’s decision not to borrow money from Respondent Credit Suisse. Punitive damages, or any other type of damages other than consequential damages, shall not be available in the arbitration proceedings;

- g. Respondent Credit Suisse shall endeavor to work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously provide liquidity solutions for Institutional Investors;
- h. Respondent Credit Suisse shall make its best efforts to identify Individual Investors who took out loans from Respondent Credit Suisse, between February 14, 2008, and December 11, 2008, that were secured by auction rate securities that were not successfully auctioning at the time the loan was taken out from Respondent Credit Suisse, and who paid interest associated with the auction-rate-securities-based portion of those loans in excess of the total interest and dividends received on the auction rate securities during the duration of the loan. Respondent Credit Suisse shall have reimbursed such customers for the excess expense, plus reasonable interest, of the loan. Such reimbursement shall have occurred no later than March 31, 2009. This paragraph does not apply to margin loans;
- i. Respondent Credit Suisse shall, upon request by the Illinois Securities Department, provide all documentation and information reasonably necessary for the Illinois Securities Department to verify compliance with this Order;
- j. Respondent Credit Suisse shall not take any action, or make or permit to be made any public statement, denying, directly or indirectly, any finding in this Order or creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent Credit Suisse's (a) testimonial obligations; or (b) right to take legal or factual positions in defense of litigation or other legal proceedings to which the Illinois Securities Department is not a party.

7. In consideration of Respondent Credit Suisse's agreement to resolve the previously referenced multistate investigation relating to its marketing and sales practices for auction rate securities, and its agreement to fully comply with all the terms of this Order, the Illinois Securities Department will have refrained from taking legal action against Respondent Credit Suisse with respect to its Institutional Investors until at least December 11, 2008, and will not seek additional monetary payments from Respondent Credit Suisse relating to Respondent Credit Suisse's marketing and sale of auction rate securities.

8. If payment is not made timely by Respondent Credit Suisse, or if Respondent Credit Suisse defaults in any of its obligations set forth in this Order, the Illinois Securities Department may vacate this Order, at its sole discretion, upon ten (10) days notice to Respondent Credit Suisse and without opportunity for administrative hearing, or may refer this matter for enforcement as provided in the Act.

9. Nothing herein shall preclude the State of Illinois, its departments, agencies, boards, commissions, authorities, political subdivisions, and corporations (collectively, "State Entities"), other than the Illinois Securities Department, and then only to the extent set forth in Paragraphs III.1 and III.7 of this Order, and the officers, agents, or employees of State Entities from asserting any claims, causes of action, or applications for compensatory, nominal and/or punitive damages, administrative, civil, criminal, or injunctive relief against Respondent Credit Suisse in connection with the marketing and sale of auction rate securities by Respondent Credit Suisse.

10. This Order is not intended to indicate that Respondent Credit Suisse or any of its affiliates or current or former employees shall be subject to any disqualifications contained in the federal securities law, the rules and regulations thereunder, the rules and regulations of self regulatory organizations or various states' securities laws including any disqualifications from

relying upon the registration exemptions or safe harbor provisions. In addition, this Order is not intended to form the basis for any such disqualifications.

11. For any person or entity not a party to this Order, this Order does not limit or create any private rights or remedies against Respondent Credit Suisse including, without limitation, the use of any e-mails or other documents of Respondent Credit Suisse or of others for auction rate securities practices, limit or create liability of Respondent Credit Suisse, or limit or create defenses of or for Respondent Credit Suisse to any claims.

12. This Order shall not disqualify Respondent Credit Suisse or any of its affiliates or current or former employees from any business that they otherwise are qualified or licensed to perform under applicable state law and this Order is not intended to form the basis for any disqualification.

13. This Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the State of Illinois without regard to any choice of law principles.

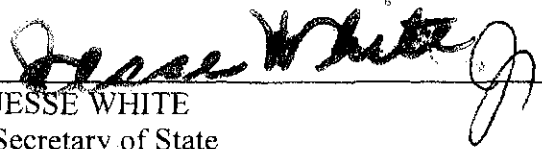
14. This Order shall be binding upon Respondent Credit Suisse and its affiliates, its successors and assigns as well as the successors and assigns of relevant affiliates, with respect to all conduct subject to the provisions above, and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions under the above provisions.

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

16. By its consent to the entry of this Order, Respondent Credit Suisse affirmatively represents that it freely agrees to the signing of this Order by the Illinois Securities Department, and that no threats, promises, representations, inducements, or offers of any kind, other than as stated in this document, have been made by the Illinois Securities Department, any member of the staff of the Illinois Securities Department, or any agent or employee of the Illinois Securities Department in connection with the negotiation and signing of this Order.

17. This Order shall become final upon entry.

Entered: This 10th day of July, 2012.



JESSE WHITE
Secretary of State
State of Illinois

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