Huron Consulting Group Inc.
Form DEFA14A
April 25, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. ^)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

HURON CONSULTING GROUP INC.

(Name of registrant as specified in its charter)

^

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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Huron Consulting Group Inc. Supplemental Proxy Materials

for the Annual Meeting of Shareholders to be Held on May 4, 2018

April 25, 2018

Dear Shareholder:

We are requesting your support on our Say-On-Pay proposal (Proposal No. 2), at our 2018 Annual Meeting of Shareholders. In addition to the information presented in the Compensation Discussion and Analysis (CD&A) section of Huron s 2018 Proxy Statement, we are providing this supplemental shareholder communication to:

(i) address how our Compensation Committee manages our executive compensation programs;

(ii) highlight changes to the executive compensation program that have already been implemented for fiscal 2018; and

(iii) further clarify compensation decisions made based on fiscal 2017 performance.

We believe our compensation program relies on a strong pay-for-performance standard as evidenced by the significant portion of NEO pay that is at-risk. Our compensation program is further strengthened by our comprehensive compensation governance policies aimed at enhancing long-term shareholder alignment. Moreover, every year since the inception of Say-On-Pay in 2012, over 98% of the shareholder votes have been in favor of our named executive officer compensation.

Fiscal 2017 Performance Highlights

T**he pace and breadth of change** across many industries and businesses, including our largest industry vertical, Healthcare, has never been more significant. The resulting impact at nearly all of our clients has been disruptive, with many clients seeking to transform themselves to redefine their paths for long-term success.

We recognize that the past few years have also been challenging for Huron and our shareholders. This challenge continued in 2017, driven by further revenue declines in our Healthcare segment. While we are disappointed in our overall financial performance in 2017, **we made significant progress during the year toward repositioning Huron for a return to organic growth**.

Healthcare: The changes we made throughout 2017 to accelerate the operational turnaround of our Healthcare business have positioned us to **be more responsive to changing market conditions.** We have developed more flexible delivery models to better equip the Healthcare business to compete across a dramatically larger number of clients and a wider spectrum of engagement sizes and durations.

Education: The Education segment **achieved another year of solid organic growth in 2017**, driven by strong performance in our technology and strategy and operations businesses. We remain well positioned for continued growth in this segment as higher education institutions are focused on responding to changes in student expectations and increased public scrutiny.

Business Advisory: The Business Advisory segment now comprises four businesses: (i) our enterprise solutions and analytics (ES&A business); (ii) legacy business advisory business; (iii) strategy and innovation business; and (iv) life sciences business. On a full-year basis, the **Business Advisory segment grew 37 percent year-over-year**, driven by our acquisitions of Pope Woodhead and Innosight, which strengthened our international footprint and contributed nearly $44 million in revenues in 2017, and organic growth, from our ES&A business.

Among other Company-wide initiatives, we have:

- Increased the level **of collaboration** across all of our service lines to capitalize on our competitive advantages in our core industries. Our professionals are leveraging our core competencies and deep expertise in new and creative ways that are resonating with our clients as they confront the challenges of their own rapidly changing and highly competitive environment.

- Continued to invest in our cloud-based technology services for long-term growth and we believe we are well positioned to **continue increasing our scale in our cloud offerings** as demand for our services remains strong.

Strategic Transformation: How We are Pivoting for Sustainable Long-term Growth

We do not accept our recent performance as the new normal for our business. Since the sale of Huron Legal in 2015, we have been shaping Huron into a more integrated, competitive operating business, and, in 2017, we took the next step in this evolution.

New 5-Year Enterprise-Level Strategy. During 2017, we developed a plan to achieve our vision for Huron through a new, Board of Directors endorsed, **five-year enterprise-level strategy**. We believe we have the right management team, portfolio of services and market differentiation to become the premier transformation partner for our clients. Our strategy sets out to further unlock the value that we believe exists across our Company, building on our competitive advantage of cross-practice collaboration, combining our competencies in strategy, operations, technology, and analytics with our deep industry expertise. Our employees have embraced our new, unified sense of purpose and our well-defined strategic roadmap as we strive to drive long-term shareholder value through **sustainable organic growth and increased profitability**.

Focus on Improving Margins. We are highly focused on improving our profitability and believe 2018 will be a baseline from which we can **sustainably grow our margins** consistent with our long-term financial objectives. To achieve these objectives, we plan to further leverage our existing corporate platform and manage our cost structure, consistent with our strategic priorities.

- Beyond leveraging corporate SG&A, we believe we can also **expand our margins** at the segment level. We are focused on managing our portfolio of offerings, investing in areas that generate the highest return, and enhancing the profitability of our more mature offerings. We are continuously innovating our delivery models, driving increased flexibility and efficiency in the way we operate.

In the near term, leveraging our strong cash flow, we will deploy capital to pay down our outstanding debt. However, our strategy remains that we will continue to **enhance long-term shareholder value** through strategic investment and capital deployment.

In addition, we have made and will continue to make investments in our business to **accelerate organic growth**.

We are enthusiastic about our prospects in 2018 as we begin to execute our strategy. **We are focused on returning Huron to sustainable organic growth and increased profitability** consistent with the high expectations that we share with our investors.

Strong Pay-for-Performance Compensation Philosophy Aligned with Our Business Strategy

Our Compensation Committee has maintained that our compensation programs should support the business strategy and be strongly linked to performance that ultimately drives shareholder value creation and the performance that drives that value creation. The Committee s 2017 compensation decisions reflect its intention and desire to maintain strong alignment between pay and performance.

Shareholder Alignment. The NEO compensation programs are designed to motivate and reward performance in the long-term best interests of shareholders.

Our NEO actual incentive payouts as a percent of target have **reflected the Company s underperformance** against its financial goals, which is also reflected in our TSR. On average, our NEO annual incentive has paid out at **47% of target** over the past three years.

Our long-term incentive payouts have averaged **18% of target** over the past three years.

Highly Performance-Based and At-Risk Compensation. A substantial portion of the compensation of our NEOs is performance based and at risk; actual payouts vary in line with and are based on the Company s financial and operational performance.

On average, **80% of our CEO s, and 69% of our other NEOs total compensation is at risk** and tied to financial and operational performance measures.

70% of the NEOs long-term incentive awards are **based on quantitative financial performance**.

Performance Metrics and Rigor of Goals Support Corporate Strategy and Long-term Growth. Our NEOs incentive awards are tied to a variety of metrics including financial, strategic and operational that are drivers of shareholder value. The Compensation Committee continues to align NEO compensation program with Huron s strategic priorities that will drive long-term shareholder value creation through **sustainable organic growth and increased profitability**.

The performance goals are established early in the year after a **rigorous review** of many factors, including but not limited to, business plan, investor expectations, level of challenge/stretch, and probability of achievement.

Our 2017 Revenue target, which we did not achieve and for which no payout was earned, reflected a **9% increase over our 2016 actual performance**.

While our EBITDA goal for 2017 was lower than the prior year, it was **reflective of the changing marketplace in our higher margin Healthcare segment** with significantly less performance-based fee opportunities compared to prior years and a changing mix of business as growth in our relatively lower margin Education and Business Advisory practices outpaced Healthcare. The challenging nature of our EBITDA goal was confirmed by our ability to achieve only threshold performance under this measure.

The 2017 Strategic Objectives set by the Committee for the NEOs were deliberate and **focused on our continued evolution**, including: executing the transformation of the Healthcare practice to effectively compete in a market environment characterized by smaller, discrete engagements, while driving innovation and technology to advance our competitive position; integrating two significant acquisitions with immediate accretive value, implementing a cohesive technology strategy; and creating meaningful firmwide/cross-practice collaboration, all of which are imperative to positioning Huron for growth. It is in recognition of these transformative actions that our Compensation Committee determined that the performance on the 2017 Strategic Objectives achieved a 125% of target payout.

2018 NEO Compensation Program Design Changes Reflect Ongoing Transformation. The Compensation Committee approved several changes as described under 2018 Compensation Program Enhancements.

Market Competitive Pay. We deliver competitive total compensation generally targeted at the median of the peer group (+/-15%) to our NEOs.

2018 Compensation Program Enhancements

Continuing its emphasis on ensuring our NEO compensation programs are aligned with our business strategy and shareholder expectations, **the Committee approved a number of changes to the NEO compensation programs for 2018**. These include:

Replacing the Revenue measure in the annual incentive program with **Organic Revenue Growth**

Incorporating a second measure **Revenue Growth** in the determination of the performance for the PSUs, as a complement to Adjusted EPS

Using a **3-year measure of performance for the PSUs**, replacing our prior annual performance measurement approach

No increases to target pay levels, with the exception of Mr. Kelly, as we work to close the gap between his compensation since promotion with that of the competitive market

Reviewed the peer group and replaced larger peers with smaller peers to better reflect Huron s relative size

Created greater specificity and focus in the establishment of goals related to Strategic Objectives

Pay is Aligned with Performance

The alignment of our NEOs compensation with Company performance is shown in the table below, which illustrates our **executives pay at target to pay actually realized**.

Executives actually realized only **60% of the target 2017 annual incentive** and only remain eligible to vest in **28% of the targeted long-term incentive award value**, depending on 2019 Adjusted EPS performance.

We have not achieved our EPS goals in each of the last three years, with NEOs earning only a 52% of target payout for 2016, and **no payout** for 2015 or 2017.

	2017 Target				2017 Realized				
NEO	Base Salary	Annual Incentive	Long-Term Incentive	Total Compensation	Base Salary	Annual Incentive	Long-Term Incentive	Total Compensation	as a % of Target
James Roth	$ 900,000	$ 990,000	$ 2,699,973	$ 4,589,973	$ 900,000	$ 595,980	$ 907,896	$ 2,403,876	52%
Mark Hussey	$ 743,750	$ 743,750	$ 2,312,472	$ 3,799,972	$ 743,750	$ 451,500	$ 777,595	$ 1,972,845	52%
John Kelly	$ 323,333	$ 226,333	$ 344,197	$ 893,863	$ 323,333	$ 136,955	$ 115,740	$ 576,028	64%
Diane Ratekin	$ 400,000	$ 200,000	$ 460,003	$ 1,060,003	$ 400,000	$ 120,400	$ 154,681	$ 675,081	64%

The majority of the unrealized value is in the form of unearned PSUs under our long-term incentive program. For illustration, the table below compares Mr. Roth s targeted long-term values and realizable values for the prior three years.

Grant Year	Grant Date Fair Value Roth LTI	Realizable Value as of 4/16/18[1] Roth LTI[2]
2015	$2,662,934	$357,764
2016	$1,939,930	$947,534
2017	$2,699,973	$907,896
3-Year Total	**$7,302,837**	**$2,213,194**
Realizable as a % of Grant Value		**30%**

1 - Using 4/16/18 closing price of $39.25.

2 - Assumes historical average payout percentage of 18% of target for unvested tranches.

Proxy Advisory Firm Recommendations

In keeping with prior years, **Glass Lewis once again recommended that shareholders vote in accordance with our Board s recommendation** to support our Say-On-Pay Proposal. Moreover, the proxy advisory firm was **complimentary of the structural changes we implemented** under the long-term incentive program for fiscal 2018. However, ISS unexpectedly recommended voting Against the proposal.

ISS Quantitative Model Scores the Company Favorably in Two of Three Tests. Despite ISS concluding that it found misalignment of our CEO pay and performance, according to the firm s quantitative model, we received a Low concern rating on the one-year look back, Multiple of Median, and five-year look back, Pay to TSR Alignment tests. The proxy advisory firm s three-year look back test, Relative Degree of Alignment, on which we did not receive a favorable concern rating, relies exclusively on granted pay. Moreover, the ISS selected peer group that is utilized under this test is based on the firm s proprietary methodology, can vary from year to year, and companies like Huron are unable to preview the ISS peer group until the final ISS Research Report is published.

Despite its negative recommendation, ISS cited the following positive program features:

Annual incentive largely based on **pre-set financial goals** (we believe in transparency with shareholders and provide clear disclosure on metrics, goals weights and achievements).

Long-term incentive awards are **predominantly based on financial performance**.

Majority of performance-based awards forfeited due to below threshold performance.

Beginning in 2018, long-term incentives will **utilize a 3-year performance period**.

Our **strong compensation governance best practices** to further mitigate compensation risk:

- No single-trigger CIC benefits
- Clawback policy
- Anti-hedging/Anti-pledging policies
- Stock ownership guidelines

The Compensation Committee believes that the 2017 compensation realized by our NEOs appropriately recognized that both (i) our NEOs pivoted the Company s strategies with transformational initiatives and accomplishments in an extremely challenging environment that is rapidly evolving and (ii) our stock price performance was negative. Moreover, the Committee s commitment to align management s interests with that of shareholders is demonstrated by our strong historical Say-on-Pay results and secondly reinforced by the numerous positive changes to the executive pay program beginning in 2018.

Your vote is important to us.

We request that you vote For proposal 2, in support of our Say-on-Pay.

inline; FONT-FAMILY: Arial; FONT-SIZE: 10pt">Our internal pricing models consider relevant parameter inputs such as expected interest rates and mid-market levels of price and volatility of the assets underlying the notes or any futures, options or swaps related to such underlying assets. Our pricing models are proprietary and rely in part on certain forecasts about future events, which may prove to be incorrect. Because our pricing models may differ from other financial institutions' valuation models, and because funding rates taken into account by other financial institutions (including those with similar creditworthiness) may vary materially from the internal funding rate used by us, our initial estimated value of the notes may not be comparable to the initial estimated values of similar notes of other financial institutions.

§ The public offering price you pay for the notes will exceed the initial estimated value. The difference is due to the inclusion in the public offering price of the underwriting discount and the estimated cost of hedging our obligations under the notes (which includes the hedging related charge described below), all as further described in "Structuring the Notes" on page TS-11. These factors are expected to reduce the price at which you may be able to sell the notes in any secondary market and, together with various credit, market and economic factors over the term of the notes, including changes in the level of the Index, will affect the value of the notes in complex and unpredictable ways.

§ The initial estimated value of the notes on the pricing date does not represent the price at which we, MLPF&S, or any of our respective affiliates would be willing to purchase your notes in the secondary market at any time. Assuming no changes in market conditions or our creditworthiness and other relevant factors, the price, if any, at which we, MLPF&S, or any of our respective affiliates would be willing to purchase the notes from you in secondary market transactions, if at all, would generally be lower than both the public offering price and the initial estimated value of the notes on the pricing date. MLPF&S has advised us that any repurchases by them or their affiliates will be made at prices determined by reference to their pricing models and at their discretion. These prices will include MLPF&S's trading commissions and mark-ups and may differ materially from the initial estimated value of the notes determined by reference to our internal funding rate and pricing models.

§ A trading market is not expected to develop for the notes. None of us, MLPF&S, or any of our respective affiliates is obligated to make a market for, or to repurchase, the notes. There is no assurance that any party will be willing to purchase your notes at any price in any secondary market.

§ Our business, hedging and trading activities, and those of MLPF&S and our respective affiliates (including trading in securities of companies included in the Index), and any hedging and trading activities we, MLPF&S or our respective affiliates engage in for our clients' accounts, may affect the market value and return of the notes and may create conflicts of interest with you. Our economic interests in determining the initial estimated value of the notes on the pricing date and the price, if any, at which we or our affiliates would be willing to purchase the notes from you in secondary market transactions, are potentially adverse to your interests as an investor in the notes.

§

The Index sponsor may adjust the Index in a way that affects its level, and has no obligation to consider your interests.

§ You will have no rights of a holder of the securities represented by the Index, and you will not be entitled to receive securities or dividends or other distributions by the issuers of those securities.

- § While we, MLPF&S or our respective affiliates may from time to time own securities of companies included in the Index, we, MLPF&S and our respective affiliates do not control any company included in the Index, and are not responsible for any disclosure made by any company.

- § There may be potential conflicts of interest involving the calculation agent. We have the right to appoint and remove the calculation agent.

- § The U.S. federal income tax consequences of an investment in the notes are uncertain, and may be adverse to you. See "Summary Tax Consequences" below and "U.S. Federal Income Tax Consequences" beginning on page PS-28 of product supplement EQUITY INDICES SUN-1.

The Index

All disclosures in this term sheet regarding the Index have been derived from publicly available sources, which we have not independently verified. The information summarizes the current index methodology as published by Russell Investments ("Russell," or the "Index sponsor") and may be changed by Russell at any time. Additional information on the Index is available at the following website: http://www.russell.com. No information on that website is deemed to be included or incorporated by reference in this term sheet.

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Russell began dissemination of the Index (Bloomberg L.P. index symbol "RTY") on January 1, 1984 and calculates and publishes the Index. The Index was set to 135 as of the close of business on December 31, 1986. The Index is designed to track the performance of the small capitalization segment of the U.S. equity market. As a subset of the Russell 3000® Index, the Index consists of the smallest 2,000 companies included in the Russell 3000® Index. The Russell 3000® Index measures the performance of the largest 3,000 U.S. companies, representing approximately 98% of the investable U.S. equity market. The Index is determined, comprised, and calculated by Russell without regard to the notes.

Selection of Stocks Composing the Index

All companies eligible for inclusion in the Index must be classified as a U.S. company under Russell's country-assignment methodology. If a company is incorporated, has a stated headquarters location, and trades in the same country (American Depositary Receipts and American Depositary Shares are not eligible), then the company is assigned to its country of incorporation. If any of the three factors are not the same, Russell defines three Home Country Indicators ("HCIs"): country of incorporation, country of headquarters, and country of the most liquid exchange (as defined by a two-year average daily dollar trading volume from all exchanges within a country) ("ADDTV"). Using the HCIs, Russell compares the primary location of the company's assets with the three HCIs. If the primary location of its assets matches any of the HCIs, then the company is assigned to the primary location of its assets. If there is insufficient information to determine the country in which the company's assets are primarily located, Russell will use the primary country from which the company's revenues are primarily derived for the comparison with the three HCIs in a similar manner. Russell uses the average of two years of assets or revenues data to reduce potential turnover. If conclusive country details cannot be derived from assets or revenues data, Russell will assign the company to the country of its headquarters, which is defined as the address of the company's principal executive offices, unless that country is a Benefit Driven Incorporation "BDI" country, in which case the company will be assigned to the country of its most liquid stock exchange. BDI countries include: Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, Bonaire, British Virgin Islands, Cayman Islands, Channel Islands, Cook Islands, Curacao, Faroe Islands, Gibraltar, Isle of Man, Liberia, Marshall Islands, Panama, Saba, Sint Eustatius, Sint Maarten, and Turks and Caicos Islands. For any companies incorporated or headquartered in a U.S. territory, including countries such as Puerto Rico, Guam, and U.S. Virgin Islands, a U.S. HCI is assigned.

All securities eligible for inclusion in the Index must trade on a major U.S. exchange. Bulletin board, pink-sheets, and over-the-counter ("OTC") traded securities are not eligible for inclusion. Stocks must trade at or above $1.00 on their primary exchange on the last trading day in May to be eligible for inclusion during annual reconstitution. However, in order to reduce unnecessary turnover, if an existing member's closing price is less than $1.00 on the last day of May, it will be considered eligible if the average of the daily closing prices (from its primary exchange) during the month of May is equal to or greater than $1.00. Initial public offerings are added each quarter and must have a closing price at or above $1.00 on the last day of their eligibility period in order to qualify for index inclusion. If a stock, new or existing, does not have a closing price at or above $1.00 (on its primary exchange) on the last trading day in May, but does have a closing price at or above $1.00 on another major U.S. exchange, that stock will be eligible for inclusion.

An important criteria used to determine the list of securities eligible for the Index is total market capitalization, which is defined as the market price as of the last trading day in May for those securities being considered at annual reconstitution times the total number of shares outstanding. Where applicable, common stock, non-restricted exchangeable shares and partnership units/membership interests are used to determine market capitalization. Any other form of shares such as preferred stock, convertible preferred stock, redeemable shares, participating preferred stock, warrants and rights, or trust receipts, are excluded from the calculation. If multiple share classes of common stock exist, they are combined. In cases where the common stock share classes act independently of each other (e.g., tracking stocks), each class is considered for inclusion separately. If multiple share classes exist, Russell will determine a primary trading vehicle, and the price of that primary trading vehicle (usually the most liquid) is used to calculate market capitalization.

Companies with a total market capitalization of less than $30 million are not eligible for the Index. Similarly, companies with only 5% or less of their shares available in the marketplace are not eligible for the Index. Royalty trusts, limited liability companies, closed-end investment companies, blank check companies, special purpose acquisition companies, and limited partnerships are also ineligible for inclusion. Business development companies, exchange traded funds and mutual funds are also excluded. In addition, preferred and convertible preferred stock, redeemable shares, participating preferred stock, warrants, rights, and trust receipts are not eligible for inclusion.

Annual reconstitution is a process by which the Index is completely rebuilt. Based on closing levels of the company's common stock on its primary exchange on the last trading day of May of each year, Russell reconstitutes the composition of the Index using the then existing market capitalizations of eligible companies. Reconstitution of the Index occurs on the last Friday in June or, when the last

Friday in June is the 29th or 30th, reconstitution occurs on the prior Friday. In addition, Russell adds initial public offerings to the Index on a quarterly basis based on market capitalization guidelines established during the most recent reconstitution.After membership is determined, a security's shares are adjusted to include only those shares available to the public. This is often referred to as "free float." The purpose of the adjustment is to exclude from market calculations the capitalization that is not available for purchase and is not part of the investable opportunity set.

The following graph shows the daily historical performance of the Index in the period from January 2008 through October 2014. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On November 20, 2014, the closing level of the Index was 1,170.752.

Historical Performance of the Index

This historical data on the Index is not necessarily indicative of the future performance of the Index or what the value of the notes may be. Any historical upward or downward trend in the level of the Index during any period set forth above is not an indication that the level of the Index is more or less likely to increase or decrease at any time over the term of the notes.

Before investing in the notes, you should consult publicly available sources for the levels and trading pattern of the Index.

License Agreement

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We have entered into a non-exclusive license agreement with Russell providing for the license to us, in exchange for a fee, of the right to use indices owned and published by Russell in connection with some securities, including the notes. The license agreement provides that the following language must be stated in this term sheet:

The notes are not sponsored, endorsed, sold, or promoted by Russell. Russell makes no representation or warranty, express or implied, to the holders of the notes or any member of the public regarding the advisability of investing in securities generally or in the notes particularly or the ability of the Index to track general stock market performance or a segment of the same. Russell's publication of the Index in no way suggests or implies an opinion by Russell as to the advisability of investment in any or all of the securities upon which the Index is based. Russell's only relationship to us is the licensing of certain trademarks and trade names of Russell and of the Index, which is determined, composed, and calculated by Russell without regard to us or the notes. Russell is not responsible for and has not reviewed the notes nor any associated literature or publications and Russell makes no representation or warranty express or implied as to their accuracy or completeness, or otherwise. Russell reserves the right, at any time and without notice, to alter, amend, terminate, or in any way change the Index. Russell has no obligation or liability in connection with the administration, marketing, or trading of the notes.

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Autocallable Market-Linked Step Up Notes
Linked to the Russell 2000® Index, due December , 2019

Supplement to the Plan of Distribution

Under our distribution agreement with MLPF&S, MLPF&S will purchase the notes from us as principal at the public offering price indicated on the cover of this term sheet, less the indicated underwriting discount.

We may deliver the notes against payment therefor in New York, New York on a date that is greater than three business days following the pricing date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, if the initial settlement of the notes occurs more than three business days from the pricing date, purchasers who wish to trade the notes more than three business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

The notes will not be listed on any securities exchange. In the original offering of the notes, the notes will be sold in minimum investment amounts of 100 units. If you place an order to purchase the notes, you are consenting to MLPF&S acting as a principal in effecting the transaction for your account.

MLPF&S will not receive an underwriting discount for notes sold to certain fee-based trusts and fee-based discretionary accounts managed by U.S. Trust operating through Bank of America, N.A.

MLPF&S has advised us that they or their affiliates may repurchase and resell the notes, with repurchases and resales being made at prices related to then-prevailing market prices or at negotiated prices, and these prices will include MLPF&S's trading commissions and mark-ups. MLPF&S may act as principal or agent in these market-making transactions; however, it is not obligated to engage in any such transactions. At MLPF&S's discretion, for a short, undetermined initial period after the issuance of the notes, MLPF&S may offer to buy the notes in the secondary market at a price that may exceed the estimated value of the notes at the time of repurchase. Any price offered by MLPF&S for the notes will be based on then-prevailing market conditions and other considerations, including the performance of the Index, the remaining term of the notes, and our creditworthiness. However, none of us, MLPF&S, or any of our respective affiliates is obligated to purchase your notes at any price or at any time, and we cannot assure you that we, MLPF&S, or any of our respective affiliates will purchase your notes at a price that equals or exceeds the estimated value of the notes at the time of repurchase.

MLPF&S has also advised us that, if you hold your notes in a MLPF&S account, the value of the notes shown on your account statement will be based on MLPF&S's estimate of the value of the notes if MLPF&S or another of its affiliates were to make a market in the notes, which it is not obligated to do. That estimate will be based upon the price that MLPF&S may pay for the notes in light of then-prevailing market conditions and other considerations, as mentioned above, and will include transaction costs. This price may be higher than or lower than the initial estimated value of the notes.

The distribution of the Note Prospectus in connection with these offers or sales will be solely for the purpose of providing investors with the description of the terms of the notes that was made available to investors in connection with their initial offering. Secondary market investors should not, and will not be authorized to, rely on the Note Prospectus for information regarding Deutsche Bank or for any purpose other than that described in the immediately preceding sentence.

Structuring the Notes

The notes are our debt securities, the return on which is linked to the performance of the Index. As is the case for all of our debt securities, including our market-linked notes, the economic terms of the notes reflect our actual or perceived creditworthiness at the time of pricing. The internal funding rate we use in pricing the market-linked note is typically lower than the rate we would pay when we issue conventional debt securities of comparable maturity. This generally relatively lower internal funding rate, which is reflected in the economic terms of the notes, along with the fees and charges associated with market-linked notes, typically results in the initial estimated value of the notes on the pricing date being less than their public offering price.

Payments on the notes, including the amount you receive at maturity or upon an automatic call, will be calculated based on the $10 per unit principal amount and will depend on the performance of the Index. In order to meet these payment obligations, at the time we issue the notes, we expect to enter into certain hedging arrangements (which may include call options, put options or other derivatives) with MLPF&S or one of its affiliates. The terms of these hedging arrangements are determined by seeking bids from market participants, which may include us, MLPF&S and one of our respective affiliates, and take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Index, the tenor of the notes and the tenor of the hedging arrangements. The economic terms of the notes and their initial estimated value depend in part on the terms of these hedging arrangements.

MLPF&S has advised us that the hedging arrangements will include a hedging related charge of approximately $0.075 per unit, reflecting an estimated profit to be credited to MLPF&S from these transactions. Since hedging entails risk and may be influenced by unpredictable market forces, additional profits and losses from these hedging arrangements may be realized by us, MLPF&S or any other hedge providers.

For further information, see "Risk Factors—General Risks Relating to the Notes" beginning on page PS-7 and "Use of Proceeds and Hedging" on page PS-17 of product supplement EQUITY INDICES SUN-1.

Summary Tax Consequences

In the opinion of our special tax counsel, Davis Polk & Wardwell LLP, which is based on prevailing market conditions, it is more likely than not that the notes will be treated for U.S. federal income tax purposes as prepaid financial contracts that are not debt. Generally, if this treatment is respected, (i) you should not recognize taxable income or loss prior to the taxable disposition of your notes (including at maturity or pursuant to a call) and (ii) the gain or loss on your notes should be capital gain or loss and should be long-term capital gain or loss if you have held the notes for more than one year. The Internal Revenue Service (the "IRS") or a court might not agree with this treatment, however, in which case the timing and character of income or loss on your notes could be materially and adversely affected.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. The notice focuses in particular on whether beneficial owners of these instruments should be required to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; the relevance of factors such as the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. persons should be subject to withholding tax; and whether these instruments are or should be subject to the "constructive ownership" regime, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose a notional interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the notes, possibly with retroactive effect.

You should review carefully the section of the accompanying product supplement entitled "U.S. Federal Income Tax Consequences." The preceding discussion, when read in combination with that section, constitutes the full opinion of our special tax counsel regarding the material U.S. federal income tax consequences of owning and disposing of the notes.

Under current law, the United Kingdom will not impose withholding tax on payments made with respect to the notes.

For a discussion of certain German tax considerations relating to the notes, you should refer to the section in the accompanying prospectus supplement entitled "Taxation by Germany of Non-Resident Holders."

You should consult your tax advisor regarding the U.S. federal tax consequences of an investment in the notes (including possible alternative treatments and the issues presented by the 2007 notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Where You Can Find More Information

We have filed a registration statement (including a product supplement, a prospectus supplement, and a prospectus) with the SEC for the offering to which this term sheet relates. Before you invest, you should read the Note Prospectus, including this term sheet, and the other documents that we have filed with the SEC, for more complete information about us and this offering. You may get these documents without cost by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, we, any agent, or any dealer participating in this offering will arrange to send you these documents if you so request by calling MLPF&S toll-free at 1-866-500-5408.

Market-Linked Investments Classification

MLPF&S has advised us that it classifies certain market-linked investments (the "Market-Linked Investments") into categories, each with different investment characteristics. The following description is meant solely for informational purposes and is not intended to represent any particular Enhanced Return Market-Linked Investment or guarantee any performance.

Enhanced Return Market-Linked Investments are short- to medium-term investments that offer you a way to enhance exposure to a particular market view without taking on a similarly enhanced level of market downside risk. They can be especially effective in a flat to moderately positive market (or, in the case of bearish investments, a flat to moderately negative market). In exchange for the potential to receive better-than market returns on the linked asset, you must generally accept market downside risk and capped upside potential. As these investments are not market downside protected, and do not assure full repayment of principal at maturity, you need to be prepared for the possibility that you may lose all or part of your investment.