PRINCETON ECONOMICS INTERNATIONAL LTD.

Memorandum of Agreement

among

A. MARK HOMAN, DIPANKAR CHOSH AND JOSEPH CONNOCES OF N As Joint Provisional Liquidators of Princeton Economics International Ltd. under Order of the Supreme Court, Providenciales, Turks and Caicos Islands

and

ALAN M. COHEN,

As Receiver in respect of Princeton Economics International Ltd. and Princeton Global Management Ltd. under Order of United States District Court for the Southern District of New York

Dazed: October 7, 1999

- 1. Definitions. Annex A to this MOA contains a list of the defined terms used herein.
- 2. U.S. Cases. On September 13, 1999, the SEC and the CFTC commenced the U.S. Cases. Also on that date, Hon, Lewis A. Kaplan, U.S.D.L. signed the First TRO. On September 19, 1999, Hon, Puchard Owen, U.S.D.L. signed the Second TRO.
- 3. TCI Care. On September 17, 1999, PEI petitioned the TCI Court to appoint the JPLs and on that date How. DERRICK REDMAN signed an order appointing them.
- 4. Jurisdictional Dispute and Conflicting Orders. Both Courts purpon to have jurisdiction over some or all of the Assets. There are disputes among the Receiver and IPLs as to which has what rights with respect to which Assets. Nothing contained herein is intended to resolve such questions of jurisdiction or rights, and the parties reserve all of their rights in respect thereof.
- 5. Principles Underlying This MOA. The Receiver and IPLs urgently desire to resolve their disputes consensually with a view to addressing promptly and effectively the pressing need for efficient and comprehensive administration of the Assets. The Receiver and the IPLs agree that each of them has duties to identify, recover, preserve and protect the Assets in an efficient and cost-effective manner, and to maximize the recoveries of creditors in respect thereof, and agree that their respective actions and decisions shall be in furtherance of such duties.

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Based on the foregoing mutual agreement, the Receiver and the JPLs believe they will be able effectively to allocate responsibilities for administration of PEI and other members of Oroup between them and, to that end, have agreed that certain activities may be undertaken by each of them in their individual discretion and that, during the term of the MOA, all their other activities shall either be mutually agreed upon by Written Authority or authorized by order of Both Courts.

- 6. Basic Agreement. From and after the effective date of this MOA and until such time or times as the agreement expressed in this MOA is superseded or terminated as provided herein, the Receiver and the JPLs agree as follows:
- (a) Except as expressly provided herein and in Annex B hereto, the Receiver and the JPLs shall take action in respect of the Cases and the Assets if and only if such actions are pursuant to the joint Written Authority of the Receiver and the JPLs. In the event the Receiver and the JPLs disagree with respect to any entrse of action proposed by either of them, such action shall be taken only upon approval thereof by orders of Both Courts. The Receiver and the JPLs each shall have the right to commence proceedings in Both Courts seeking such a determination on reasonable notice to the other party and to the SEC and the CFTC.
- (b) Any funds which at any time come under the control of the Receiver or the JPLs shall be deposited into appropriate, segregated accounts controlled by such party and shall be invested in a manner agreed by the Receiver and the JPLs, provided that
 - (A) the Receiver shall pay, from funds in the Receiver's control (i) the reasonable fees, costs and expenses of the Receiver and its professionals upon.

 U.S. Court approval thereof (as well as reasonable retainers to any professionals employed by the Receiver pending payment), (ii) up to \$1.0 million in respect of reasonable fees, costs and expenses of the JPLs and their professionals that are payable in accordance with ordinary and customary practice in processings before the TCI Court, to the extent funds in the control of the JPLs from time to time are insufficient therefor (as well as reasonable retainers to the JPLs and any professionals employed by them pending payment), and (III) such other amounts as may be necessary to carry out activities permitted under Annex B hereof or otherwise permitted to be expended in accordance with the procedures set forth in paragraph 6(a) above, and
 - (B) the IPLs shall pay, from funds in the IPLs' control (i) the reasonable fees, costs and expenses of the IPLs and their professionals (including any appropriate retainers to the IPLs and professionals employed by either of them pending payment), and (ii) such other amounts as may be necessary to carry out activities permitted under Annex B hereof or otherwise permitted to be expended in accordance with the procedures set forth in paragraph 6(a) above.

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- (c) Upon prior consultation with the IPLs, the Receiver shall be permitted to investigate, prosecute and/or settle claims and causes of action against any third party arising under the laws of the United States (including the common law thereof), regardless of where such third party may be located. In the event the IPLs disagree with any course of action proposed by the Receiver with respect to any such investigation, prosecution and/or settlement, the IPLs shall have the right to object to such action in the U.S. Court, whereupon such action shall proceed only if the U.S. Court determines that such investigation, prosecution or settlement is in the best interests of creditors. Subject to the preceding sentence, the IPLs shall take all reasonable steps to cooperate to facilitate such investigation, prosecution or settlement to the maximum extent permitted by law.
- (d) Upon prior consultation with the Receiver, the JPLs shall be permitted to investigate, prosecute and/or settle claims and causes of action against any third party neising under the laws of any jurisdiction other than the United States (including the common law of any such jurisdiction), regardless of where such third party may be located. In the event the Receiver disagrees with any course of action proposed by the JPLs with respect to any such investigation, prosecution and/or settlement, the Receiver shall have the right to object to such action in the TCI Court, whereupon such action shall proceed only if the TCI Court determines that such investigation, prosecution or settlement is in the best interests of creditors. Subject to the preceding sentence, the Receiver shall take all reasonable steps to enoperate to facilitate such investigation, prosecution or settlement to the extent permitted by law.
- (c) Promptly upon execution of this MOA by the Receiver and the JPLs and its approval by Both Courts, the Receiver and the JPLs shall meet to discuss all actions taken prior to that date with respect to the identification, recovery, preservation and protection of the Assets, and all information resulting therefrom. The further purpose of this meeting shall be to consult regarding the development and implementation of the strategic action plans of the Receiver and the JPLs, respectively. Thereafter, the Receiver and one or more of the JPLs shall ennier by phone at least weekly and shall meet in person at least monthly, unless otherwise agreed by the Receiver and the JPLs. The Receiver and the JPLs shall endeavor to consult with the SEC and the CFTC from time to time to determine whether either agency or both have the ability or the willingness to easiest with computer services, analysis of markets and/or position and investigative or other services.
- (f) The terms set forth in Annex B are incorporated by reference herein, and the Receiver and the JPLs shall be permitted to take any action permitted under Annex B without further consent or court order.
- 7. Efficiency and Minimization of Redundant Work. The Receiver and the JPLs desire as rapidly as possible to divide as between themselves the work of

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administering. The Cases, to the extent not specifically set forth in paragraph 6 of this MOA, in such manner as will minimize duplicative work, expedite administration, control cost and accomplish the speedy and efficient conclusion thereof. To that end, they intend in good faith, acting collegially, to divide such work amongst themselves in such manner as will accomplish the foregoing objectives. As and when they agree to do so they will document their understandings, which upon execution thereof by Written Authority of each and the obtaining of any necessary court orders, will operate to supplement, amend or modify, as applicable, paragraph 6 hereof to the extent provided therein. Without limiting the generality of the foregoing, the Receiver and the IPLs shall cooperate in good faith to maximize the net realization in respect of causes of action of mainbers of the Group against third parties. The Receiver and the JPLs will endeavor to keep the SEC and the CFTC reasonably apprised of their activities to the extent such activities could have a material affect on the Assets (including, as necessary, providing copies of applicable Written Authorities), provided, that the Roceiver and the IPLs shall not be required to take any action that could result in the waiver of any privilege of any Oroug entity or otherwise adversely affect any Group entity or its creditors.

- 8. Disputes Among the Parties. The Receiver and the JPLs will work together in good faith to avoid or minimize disagreements amongst themselves and to resolve expeditiously and fairly any disputes which may arise. In the event that the foregoing procedures result in impasse, except to the extent specifically provided in paragraph 6 of this MOA, they will promptly submit the dispute to Both Courts, and the dispute shall be resolved in such manner as shall be approved by Both Courts. If Both Courts fail to teach a common resolution, then the impasse shall continue, subject to termination of the MOA pursuant to paragraph 12 below.
- Mecessary Court Approvals. As and when applicable law requires any matter to be submitted to Either Court for approval, it shall be submitted by the Receiver or the IPLs, as applicable, upon prior reasonable written notice to the other and to the SEC and the CFTC, and the nonsubmitting party shall be authorized to appear and be heard with respect to any such request for approval. Prior to submitting any matter to Either Court for approval, the Receiver or the IPLs (whichever intends to seek such approval) shall contact the other to determine whether the approval of Both Courts is required. If the Receiver and the IPLs agree that the approval of Both Courts is required, the Receiver and the IPLs shall take such actions as may be necessary or appropriate to request that Both Courts prastde jointly over the request for approval, or to have Doth Courts coordinate any hearings as may be required in such a manner as to promote the timely and efficient review of such request by Both Courts. In making its determination, each of the U.S. Court and the TCI Court may take into account the views, if any, of creditors and of regulatory agencies that may be presented to such courts.
- 10. TROs. Immediately after execution hereof by each party, the Receiver and the JPLs will jointly request the U.S. Court to modify the First TRO and the Second TRO to the extent necessary to authorize and permit the JPLs and the Receiver to enter into and

act in accordance with the MOA, and request the TCI Court to enter an order authorizing and permitting the JPLs to enter into and act in accordance with the MOA. Should such orders be obtained and not be stayed, both the Receiver and the JPLs will proceed expeditiously to implement the actions described herein and in Annex B hereto.

- the following sentence, the Pirst TRO, the Second TRO and the TCI Order shall remain in effect. This MOA shall become effective at such time as (i) Both Courts shall have approved identical versions of this MOA, (ii) the First TRO and the Second TRO shall have been amended to the extent necessary to permit the IPLs and the Receiver to enter into and act in necessary with the MOA, and (iii) the TCI Court shall have entered an order authorizing and permitting the IPLs to enter into and act in accordance with the MOA. Prior to effectiveness of this MOA, the IPLs and the Receiver shall endenvor to comply with it in all material respects to the maximum extent they determine they are permitted to do so by applicable law and court orders.
- the following (i) whenever Both Courts so order and such orders have become Final Orders or (ii) this MOA shall not have become effective as provided in paragraph 11 above by October 15, 1999 or (iii) Alan M. Cohen or one of his partners at O'Melveny & Myera LLP as his anecessor as the Receiver shall cease to be incumbent in such capacity or (iv) all of A. MARK HOMAN, DIPANKAR GHOSH and Joseph Connolly and their partners at Pricowaterhouse Coopers as their successors as JPLs shall cease to be incumbent in such capacity or (v) Either Court, upon prior notice to the parties and after constitution with the other Court, orders that the MOA should be terminated.
- (b) In the event of termination of the MOA as a consequence of an event referred to in clause (lii) or (iv) of paragraph 12(a) above, any successor to the party whose incumbency has terminated may assume the duties under the MOA of the terminated party and revive the MOA with the written consent of the other party to the MOA. However, notwithstanding any such revival, the party whose incumbency has terminated shall have no duties hereunder after such termination is affective, nor any liability or responsibility hereunder for any action or fallure to get that occurs after such party's incumbency terminated.
- 13. Information. (a) The Receiver and the JPLs each hereby agrees to share on an unlimited basis, as amongst them, all information regarding the Group and the Assets which may come under their possession or control and which they may lawfully share and to keep each other fully abreast of their activities and of developments known to them. The Receiver and the JPLs will ask Both Courts to sign appropriate orders to the effect that communications amongst them do not waive any attorney-client, work product and all other privileges recognized under any applicable law. In addition, the Receiver and the JPLs shall enter into a common interest or joint defense agreement in a form acceptable to their respective counsel with the objective of proteoting any such privilege.

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In the event either the Receiver or the JPI,s are advised by counsel that sharing any information adult result in a waiver or relinquishment of any such privilege, they will consult with the other party in order to determine how to proceed consistent with their respective duties.

- (b) The Receiver and the JPLs acknowledge and agree that they shall not and they shall direct their respective agents and representatives not to provide any non-public information regarding Group or its Assets to Martin Annstrong, Martin Armstrong, Jr., Victoria Armstrong, any person or entity known to be under their direct or indirect control or acting in concert with any of them, any other former officer, director or employer of PEI or PGM, unless the provision of such information is either (a) agreed to by the Receiver and the IPLs, (b) required by applicable law, or (c) required by order of Either Court.
- 14. Creditors' Committee. The JPLs and the Receiver will use their reasonable efforts to support the formation of a creditors' committee in the TCl Case and to try to obtain permission for the SEC and the CFTC to attend meetings and participate in deliberations, but not to vote. The Receiver and the JPLs acknowledge and agree that they will take such steps as may be reasonably available to them as a maner of law to preclude Martin Armstrong, Martin Armstrong, Jr., Victoria Armstrong and any person or ontity under their direct or indirect control, or acting in concert with any of them, or any other former director, officer or employee of PEI or PGM from becoming a voting or ex officio member of such creditors' committee.
- 15. Appearances. Each of the JPLs and the Receiver will notify the other in advance of all netivities in its Court and each shall have the right to appear and be heard in Both Courts without opposition from the other.
- 16. To the extent such actions would not violate any duties of the JPLs or the Receiver, respectively, under applicable law (A) the JPLs and the Receiver shall each take all reasonable steps to cooperate with the CFTC, the SEC and the USAO in connection with their investigation and prosecution of civil, administrative and criminal matters relating to Martin A. Armstrong, PEI, PGM and any of their subsidiaries, affiliates, officers, directors or employees, and (B) the JPLs and the Receiver shall endeavor to provide the CPTC, the SEC and the USAO with reasonable access to books and records within their possession, custody or control, to the extent permitted by law, wherever situated, whether within the United States or outside the United States.
- 17. Notices. Any notices or other communications required or permitted hereunder shall be sufficiently given if sont by overnight courier, postage prepaid, or by facsimile (and confirmed by telephone with the recipient) addressed as follows:

if to the Receiver, to:

שפש עש לוו נפלחושי אוואיניסטים וברו דר הו

- Alan M. Cohen, Esq.
- Tolo O'Melveny & Myers, LLP
153 Enst 53rd Street
New York, New York 10022
Fnx: 212-326-2061

with a copy to:

O'Molveny & Myers, LLP 153 East 53rd Street New York, New York 10022 Attn: Martin Glenn Fax: 212-326-2061

if to the JPLs, to:

Mr. A. Mark Homan
PricewaterhouseCoopers
Plumtree Court
London EC4A 4HT
England
Fax: 44 (0) 171 822 4652

and

Mr. Dipankar Ghosh
PricewaterhouseCoopers
Plumtree Court
London EC4A 4HT
England
Fax: 44 (0) 171 822 4652

and

Mr. Joseph P. Connolly
PricewaterhouseCoopers
Abacus House
Providenciales
Turks & Caicos Islands
British West Indies
Fax: 649-946-4892

with a copy to:

ארי ייי לואנאסיריבנטינצטינומנו (דרי)

Davis Polk & Wardwoll
450 Lexington Avenue
New York, New York 10021
Alto: Stephen H. Case
Fax: 212-450-4800

or such other address as shall be furnished in writing by such party, and any such communication shall be deemed given as of the time when such communication is received.

18. Amendments. This Agreement may be amended in writing by agreement of the parties, provided that no such amendment shall become affective until approved by Both Courts.

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19. Limited Capacity. The Receiver and the IPLs execute this MOA solely in their capacities as Receiver and IPLs respectively, and not in their individual capacities, and their respective duties, obligations and liabilities hereunder are limited accordingly.

A. MARK HOMAN, 25 Joint Provisional Liquidator of PEI

DIPANKAR GHOSH, as Joint Provisional Liquidator of PEI

JOSEPH CONNOLLY, as Joint Provisional Liquidator of PEI

ALAN M. COHEN, as Received

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