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PRINCETON ECONOMICS INTERNATIONAL LTD.

Memorandum of Agreement

among

A. MARK HOMAN, DIPANKAR GHOSH AND JOSEPH CONNOLLY
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



Dated: October 7, 1999

- Definitions.* Annex A to this MOA contains a list of the defined terms used herein.
- 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.J., signed the First TRO. On September 19, 1999, HON. RICHARD OWEN, U.S.D.J., signed the Second TRO.
- TCI Case.* On September 17, 1999, PEI petitioned the TCI Court to appoint the JPLs and on that date HON. DERRICK REDMAN signed an order appointing them.
- Jurisdictional Dispute and Conflicting Orders.* Both Courts purport to have jurisdiction over some or all of the Assets. There are disputes among the Receiver and JPLs 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.
- Principles Underlying This MOA.* The Receiver and JPLs 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 JPLs 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 Group 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 course 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 proceedings 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 JPLs shall pay, from funds in the JPLs' control (i) the reasonable fees, costs and expenses of the JPLs and their professionals (including any appropriate retainers to the JPLs 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 JPLs, 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 JPLs disagree with any course of action proposed by the Receiver with respect to any such investigation, prosecution and/or settlement, the JPLs 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 JPLs 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 arising 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 cooperate to facilitate such investigation, prosecution or settlement to the extent permitted by law.

(e) 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 confer 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 assist 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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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.

11. *Existing Orders; Effective Date of This Agreement.* Except as provided in the following sentence, the First 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 JPLs and the Receiver to enter into and act in accordance with the MOA, and (iii) the TCI Court shall have entered an order authorizing and permitting the JPLs to enter into and act in accordance with the MOA. Prior to effectiveness of this MOA, the JPLs and the Receiver shall endeavor 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.

12. *Termination of this MOA.* (a) This MOA shall terminate on the earliest of 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 & Myers LLP as his successor 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 PricewaterhouseCoopers 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 consultation 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 (iii) 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 effective, nor any liability or responsibility hereunder for any action or failure to act 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 protecting any such privilege.

Alan M. Cohen, Esq.
c/o O'Melveny & Myers, LLP
153 East 53rd Street
New York, New York 10022
Fax: 212-326-2061

with a copy to:

O'Melveny & 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:

(NY) 170130829403079403419

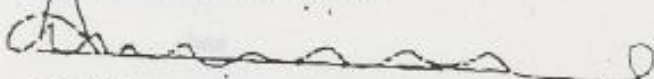
Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10021
Attn: Stephen H. Case
Fax: 212-450-4800

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 effective until approved by Both Courts.*

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

A. MARK HOMAN, as 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 Receiver
of PEI and PGM



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