



U.S. Department of Justice

*United States Attorney
Southern District of New York*

*The Silvio J. Mollo Building
One Saint Andrew's Plaza
New York, New York 10007*

June 19, 2007

Robert J. Anello, Esq.
Morvillo, Abramowitz, Grand, Iason,
Anello, & Bohrer, P.C.
565 Fifth Avenue
New York, NY 10017

Re: Omega Advisors, Inc.

Dear Mr. Anello:

On the understandings specified below, the Office of the United States Attorney for the Southern District of New York and the United States Department of Justice, Fraud Section ("these Offices") will not criminally prosecute Omega Advisors, Inc. and its subsidiaries and affiliates (collectively, "Omega") for any crimes (except for criminal tax violations, as to which these Offices cannot and do not make any agreement) related to an investment Omega and an investment fund named Pharos Capital Management, L.P. made in a privatization program in Azerbaijan, as described in Indictment 05 Cr. 518 (SAS), in Superseding Information S1 03 Cr. 930 (NRB), and in Exhibit A hereto, which is incorporated by reference herein.

If Omega fully complies with the understandings specified in this Agreement, no information given by or on behalf of Omega at the request of these Offices (or any other information directly or indirectly derived therefrom) will be used against Omega in any criminal tax prosecution. This Agreement does not provide any protection against prosecution for any crimes except as set forth above, and applies only to Omega and not to any other entities or any individuals except as set forth herein. Omega expressly understands that the protections provided to Omega shall not apply to any successor entities, whether the successor's interest arises through a merger or plan of reorganization, unless and until such successor formally adopts and executes this Agreement. The protections arising from this Agreement will not apply to any purchasers of all or substantially all of the assets of Omega, unless such purchaser enters into a written agreement, on terms acceptable to these Offices, agreeing in substance to undertake all obligations set forth in this Agreement.

It is understood that Omega (a) shall truthfully and completely disclose all information with respect to the activities of Omega, its officers and employees, and others concerning all matters about which these Offices inquire of it, which information can be used for

Robert J. Anello, Esq.
June 19, 2007

any purpose, except as limited by the second paragraph of this Agreement; (b) shall cooperate fully with these Offices, the Federal Bureau of Investigation, and any other law enforcement agency designated by these Offices, in connection with any investigation related to the privatization program in Azerbaijan; (c) shall, at these Offices' request, use its best efforts to assist these Offices in any prosecution or investigation arising out of the conduct described in the opening paragraph of this Agreement by providing logistical and technical support for any meeting, interview, grand jury proceeding, or any trial or other court proceeding; (d) shall, at these Offices' request, use its best efforts promptly to secure the attendance and truthful statements or testimony of any officer, agent or employee at any meeting or interview or before the grand jury or at any trial or other court proceeding; (e) shall use its best efforts promptly to provide to these Offices, upon request, any document, record, or other tangible evidence about which these Offices or any designated law enforcement agency inquires; and (f) shall bring to these Offices' attention all criminal conduct by, or criminal investigations of, Omega or its respective senior managerial employees that comes to the attention of Omega or its senior management, as well as any administrative proceeding or civil action brought by any governmental authority that alleges fraud by or against Omega. It is further understood that Omega shall commit no crimes whatsoever. Moreover, any assistance Omega may provide to federal criminal investigators shall be pursuant to the specific instructions and control of these Offices and designated investigators. Omega's obligations under this paragraph shall continue until the date upon which all prosecutions listed in, or arising out of the conduct described in, the opening paragraph of this Agreement are final.

It is understood that Omega agrees to the civil forfeiture, pursuant to 18 U.S.C. § 981, of \$500,000 in United States currency. Omega must pay this sum to the United States within thirty days of executing this Agreement. Such payment shall be made by a certified check payable to the United States Marshals Service. Omega agrees to execute all documentation required to effectuate this forfeiture. Omega agrees that, in the event that the United States files any civil actions seeking to forfeit the above-referenced property, Omega will not file a claim with the Court or otherwise contest this civil forfeiture action and will not assist a third party in asserting any claim. It is further understood that Omega will not file or assist anyone in filing a petition for remission or mitigation with the Department of Justice concerning this property.

It is understood that, should Omega commit any crimes subsequent to the date of signing of this Agreement, or should it be determined that Omega has given false, incomplete, or misleading testimony or information, or should Omega otherwise violate any provision of this Agreement, Omega shall thereafter be subject to prosecution for any federal violation of which these Offices have knowledge, including perjury and obstruction of justice. Any such prosecution that is not time-barred by the applicable statute of limitations on the date of the signing of this Agreement may be commenced against Omega, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement of such prosecution. It is the intent of this Agreement to waive all defenses based on the statute of limitations with respect to any prosecution that is not time-barred on the date that this Agreement is signed.

Robert J. Anello, Esq.
June 19, 2007

It is understood that Omega accepts and acknowledges responsibility for the conduct set forth in Exhibit A hereto, which is incorporated by reference herein.

It is understood that, if it is determined that Omega has committed any crime after signing this Agreement, or that Omega has given false, incomplete, or misleading testimony or information, or has otherwise violated any provision of this Agreement, (a) all statements made by Omega to these Offices or other designated law enforcement agents, including Exhibit A hereto, and any testimony given by Omega before a grand jury or other tribunal, whether prior to or subsequent to the signing of this Agreement, and any leads from such statements or testimony shall be admissible in evidence in any criminal proceeding brought against Omega; and (b) Omega shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom should be suppressed. It is the intent of this Agreement to waive all rights in the foregoing respects.

It is further understood that this Agreement does not bind any federal, state or local prosecuting authority other than these Offices. These Offices will, however, bring the cooperation of Omega to the attention of other prosecuting and other investigative offices, if requested by Omega.

It is further understood that Omega and these Offices may disclose this Agreement to the public.

With respect to this matter, from the date of execution of this Agreement forward, this Agreement supersedes all prior, if any, understandings, promises and/or conditions between these Offices and Omega. No additional promises, agreements, and conditions have been entered into other than those set forth in this letter and none will be entered into unless in writing and

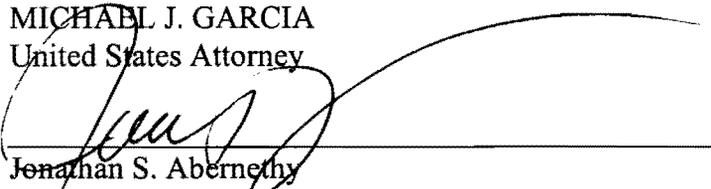
Robert J. Anello, Esq.
June 19, 2007

signed by all parties.

Very truly yours,

MICHAEL J. GARCIA
United States Attorney

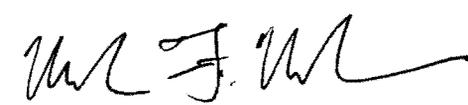
By: _____


Jonathan S. Abernethy
Assistant United States Attorney
(212) 637-2232

APPROVED:



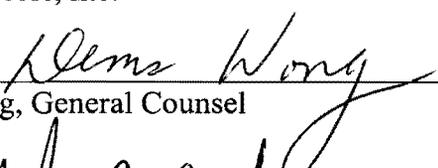
Len L. Dassin
Chief, Criminal Division



Steven A. Tyrrell
Chief, Fraud Section
Mark F. Mendelsohn
Deputy Chief, Fraud Section
U.S. Department of Justice

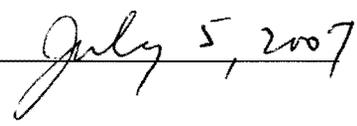
AGREED AND CONSENTED TO:

Omega Advisors, Inc.

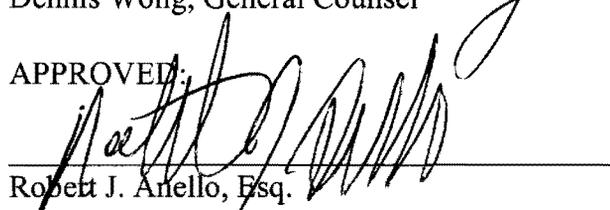
By: 

Dennis Wong, General Counsel

Date


July 5, 2007

APPROVED:



Robert J. Anello, Esq.
Morvillo, Abramowitz, Grand, Iason, Anello, & Bohrer, P.C.
Attorney for Omega Advisors, Inc.

Date

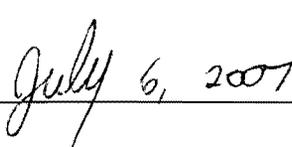

July 6, 2007

EXHIBIT A

The Republic of Azerbaijan instituted a program in the mid-1990s to privatize its State-owned industries. Under that program, enterprises in certain industries, including oil and gas, telecommunications, and utilities, could only be privatized if the President of Azerbaijan issued a special decree. One of those enterprises, in the oil and gas industry, was SOCAR, the State Oil Company of the Azerbaijan Republic, which owned Azerbaijan's substantial and extremely valuable oil deposits.

Under the privatization program, the Azeri government issued free vouchers to all Azeri citizens, which allowed them to bid for shares of industries to be privatized. Privatization vouchers were freely tradable and were bought and sold, typically with U.S. currency. Foreigners could also participate in the privatization program, but only if they purchased government-issued "options" for each voucher they held. The Azeri government sold these options at an official price.

Beginning in or about the summer of 1997, Viktor Kozeny, a Czech national and a resident of The Bahamas, invested heavily in the Azeri privatization program through two companies he controlled, Oily Rock Group Ltd. ("Oily Rock") and Minaret Group Ltd. ("Minaret"). Specifically, Kozeny directed individuals working for him to purchase Azeri vouchers and options. Kozeny also recruited American individuals and institutions to invest in the privatization program. Among the institutional investors Kozeny recruited was Omega. The point of contact for Omega on the Azeri investment was Clayton Lewis, an employee of Omega.

As set forth in Clayton Lewis's February 10, 2004 guilty plea in Federal District Court, in March 1998, Kozeny informed Lewis that Kozeny had entered into arrangements with some Azeri government officials that gave those officials a financial interest in the privatization of certain Azeri industries.

Thereafter, Omega made an investment in the Azeri privatization program pursuant to a "co-investment agreement" with Oily Rock and Minaret that was entered into on or about April 30, 1998. Under this co-investment agreement, Omega, Oily Rock, Minaret, and an investment fund named Pharos Capital Management, L.P. in substance agreed to pursue a joint investment strategy in acquiring, safeguarding, and exercising at auction Azeri privatization vouchers and options for the primary objective of acquiring a controlling interest in SOCAR and, to a lesser extent, other valuable Azeri State assets. Pursuant to this co-investment agreement, Omega invested a total of more than \$100 million for the purchase of Azeri privatization vouchers and options between in or about late March

1998 and in or about late July 1998. All of this investment was lost. To date, privatization of SOCAR has not occurred.

On February 10, 2004, Clayton Lewis pleaded guilty to a two-count superseding Information charging him with conspiracy to violate the Foreign Corrupt Practices Act (“FCPA”) and violating the FCPA. *See United States v. Clayton Lewis*, S1 03 Cr. 930 (NRB). In his plea hearing before the Honorable Naomi Reice Buchwald, Lewis, in part and in substance, admitted (1) that in March 1998, Kozeny informed him that Kozeny “had entered into arrangements with some officials of the Azeri government” that “gave those officials a financial interest . . . [in] the privatization of the Azerbaijan industries”; and (2) that Lewis entered into the investment, on behalf of Omega, with the understanding that Lewis “was taking advantage of these arrangements that Mr. Kozeny had already set up.”