



***United States Attorney
Southern District of New York***

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**FORMER CURRENCY TRADER PLEADS GUILTY
IN CONNECTION WITH \$3 BILLION PONZI SCHEME**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that MARTIN A. ARMSTRONG, a former currency trader and former head of Princeton Economics International, pleaded guilty today in Manhattan federal court to a charge of conspiracy to commit securities fraud, commodities fraud and wire fraud, stemming from his \$3 billion "Ponzi" scheme involving securities known as "Princeton Notes."

ARMSTRONG pleaded guilty today before United States District Judge John F. Keenan to Count One of the Indictment, which charges him with conspiracy to commit securities fraud, commodities fraud and wire fraud. At his plea proceeding, ARMSTRONG admitted that he defrauded investors by fraudulently misrepresenting his trading performance track record to investors, and by wrongfully commingling investor funds, contrary to the representations to investors.

According to the Superseding Indictment filed against ARMSTRONG in 2004, during the entire course of the scheme, from 1992 through 1999, approximately 139 victims -- primarily corporate investors -- were fraudulently induced to purchase more than \$3 billion in so-called "Princeton Notes." As is typical in "Ponzi" schemes, earlier investors were repaid, the Indictment charged, through funds contributed by later investors and, by the time the scheme collapsed, investors had suffered losses in excess of \$700 million. The fraudulent conduct alleged in the Indictment included: (1) making numerous fraudulent representations concerning the value of assets in accounts that Armstrong controlled; (2) fraudulent misrepresentations of Armstrong's trading performance; and (3) wrongful commingling of investor funds.

In January 2002, Republic Securities, a broker-dealer whose accounts Armstrong used to carry out his scheme, entered a plea of guilty to conspiracy and securities fraud charges in

connection with its participation in the Princeton Note scheme, and was sentenced in February 2002. In connection with sentencing, Republic Securities paid approximately \$569 million in restitution to victims. In addition, in 2004, three of ARMSTRONG's co-conspirators, including two former employees of Republic Securities, William Rogers, Maria Toczowski, and a former employee of ARMSTRONG's, Harold Ludwig, each pleaded guilty to conspiracy, securities fraud and commodities fraud charges.

ARMSTRONG faces a maximum penalty of five years in prison, and a fine of the greatest of \$250,000, or twice the gross gain or gross loss from the offense. ARMSTRONG is scheduled to be sentenced on January 3, 2007.

ARMSTRONG, 56, has been incarcerated since 2000, having been found in civil contempt of an asset disgorgement order of the United States District Judge Richard Owen in the Southern District of New York, in connection with a related proceeding brought by the Commodity Futures Trading Commission (the "CFTC") and United States Securities and Exchange Commission (the "SEC").

Mr. GARCIA praised the efforts of the Federal Bureau of Investigation in the investigation of this case. Mr. GARCIA also thanked the CFTC and the SEC for their extraordinary assistance in this matter.

Assistant United States Attorneys ALEXANDER H. SOUTHWELL and DAVID M. SIEGAL are in charge of the prosecution.

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