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**U.S. ANNOUNCES SETTLEMENT WITH HEDGE FUND OMEGA
ADVISORS, INC. IN CONNECTION WITH OMEGA'S
INVESTMENT IN PRIVATIZATION
PROGRAM IN AZERBAIJAN**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, ALICE S. FISHER, Assistant Attorney General in Charge of the Criminal Division, and MARK J. MERSHON, the Assistant Director In Charge of the New York Field Office of the FBI, today announced a non-prosecution agreement (the "Agreement") with OMEGA ADVISORS, INC. relating to OMEGA's investment in a privatization program in Azerbaijan alongside of Czech national VIKTOR KOZENY. OMEGA acknowledged in the Agreement that CLAYTON LEWIS, one of its former employees, had learned, prior to OMEGA's investment, that KOZENY had entered into arrangements with some officials of the government of Azerbaijan that gave those officials a financial interest in the privatization of certain Azeri industries.

The Agreement provides that OMEGA will not be prosecuted for any crimes (except for criminal tax violations, as to which we cannot and do not make any agreement) related to its participation in this investment. The Agreement further provides that OMEGA will civilly forfeit \$500,000 and will continue to cooperate with the Government in connection with its

investigation and prosecution of this matter.

As described in a statement of facts that is part of the Agreement entered into today, the Republic of Azerbaijan instituted a program in the mid-1990s to privatize certain of its state-owned industries, and the Azeri government issued freely-tradable vouchers to its citizens which could be bid for shares of industries to be privatized. Certain industries, including SOCAR, the State Oil Company of the Azerbaijan Republic, could only be privatized if the President of Azerbaijan issued a special decree. Beginning in the summer of 1997, KOZENY invested heavily in the Azeri privatization program through two companies he controlled, Oily Rock Group Ltd. ("Oily Rock") and Minaret Group Ltd. ("Minaret"). KOZENY also recruited individual and institutional investors to invest in the privatization program, including OMEGA. LEWIS was OMEGA's point of contact on the Azeri investment.

LEWIS pleaded guilty before United States District Judge NAOMI REICE BUCHWALD on February 10, 2004 to a two-count superseding Information charging him with conspiracy to violate the Foreign Corrupt Practices Act ("FCPA") and violating the FCPA. During his guilty plea, LEWIS admitted that (1) in March 1998, KOZENY informed him that KOZENY had entered into arrangements with some Azeri officials that gave those officials a financial interest in the privatization of certain industries; and (2) LEWIS entered into the investment, on behalf of OMEGA, with the understanding that LEWIS was taking advantage of the arrangements that KOZENY had already set up. OMEGA invested a total of more than \$100 million in the Azeri privatization program in the spring and summer of 1998 through a "co-investment agreement" with Oily Rock and Minaret. Omega lost all of its investment, and to date privatization of SOCAR has not occurred.

The investigation into this matter is being handled jointly by the United States Attorney's Office for the Southern District of New York (the "Office"), the Fraud Section of the United States Department of Justice (the "Fraud Section"), and the New York Office of the Federal Bureau of Investigation. The Office and the Fraud Section's decision to enter into the Agreement was guided by the factors set forth in the Department of Justice's "Principles of Federal Prosecution of Business Organizations," as amended December 12, 2006. Among other factors, the Office and Fraud Section's decision took account of (1) OMEGA's cooperation with the Government's investigation into the foreign bribery scheme; (2) OMEGA's commitment to continue to provide cooperation; (3) OMEGA's remedial actions, including its implementation of a compliance policy regarding the FCPA; (4) the

absence of any history of similar conduct by OMEGA; and (5) the prosecution of LEWIS, who is awaiting sentencing. The Office and Fraud Section also considered the consequences that a criminal Indictment could have upon the ongoing operations and employees of OMEGA. In light of the above, and after careful balancing of all the factors in the Principles of Federal Prosecution Business Organizations, the Office and Fraud Section have concluded that criminal prosecution of OMEGA is not necessary to serve the public interest.

Mr. GARCIA praised the investigative efforts of the FBI in this case.

Assistant United States Attorney JONATHAN S. ABERNETHY and Fraud Section Assistant Chief ROBERTSON PARK are in charge of the investigation.

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