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Please Reply to:
Charles J. Hecht

FAXED
11-1-00

November 1, 2000

Via Facsimile (326-2060)

Tancred V. Schiavoni, Esq.
O'Melveny & Myers LLP
152 East 53rd Street
New York, NY 10022-4611

Re: Princeton Economics Institute

Dear Tanc:

I am responding to your letter faxed to our office this morning. Apparently, there is some miscommunication. After the conclusion of yesterday's meeting, my client, at the request of Stam, furnished a letter to Mr. Cohen, a copy of which is attached. As we discussed with Stam, it would make no sense for me to speak to Martin Armstrong, Sr. It was clear from my client's interviews, in which Stam was present, that some of the assets, which may be of value, would essentially be valueless without the cooperation of Martin Armstrong, Sr., due to his control of the source code and his knowledge of the business and its customers. Key to that cooperation is to establish a relationship of trust and confidence between Martin Armstrong and the people at Weiss Research.

Under the procedures at the MCC, since Martin Weiss is not a lawyer, it would take a number of days for clearance. We tentatively scheduled with your office a meeting

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of Martin Weiss and/or Larry Edelson, one of his vice presidents, with Martin Armstrong, Sr. at the MCC. Your firm is to furnish the appropriate request information to Dominique Rhea at the MCC. Martin Weiss's SSN is 090-40-8409; Larry Edelson's SSN is 049-50-3305. As I explained to Stam, I will be out of the country on that date and, if appropriate, Darren Ofsink of my office will be present.

The establishment of a relationship of trust and confidence is also necessary so that my client can work out an appropriate written arrangement with Martin Armstrong, Sr. for his cooperation and, if appropriate, payment for specified services. It is my client's goal, which I believe is consistent with the best interests of the employees of PEI, the customers of PEI and the investing public that this business be rebuilt legally and ethically.

Mr. Weiss is confident that he will be able to work out an appropriate agreement with Martin Armstrong, Sr. As I am sure you are aware, the relationship between the Receiver, and Mr. Armstrong is not harmonious. By the very nature of the relationship, it is probable that there will always be tension. A fortiori, communicating with Mr. Armstrong, Sr., in an attempt to gain his trust and confidence with an attorney for the Receiver present during all conversations is not conducive to establishing the appropriate relationship. The important thing from the Receiver's point of view is that full disclosure be made with respect to any direct or indirect financial arrangements that Weiss has with any member of the Armstrong family.

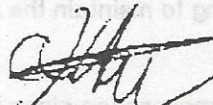
Accordingly, I respectfully suggest that the meeting scheduled for November 10, 2000 has a better chance of being productive if neither your firm nor anyone from our firm is present, so that the parties can freely communicate and try to hammer out an acceptable agreement. Any such agreement would disclose the full arrangement between Weiss and any member of the Armstrong family and be filed as an exhibit to the licensing agreement to be approved by the court.

Also, although we have not discussed this, I think it would be appropriate for our client to communicate with Martin Armstrong, Jr. by e-mail, without furnishing simultaneous copies to the Receiver, or his counsel. My client will maintain copies of all e-mails for later review, if deemed needed by the Receiver and/or authorized by the court. In this way, each party can come to the November 10 meeting knowing what items, if any, need to be resolved, especially since it is in the Receiver's interest not to keep the company operating much longer because of the operating losses, notwithstanding the fact

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Mr. Weiss is still highly confident that he can establish the trust and confidence of Mr. Armstrong and that an appropriate licensing arrangement can be worked out with the Receiver and the other interested parties. In that connection, my client is preparing a checklist of certain items for discussion with the Receiver and his counsel in advance of the November 10 meeting with Mr. Armstrong Sr. to facilitate the process. I hope to have that list by tomorrow.

Very truly yours,


Charles J. Hecht

CJH/eb/n01
Enclosure (Weiss letter to Cohen)
c: Martin Weiss

FAXED
11-1-00

RE: Princeton re: license stipulation

1/2/01 8:54:25 PM Eastern Standard Time

TSchiavoni@OMM.com (Schiavoni, Tancred)

Mart2u@aol.com (Mart2u@aol.com)

TSchiavoni@OMM.com (Schiavoni, Tancred)

So that there is no misunderstanding, we are going to ask the Court
that any compensation payable to Armstrong, Sr. by Weiss be
placed into a frozen escrow account pending a determination of title and
alliance relevant portions of the PI. In part, we are doing this because
Armstrong Sr. has refused to turn over the uncompiled source code for the
model that is being licensed. Without the uncompiled source code, no one
can repair the model other than Armstrong. Accordingly, it looks like
Armstrong structured the "consulting" agreement to benefit indirectly from a
corporate asset that he has withheld. Among other things, we are
concerned about leaving him in a position to constantly blackmail Weiss who
has no other choice but to turn to Armstrong to maintain the software
long as it remains missing.

We will not interfere with Armstrong, Jr.'s compensation since it
appears at this point to be tied to services rendered.

S.

Original Message—

From: Mart2u@aol.com [mailto:Mart2u@aol.com]

Sent: Tuesday, January 02, 2001 8:44 PM

To: TSchiavoni@omm.com; BVK411@aol.com

CC: SSStamoulis@omm.com

Subject: Re: Princeton re: license stipulation

Plan on seeing Marty Jr. tomorrow

Will advise you

Marty Siegel

----- Headers -----

Return-Path: <TSchiavoni@OMM.com>

Received: from rly-xb01.mx.aol.com (rly-xb01.mail.aol.com [172.20.105.102]) by air-xb03.mail.aol.com (v77.31) with ESMTP;
Tue, 02 Jan 2001 20:54:25 -0500

Received: from lawdmms.omm.com (mailrelay.omm.com [207.105.247.200]) by rly-xb01.mx.aol.com (v77.27) with ESMTP;
Tue, 02 Jan 2001 20:54:08 -0500

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Server SMTP Relay(WSS) v4.5); Tue, 02 Jan 2001 17:53:55 -0800

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