



TRUST SERVICES, S.A.
(SERVICIOS FIDUCIARIOS, S.A.)

APARTADO 5-3685
ESTAFETA EL ODRADO
PANAMA, REPUBLICA DE PANAMA

Tel: (507) 293 5252
(507) 264 1934
Fax: (507) 299-4922

MEMORANDUM

DATE 13th January, 1997
TO Messrs. Marc M. Harris,
FROM Messrs. Peter Robin Baily and Derek R. Sambrook
SUBJECT Client Trust Account

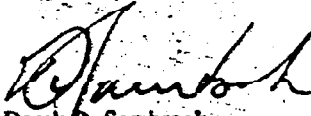
This memorandum is a follow-up to the various discussions with various parties which have taken place since 19th December, 1996, concerning the liquidity problems experienced in The Firm's Client Trust Account.

There are but two issues to be addressed, namely, co-mingling of client funds and unauthorised use of client funds. Co-mingling and unauthorised transfers must be avoided, particularly so when a company is conducting traditional trust company business. In the case of banks, of course, co-mingling of funds (especially in current accounts) is permitted because of the nature of banking business and banks have Treasury departments to monitor daily the availability of liquid funds to meet obligations.

In view of the present situation The Firm must urgently seek the authorisation from clients for the various transactions (including those in respect of bond and equity trading) which have been made. If monies are to be utilised for the benefit of parties other than the client then interest at commercial borrowing rates should be paid. The computer system will calculate the precise interest due to each relevant client for the period of the loan. It is not recommended that you encourage loans of client monies to The Firm. It has been agreed that replacement application forms (retroactively dated) with suitable wording are to be despatched to all existing clients and that all new clients will be requested to sign the revised application form. In the case of those clients who do not want to give their authorisation, a separate special Client Trust Account should be opened.

The recommendations made will protect The Harris Organisation and its directors from potential claims of breach of trust of a nature which could be disastrous to our reputation and future financial well-being.


Peter Robin Baily
President


Derek R. Sambrook
Vice President

cc. Mr. Larry Abraham