

DEBEVOISE & PLIMPTON LLP

Date June 9, 2008
Memorandum to Representative Linda Upmeyer and the Government Oversight Committee
From Steven Klugman

Metromedia International Group, Inc.

This will respond on behalf of Metromedia International Group, Inc. ("Metromedia") to your emails of May 27 and 29, 2008, and will provide a further response to one of the matters raised in your email of May 9, 2008.

"Missing Money"

Your May 27 email refers to unanswered questions "relative to the missing money and the charges that were taken" by Metromedia. We recognize that Metromedia incurred very substantial losses early in this decade, to the severe detriment of many investors, but Metromedia and we do not know what questions about purportedly "missing millions" or potentially improper accounting charges are of concern to you. The only questions of this kind that we are aware of relate to a purported \$65.4 million charge in connection with Metromedia's 1999 sale of interests in joint ventures in China.

Since our May 19 memorandum, we have discussed with Mark Hauf (the CEO of Metromedia) and with Ernie Pyle (the former CFO of Metromedia) your questions on this point. They have confirmed that this matter was explained to Mr. McLaughlin during their March 2005 meeting with him. In short, Metromedia did not take a charge of \$65.4 million, and there is no "missing money" or any impropriety surrounding this transaction.

In the late 1990s Metromedia held interests in joint ventures that provided certain services to Chinese Unicom. In December 1999, after the Chinese government promulgated a directive prohibiting foreign investment in entities providing certain telecommunications services, four joint ventures in which Metromedia held an interest terminated their relationships with China Unicom. These joint ventures were dissolved in 2000. Pursuant to the termination agreements, Metromedia received the right to certain payments. These payments were to be made in remimbi, the Chinese currency. Metromedia estimated the amount of those payments at \$90.1 million, which later fluctuated with currency exchange rates.

The amount that Metromedia expected to receive under the December 1999 termination agreements was not sufficient for Metromedia to cover the goodwill that it had recorded in connection with its investment in these joint ventures. Metromedia disclosed in its 1999 annual report on Form 10-K that it recorded in 1999 a non-cash impairment charge of \$45.7 million on that basis. Metromedia further disclosed that this amount was subject to adjustment. The following year, Metromedia disclosed that this charge had been reduced to \$41.7 million.

The amounts due to Metromedia under the termination agreements were paid in 1999 and 2000. Mr. Hauf recalls that, over the course of the next two years, Metromedia converted remimbi that it received into dollars, and those dollars were moved to Metromedia's accounts in the U.S.

The \$65.4 million is an entry on a schedule that Mr. Pyle shared with, and explained to, Mr. McLaughlin at their meeting in March 2005. That schedule shows a reduction in 2000 cash flow to Metromedia in connection with Metromedia's China subsidiary. The reduction reflects an accounting reclassification of the cash that was received by that subsidiary in 2000 in connection with the transaction described above, based on a determination that under applicable accounting rules cash received in those transactions should not be part of Metromedia's consolidated cash receipts for 2000. Metromedia did not take a charge of \$65.4 million.

Your questions imply that the \$65.4 million entry on this schedule involves a loss of funds to Metromedia. The reclassification of \$65.4 million reflects no loss of funds, and so far as we know no portion of the payments received by Metromedia for interests in the Chinese joint ventures went missing. The charge that was disclosed in connection with the December 1999 transaction reflects an accounting loss tied to goodwill reflected in Metromedia's financial statements – not an outflow or a disappearance of funds. The proceeds from the December 1999 transactions were made available to Metromedia as soon as they prudently could be converted into dollars and moved to the U.S.

May 27 Requests

With regard to the new requests for additional documents in your May 27 email, Metromedia responds as follows:

1. Minutes. We have copies of the minutes for meetings of the Board of Directors and of the Audit Committee in 2004-07. These minutes contain privileged material, personal information, and (especially the minutes of meetings in recent years) information about Metromedia's business operations that is highly confidential. For example, much of the material in the minutes for 2006 and 2007 meetings pertains to Magticom Ltd., the cellular telephone business in the Republic of Georgia that Metromedia still owns. The disclosure to competitors of Metromedia's recent

confidential discussions about that business could be very harmful to Magticom, to Metromedia, and to the other shareholder of Magticom.

We do not understand that Mr. McLaughlin or you are raising questions about any transactions entered into by Metromedia during this period, or about the conduct of Metromedia's business during this period. Can you let us know what kinds of information in these minutes is of interest to you?

2. Anderson arbitration. Metromedia does not know what you are seeking by your request for "copies of Clyde Anderson's arbitration." If you will explain that request, we will try to provide what you are seeking. Metromedia does have contractual obligations not to provide copies of certain materials pertaining to this arbitration.

3. Moser hard drive. Metromedia is searching for, and may have found, the contents of Mr. Moser's hard-drive. If we do locate these documents, we would need to review these documents to determine whether any of them are protected by privilege or are commercially sensitive, and that is likely to be an expensive undertaking.

Can you advise us why you are interested in obtaining these documents, and perhaps narrow down the range of those in which you are interested, in order to expedite our review?

4. Snapper closing. We have discussed this request with Mr. Pyle. He has advised us that he did not "refus[e] to sign off on the closing documents" or any other documents relating to Snapper. Mr. Pyle did sign documentation for the sale of the Snapper business after he consulted with, and received authorization of, the Board of Directors. The documents showing Mr. Pyle's signature were filed with the Securities and Exchange Commission in, and have been publicly available since, December 2002. If you can reformulate this request to something Metromedia can search for, it will try to accommodate you.

5. Emails for 2001. Metromedia is not aware of any emails between Mr. Manning and Mr. Brazell related to Mr. Manning's resignation. Metromedia is trying to assess whether it has retained any emails from 2001 through which it could search for such documents.

May 29 Email

Your May 29 email contains allegations of wrongdoing by Metromedia and others, purported observations about Metromedia's past conduct that are fraught with innuendo, and complaints about the omission of points from the brief factual background on Metromedia in our May 19 memorandum. Because most of the questions posed seem to be so argumentative, we do not know how we would go about trying to respond to them. In addition, we have difficulty understanding some of the questions that are posed,

such as those about Metromedia's liquidity crisis and the request for documents about Sistema.

With regard to your questions about Metromedia's audit fees, we suggest that you contact the following:

Margot Clarenbeek
Moscow City
KPMG
Naberezhnaya Tower Complex
Block C
31 Floor
18 Krasnopresnenskaya Nab.
Moscow 123317
Russia

With regard to your questions about Metromedia's legal fees, we have been advised that Metromedia paid about \$176,600 in fees and disbursements to Paul, Weiss, Rifkin, Wharton & Garrison LIP and about \$97,600 in fees and disbursements to Richards, Layton & Finger, P.A. in connection with the lawsuit brought by Mr. McLaughlin. We will provide additional information about those fees as we receive them.

If you wish, you may direct any further inquiries about legal fees paid by Metromedia to:

Daniel J. Befell, Esq.
Paul, Weiss, Rifkin, Wharton & Garrison LIP
1285 Avenue of the Americas
New York, New York 10019-6064
(212) 373-3218

and to

Daniel A. Dreisbach, Esq.
Richards, Layton & Finger, P.A.
920 N. King Street
One Rodney Square
Wilmington, Delaware 19801
(302) 651- 7762

Finally, we do not follow your attempt to analogize the officers and directors of Metromedia to those of CIETC. We understand that Iowa's taxpayers had an interest in CIETC's improprieties because it received funding from the State: CIETC misused funds

whose source was the tax dollars that Iowa's government had required its citizens to pay. There is no such relationship with Metromedia, and you have not suggested any. Metromedia was a publicly held corporation. As typically is the case with public corporations, investors in every (or nearly every) state chose, for their own benefit and with no connection to the government of Iowa, to buy securities issued by Metromedia. If those investors were induced to purchase securities by false or misleading statements, or if the officers and directors have breached the obligations that they owe to the corporation, they have remedies under well established legal standards.

Metromedia has tried to cooperate with the inquiries made by Iowa legislators, but we are at a loss to understand the interest of the Government Oversight Committee in this matter. We are hopeful that the information provided to date will allow you to move your inquiry into this matter toward a conclusion.

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