G.O.T 1

**Tuesday, June 10, 2008**

**Iowa General Assembly: Government Oversight Committee**

**Metromedia International Group, Inc. Timeline & Presentation**

**"Thank you" to the signatories, Committee co-chairs and members**

**Metromedia International Group, Inc. was originally controlled by multi-billionaire John W. Kluge and his partner, Stuart Subotnick. In September 1999, Metromedia acquired PLD Telekom, which held valuable communications assets primarily in Moscow and St. Petersburg, Russia. PLD Telekom was controlled by Rupert Murdoch's News Corporation.**

**The opportunity that made Metromedia so attractive was that Kluge and Subotnick had gone into many of the formerly Communist countries of Eastern Europe, taking the leading politicians in as partners in their cable TV and telephony businesses to keep competitors out. Secondly, not only did Metromedia hold around 50 investments in these companies, but the economies in these countries were growing very rapidly with the prospect of large rewards for investors.**

**Metromedia claimed that they were focused on building cable TV and telephony franchises in the emerging markets of Eastern Europe and Russia, although they also had telephony assets in China until they were bought out by the Chinese government in 2000 for almost $95 million. In addition, they had the Snapper lawn equipment manufacturing company, which they claimed was a "noncore" asset from 1999 until it was finally sold for a loss in November of 2002.**

**The reason for investing in Metromedia was to take advantage of the growth potential in the emerging markets based on their need for communications and their desire for entertainment and news through cable TV and the Internet. With so many communications and media assets spread all over the emerging markets, Metromedia, based on the assurances and experience of John Kluge and Stuart Subotnick, appeared to be a compelling opportunity.**

GOT 2

# TIMELINE:

1996- Kluge, Subotnick and CEO John Phillips are interviewed for articles in Forbes and Business Week telling investors that they have done all this before and that the Company should be worth $2 billion by 1998-1999. At this point, Metromedia 88,000 subscribers in all, with over half in cable TV.

1997- Metromedia sells 3.6 million shares of 7.25% cumulative convertible preferred stock raising $180 million to help finance the construction of the cable TV and telephony systems.

1999- In June, Metromedia announces "Company's Cable Systems Will Now Pass More Than 10 Million Homes" (about the size of New York City and Washington, DC combined), and News Corp. becomes second largest shareholder with 9.8% of stock. John Kluge, then the Chairman, stated in May 18th press release: "This is an important day for "MIG" in executing our strategy of building a global communications company. The combination of their telephony assets with our cable and telephony services will enable us to provide the communications links to deliver voice, data and video services in these emerging markets." So Kluge was still making remarks that encouraged investors.

2000- March 20th Forbes Magazine article, "Zamboni Time" points out that Kluge and Subotnick's shareholders felt cheated over their investments in another company, also called Metromedia, back in 1984. According to the article, the shares have already fallen from $23 on the common to a then-current price of $6 apiece.

Metromedia 10-Q shows $50 million profit on BaltCom sale.

Metromedia gets $94.7 million for sale of Chinese phone systems.

Subsidiaries show growth in revenues, cash flows.

Comstar acquired for $60 million: valuable Moscow fiber optic system.

Financials for 2000; 2001 and 2002 show missing $65.4 million.

GOT 3

**On November 14, 2000, Kluge's partner, Stuart Subotnick, also Metromedia's President, CEO, and a board member, responded to sharp criticisms from Lens Investment Management about management not looking out for their shareholders; their failure to sell Snapper which could have helped get analysts to follow Metromedia, and the makeup of the board which had one "insider" running it, and four more directors from Kluge and Subotnick's private company, making up five of the nine seats.**

**2001- Forbes article "Repeat Performance"**

**William Manning, Metromedia's new CFO, resigns after four days on the job in November of 2001.**

**Metromedia's December 31, 2001 SEC Form 10-K includes "going concern" language for first time in KPMG LLP's cover letter to the board**

**2002- KPMG LLP's Form 10-K cover letter again includes "going concern" warning and Metromedia claims to have a "liquidity crisis"**

**Accountings show large amounts of interest for undisclosed loans: are the loans real and why weren't they disclosed?**

**Revenues are only $104 million for 2002 making shareholders ask why no one noticed all these missing funds?**

**Forensic accountant, Telford Lodden, raises questions about $76.1 million in missing funds from "Distributions from business ventures" in December 31, 2002 Form 10-K filing.**

**The total of the missing assets and questionable accountings amounts to approximately $330-606 million for 2002, alone.**

**2003- Comstar, purchased for $60 million in 2000, is sold along with cable TV and radio stations for approximately $60 million in spite of**

GOT 4

**rapidly growing economy in Moscow, Russia. Dow Jones article in 2004 shows Comstar cashing in on the boom in telephony industry.**

**Metromedia reports Foreign Corrupt Practices Act violation.**

**2004- KPMG LLP resigns Metromedia's audit saying they can't tell if "material misstatements" appear in the Company's financial filings.**

**2005- Metromedia announces all financials for 2002 & 2003 cannot be relied upon and that the annual and quarterly reports all have to be restated.**

**Metromedia tries to accept $300 million for the whole Company; PeterStar telephony system in St. Petersburg, Russia is sold $215 million under threats from investors. Shareholders are denied a vote on the sale; management gets large bonus.**

**2006- The SEC's Steven G. Johnston writes to McLaughlin after reporting to him for a year, as instructed, and he says the SEC takes McLaughlin's complaint about Metromedia "very seriously." Nothing happens.**

**Esopus Creek Capital and Black Horse Capital go to Delaware Court to stop sale of remaining assets for a price they say is too low. Court hands them a victory because, once again, shareholders are to be denied a vote contra to Delaware Corporation law. Victory is short-lived.**

**Both the Wall Street Journal and Forbes Magazine write articles about companies buying Metromedia's assets which may have ties to money laundering organizations**

**2007- SEC notifies Metromedia of violations of Securities Exchange Act of 1934 and gives them 15 days to file back financials for over two years or face revocation of corporate certification; deregistration of common and preferred shares; fining and sanctioning of officers and directors. Again, nothing happens and Metromedia is sold to a known fugitive from Russian justice named Arkady "Badri" Patarkatsishvili.**

GOT 5

Requests for Actions to Be Taken by the Government Oversight Committee by M. Kevin McLaughlin and the Iowa shareholders of Metromedia International Group, Inc.:

1. A public letter to the SEC calling for them to take up the Metromedia inquiry, if they have dropped it again, and to publish their findings so that investors and legislators will know that they have done their job, and what the results are.

2. Contact the Iowa Congressional delegation calling on them to get copies of the confidential documents the Iowa General Assembly's Government Oversight Committee now holds, and to support committee hearings to look into Metromedia to protect shareholders who have always been entitled to answers to the questions raised here today.

Iowa Congressman Bruce Braley sits on both the House Government Oversight Committee and its Domestic Policy subcommittee with oversight responsibilities in such matters. Shareholders request that a letter go specifically to Mr. Braley calling on him to introduce these investigations in his committees.

3. Contact the IRS; Federal Communications Commission; Office of Homeland Security, and any other government agency that applies to see to it that questions are answered. Vladimir Putin is proving to be no friend to the U.S., and his telecom minister is now in a position to cause serious losses for America if he controls PeterStar and especially the Technocom communications system in Moscow.

In general, the buyers of Metromedia's telephony systems may come into possession of sensitive information about the war on terror and our government's plans to fight it as our diplomatic agencies communicate with other governments. Our troops and government officials could be at risk if the people controlling that information were to sell it to the highest bidder.

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## Dumb but profitable

BRADLEY KREVOY and Steven Stabler, both 39, are moviemakers after John Kluge's heart: tightwads. A Stanford Law graduate, Krevoy learned the movie biz from penny-pinching B-movie producer Roger Corman. Corman produced low-budget classics like *The Raven* and *Little Shop of Horrors* with—at the time—neophyte directors and actors such as Francis Ford Coppola and Jack Nicholson.

Following Corman's model, Krevoy and his childhood friend Stabler began cranking out usually lowbrow but profitable movies like *Threesome*. Released in 1993, the $3.5 million film grossed $60 million, largely on the strength of the video rental and pay TV markets.

Krevoy and Stabler took a big bet on goofy comedic actor Jim Carrey, with the $16 million *Dumb and Dumber*, which grossed almost $250 million and helped launch Carrey into the superstar ranks.

In late November Krevoy and Stabler agreed to merge their Motion Picture Corp. of America into Metromedia International Group in exchange for $32 million in cash and stock. With Len White, president of Metromedia International's Orion Pictures, they will now run Orion, a company known for classy Oscar winners like *Amadeus* and *Dances With Wolves* and for cost overruns. Sounding like a young Kluge, Krevoy says: "We don't really care what the critics think. We try to eliminate the ego aspect and look at projects on a clear, economic basis. We don't need to make $100 million at the box office. I'll settle for a 100% return on investment." —M.M.

Cheap moviemakers Steve Stabler and Brad Krevoy.
**"We don't really care what the critics think."**

less is cost-effective and easier to deploy," says Sherwin, now the head of Metromedia International's telecommunications unit. "It will leapfrog wired service over the next few years."

Such economies allow Kluge to reduce costs to subscribers. In Riga (pop. 1 million), the capital city of Latvia, Metromedia is offering cable subscribers a special package of six channels that costs just $9 a month. The package includes a Russian-dubbed MTV, the ESPN-produced Eurosport network, a channel featuring local Latvian concerts and events and a Russian-language movie channel that Metromedia has developed called CineRus. At the $9 price, new subscribers are coming on board at a rate of 2,000 per month.

Metromedia International has begun cross-promoting its services. Metromedia advertises its cable television service over its radio stations and its pagers and telephone services over the TV. "A lot of what we are doing we've done before here in the States," Kluge says.

Right now the international business is still small potatoes. The company has only about 88,000 customers in all, more than half of those in cable television. Last year the international businesses had a cash flow estimated at just $3 million on revenues of $28 million. That's a drop in the bucket compared with the more than $1 billion in revenues Metromedia will have if its recently announced mergers go through. Not all of that $3 million flows to Metromedia because the local partners own half-interests in many of the businesses.

Like Ted Turner with his 1986 purchase of MGM, Kluge decided he would need a film library to feed his movie channel. That's how one of the most unusual aspects of the new Metromedia came about. Last year, in a unique four-way merger, Kluge united his international telecommunications properties with three other businesses: Actava, an Atlanta-based holding company formerly known as Fuqua Industries; Orion Pictures, the troubled independent film studio that Kluge bought control of in 1988 and which has been one of his worst investments; and MCEG Sterling, a much smaller film library.

Late last year Kluge agreed to pay $32 million for Motion Picture Corp. of America, a producer of low-budget films. In the last few months Metromedia has announced a $525 million merger (for Metromedia stock) with Alliance Entertainment, the nation's largest independent distributor of compact discs. Kluge has also agreed to pay $115 million for cash-strapped film producer Samuel Goldwyn Co., which owns a large film and television library.

Metromedia International today certainly isn't much to look at. It is already heavily in debt, and Kluge is entering the music business at a time when sales seem to have peaked. Wall Street has knocked Metromedia's stock from 19 a share last winter to a recent 13, calling into question whether Metromedia can consummate its acquisition of Alliance Entertainment.

In a rare interview at the estate he is building in Palm Beach, Kluge laid out his strategy for Metromedia International. He was joined by his longtime right-hand man, Stuart Subotnick.

Gracious and soft-spoken, Kluge puffed away on a fat

GONE PHILLIPS 35 (2)



BY GENE G. MARCIAL

#6

## KLUGE'S MOVES AT METROMEDIA

John Kluge amassed billions in the '70s and '80s by buying properties and licenses cheap—in entertainment and telecoms—and then selling them off. He's at it again. This time, he's doing it through a rejuvenated Metromedia International Group (MMG)—the result of a series of mergers—of which he's chairman and largest shareholder, with a 23% stake.

**KLUGE:** *His company may split itself in two*

Analysts say the latest moves of Kluge and his chief lieutenants, Vice-Chairman Stu Subotnick and CEO John Phillips, are all the more intriguing because Metromedia's stock, now at 9, is way below the intrinsic value of the company's assets. Analysts put Metromedia's worth at 17 over the next six months to a year and at 30 to 35 in two years.

One near-term attraction: Metromedia may split in two. Some investment pros speculate that, before yearend, the company will sell its entertainment operations and focus on telecom. "The film library alone of Orion Pictures [a movie company owned by Metromedia] is worth $10 a share," figures one New York money manager. Orion has a library of 2,200 movie and TV titles.

"The recent sale of MGM Pictures [to Kirk Kerkorian] for $1.3 billion points to the scarcity value of leading independent content providers," notes analyst Mark Manson of Donaldson, Lufkin & Jenrette.

**SUBOTNICK:** *Watch Kluge in Europe*

One California investment manager says at least two of the outfits that lost to Kerkorian in the bidding for MGM have made offers to acquire Metromedia's movie group. Apart from Orion, Metromedia also owns Motion Picture Corp. of America, a film producer whose credits include *Dumb and Dumber*, which grossed $250 million; Samuel Goldwyn Co., which owns 850 film and TV titles; and Landmark Theatre Group, leader in specialized movies and art films in the U.S., with more than 150 screens in 52 theaters.

**PHILLIPS:** *Overseas demand is enormous*

"Orion may emerge as the most attractive acquisition candidate for any large media player seeking a strategic foothold" in films, says Manson. Unlike MGM, Orion owns almost all ancillary rights to its film library, he notes.

Metromedia's telecom business has even better prospects than its movie business, analysts note. In Eastern Europe, Russia, and China, it has acquired licenses and properties in wireless cable systems, paging and international toll-call services, trunked mobile radio systems, and radio and TV stations.

If Metromedia attains Kluge's vision and becomes the dominant telecom company in Eastern Europe and China, "its value could quintuple in the next 3 to 4 years," says Manson.

Subotnick thinks telecoms in Europe and China are where Kluge will show his investing genius. Phillips notes that because of the enormous demand for phones, radio, and TV in those places, Metromedia's assets will be worth $2 billion in two to three years.

"$2 Billion in 2-3 yrs"

## UNIPHASE: AN EVEN HOTTER PHASE?

Uniphase (UNPH) has been one hot stock this year. The maker of laser components and high-powered fiber-optic telecom transmitters started '96 at 16 and is now at 54, up 225%. No way it can keep soaring, right? Investment manager Phil Lamoreaux of Lamoreaux Partners in Sausalito, Calif., is convinced that the stock will still double in 12 to 18 months.

His faith is based on the company's torrid growth in its sizzling industry. Lamoreaux, who specializes in small-cap growth stocks, figures Uniphase will make $1.05 a share in the year ending June 30, 1997, on sales of $116 million, and $1.55 on $168 million in fiscal 1998. It made 67¢ on $69 million last year.

Lamoreaux has a good record so far this year. As of Nov. 13, his portfolio had risen 41%, compared with 22% for the Dow Jones industrial average and 15% for Standard & Poor's index of 600 small-cap stocks.

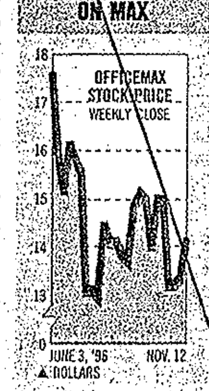
Lamoreaux notes that Uniphase's growing list of satisfied customers includes Northern Telecom, General Instrument, and Scientific-Atlanta. At a September conference of Montgomery Securities, director of research John Skeen said Uniphase was his best single stock idea. The stock was then at 44. Adds Lamoreaux: "Uniphase will be a major technology company, [and] it is still in its early growth cycle."

## OFFICEMAX MAY BE HUNTER—OR PREY

Although OfficeMax (OMX) has been growing at a fast clip and meeting the Street's expectations, its stock has been in a funk. Shares of the deep-discounter office supplier, with 470 stores in 43 states, have tumbled from 17 in May to 13. What's going on?

One reason: Some shareholders expect it will make an acquisition to keep up with leaders Office Depot and Staples, which in September agreed to merge. That combo creates a company with more than 1,000 superstores and sales of $10 billion. But OfficeMax' slump has some money managers buying in. They think that No. 2 OfficeMax will be the next target. They say the Staples-Office Depot deal signals a consolidation trend that will continue.

ATTACKS ON MAX




DATA: BLOOMBERG FINANCIAL MARKETS

They are betting that a big marketer of office, computer, and industrial products in the U.S. and Europe will make a move for OfficeMax. These moneymen figure OfficeMax is worth $20 a share, based just on its 30%-to-35% sales and earnings growth. "In a takeover, based on the Staples-Office Depot deal, OfficeMax is worth 23 to 25," says one New York investment manager.

In the year ended Jan. 31, 1996, OfficeMax posted earnings of 47¢ a share on sales of $2.5 billion. Analysts expect it to make 60¢ on $3.2 billion in fiscal 1997 and 80¢ on $4.3 billion in 1998.

(LEFT) PHOTOGRAPH BY AP/WIDE WORLD; CHARTS BY ERIC HOFFMANN/BW

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FOR IMMEDIATE RELEASE

Contact: Jennefer Hirshberg
Capitoline/MS&L
202/467-3900

1998 High: approx $70.00/sh

# METROMEDIA INTERNATIONAL GROUP ANNOUNCES PRICING OF EQUITY OFFERING

(New York, NY, September 11, 1997) – Metromedia International Group, Inc. (MMG) (AMEX:MMG) reported the pricing of its public offering of 7.25% cumulative convertible preferred stock.

The Company's public offering of 3,600,000 shares of cumulative convertible preferred stock ("Preferred Stock") is expected to generate gross proceeds of $180 million. The Preferred Stock is convertible at the option of the holder at any time at an initial conversion price of $15 per share and a conversion rate of 3 1/3 shares of MMG's common stock for each share of Preferred Stock. The Preferred Stock is non callable for three years from the date of issuance and holders of the Preferred Stock are entitled to receive cumulative annual dividends of $3.625 which are payable quarterly in cash or stock. The offering was underwritten by a group of underwriters led by Donaldson, Lufkin & Jenrette Securities Corp.

Metromedia International Group is a global communications and media company which, through its Communications Group, is engaged in the development and operation of communications business, including wireless cable television systems, FM and AM radio broadcasting, radio paging services and various forms of telephony services including wireless local loop telephone services, GSM cellular telephone services, an international toll calling service and trunked mobile radio services in Eastern Europe, the republics of the former Soviet Union, the People's Republic of China and other selected emerging markets.

# # # # #



FIRST CALL SEPT. OF 2000
at $52.54
DECLINING TO $50.00 SEPT. 15, 200

6/14/99 7:10AM; Via Fax

4/99 08:08:50 Via Fax -> 5152864292 Kevin McLaughlin Page 002

JN-14-99 MON 06:16 AM FAX NO. P.01

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This is a very important indication of value.

# Metropedia International Group Enters Cable Television Market in Capital of Kyrgyzstan

◆ ◆ ◆

## Company's Cable Systems Will Now Pass More Than 10 Million Households

NEW YORK, June 14, 1999—Metromedia International Group, Inc. (MMG:AMEX), through its wholly owned subsidiary, Metromedia International Telecommunications, Inc. ("MITI") announced today the commencement of operations of its joint venture, Ala-TV, to provide cable television and data communications services in Bishkek, the capital of Kyrgyzstan. The venture is owned 51% by MITI, 4% by MITI's Kazakh joint venture, Alma-TV and 45% by local partners in Bishkek. With the addition of Bishkek's 220,000 households, MMG cable television ventures now cover more than ten million households in sixteen cities in Eastern Europe and the CIS.

Ala-TV will deliver cable television services via MMDS and hybrid fiber coaxial cable, similar to MITI's joint ventures in Almaty, Karaganda, Aktau and Ust Kamenogorsk, Kazakhstan. In addition, by utilizing both hybrid fiber coaxial cable and MMDS frequencies, Ala-TV will be able to provide high speed Internet access.

Stuart Subotnick, President and CEO of Metromedia International Group, said, "We are very pleased to begin providing services in the city of Bishkek. This is our first operation serving this important city, the capital of the Kyrgyz Republic, which boasts gold production and agricultural products as main economic activities and was the first CIS member to join the World Trade Organization. With a population just short of one million people, Bishkek has one of the most favorable foreign investment climates in the CIS, according to the U.S. Department of State."

Metromedia International Group, Inc. is a global communications and media company. Through its wholly owned subsidiary, Metromedia International Telecommunications, Inc., the Company owns and operates communications and media businesses in Eastern Europe, the Republics of the former Soviet Union and other emerging markets. These businesses include wireless and wired cable television stations; radio broadcasting; paging operations; and telephone operations including GSM cellular, international toll calling, fixed wireless local loop and trunk mobile radio. Through its approximately 58% ownership of Metromedia China Corp., MITI operates ventures supporting Public Switched Telephone Networks and GSM systems in China.

*This news release contains certain forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such risks and uncertainties include, but are not limited to, general economic and business conditions, competition, changes in technology and methods of marketing, and various other factors beyond the Company's control. This also includes such factors as are described from time to time in the SEC reports filed by Metromedia International Group, Inc., including its most recently filed Form 10-K and Form 10-Q.*

Contact: Ellen Strahs Fader
Vice President, Investor Relations
(212) 606-4389

Cable subscribers in this country go for $ 2-3,000.00 apiece and cable penetration is very high, 50%+

# Metromedia International Group, Inc. To Acquire PLDTelekom Inc. in Merger.

4-A

Publication: Business Wire
Date: Tuesday, May 18 1999
Company: Metromedia International Group Inc., PLD Telekom Inc.
Location: United States

NEW YORK--(BUSINESS WIRE)--May 18, 1999--

Upon Completion of Merger, Revenues from Communications Group

Expected to More Than Double

See Kluge's remarks next page.

Metromedia International Group, Inc. (AMEX:MMG), a global communications company, and PLD Telekom Inc. (NASDAQ:PLDI) announced today that the two companies have entered into an agreement and plan of merger in which MMG will acquire the stock of PLD Telekom. Pursuant to the agreement, PLD Telekom would merge with a newly formed subsidiary of Metromedia International Group, Inc. Both the Merger and the Merger Agreement have been unanimously approved by the Boards of Directors of Metromedia International Group, Inc. and PLD Telekom and each Board is recommending approval by their respective shareholders.



In connection with the Merger Agreement, News America Incorporated, a wholly owned subsidiary of News Corporation Limited, which owns approximately 38% of PLD Telekom's Common Stock, has entered into an agreement with Metromedia International Group, Inc. to vote its Common Stock in favor of the Merger Agreement and not to support any other transaction involving PLD Telekom. Upon completion of the merger, News America will own approximately 9% of MMG Common Stock.

Under the terms of the transaction, when the merger is consummated, PLD Telekom will become a wholly owned subsidiary of Metromedia International Group, Inc. The holders of PLD Telekom stock will receive shares of MMG Common Stock on the basis of an exchange ratio that values each share of PLD Telekom Common Stock at $3.50 provided that the average MMG price per share is between $5.25 and $6.25 at closing. If the average price of MMG Common Stock exceeds $6.25 each PLD

Telekom share will be exchanged for .56 shares of MMG Common Stock, not to exceed $4.48 per share of MMG Common Stock. If the average price of MMG Common Stock is less than $5.25 per share, each share of PLD Telekom shall be exchangeable for .6667 shares of MMG Common Stock, subject to certain termination and "top-up" rights.

John W. Kluge, Chairman of Metromedia International Group, said, "This is an important day for Metromedia International Group in executing our strategy of building a global communications company. We are taking a giant step forward in merging with PLD Telekom. The combination of their telephony assets with our cable and telephony services will enable us to provide the communications links to deliver voice, data and video services in these emerging markets."

4-B

KLUGE'S REMARKS VERY POSITIVE RE: "EXECUTING OUR STRATEGY OF BUILDING A GLOBAL COMMUNICATIONS COMPANY."

PeterSTAR WAS an optical-fiber, fully digital System.



In addition, make sure to read these articles:

- Standex International Announces the Purchase of ATC-Frost Magnetics..
- Daleen Stockholders Approve Merger Plan; Company Acquires Protek...
- Global Telephone Communication, Inc. Signs Letter Of Intent To Acquire...

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- Teva Announces Approval of Amoxicillin and Clavulanate Potassium for Oral Suspension, 200 mg and 400
- Leading Independent Investment Research Firms to Hold Landmark Conference; Independent's Day Confere
- "The Future of Democracy in the Middle East" Forum is April 6 at Hoover Institution
- Magma No. 1 on Electronic Business' List of Best Small Electronics Companies -- Second Consecutive Y
- InterVideo Reports Solid First Quarter 2004 Financial Results

1999 ANNUAL REPORT ON FORM 10-K (5)

**Item 1. Business (continued)**

Goldwyn Company and Motion Picture Corporation of America (and their respective subsidiaries), including its feature film and television library of over 2,200 titles, to P&F Acquisition Corp., the parent company of Metro-Goldwyn-Mayer, Inc., for a gross consideration of $573.0 million. Following on from this, on April 16, 1998, the Company sold to Silver Cinemas, Inc. its remaining entertainment assets consisting of all of the assets of the Landmark Theater Group, except cash, for an aggregate cash purchase price of approximately $62.5 million and the assumption of certain Landmark liabilities. These transactions provided significant funds for the Company's expansion in its communications businesses.

With the sale of these assets the Company is focusing on its core business of providing modern digital voice, data and multimedia communications capabilities.

The Company owns approximately 39% of the outstanding common stock of RDM Sports Group, Inc. In August 1997, RDM and certain of its affiliates filed a voluntary bankruptcy petition under chapter 11 of the Bankruptcy Code. The chapter 11 trustee for RDM is in the process of selling all of RDM's assets to satisfy its obligations to its creditors and the Company believes that its equity interest will not be entitled to receive any distributions. The Company also holds additional claims against RDM in the RDM proceeding. There can be no assurance that the Company will receive any distribution with respect to such claims.

*Principal Shareholders*

Metromedia Company, a Delaware general partnership, and related entities hold 16,401,228 shares of the Company's common stock, representing approximately 17.6% of the Company's outstanding common stock at December 31, 1999. John W. Kluge, the Company's Chairman of the Board, and Stuart Subotnick, its Vice Chairman, President and Chief Executive Officer, are Metromedia Company's partners. News PLD LLC, a subsidiary of The News Corporation, holds 9,136,744 shares of the Company's common stock, representing approximately 9.8% of the Company's outstanding common stock.

9,136,744 Shares

* * *

The Company's principal executive offices are located at One Meadowlands Plaza, East Rutherford, New Jersey 07073-2137, telephone: (201) 531-8000.

***Certain statements set forth below in this Form 10-K constitute "Forward-Looking Statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. See "Special Note Regarding Forward-Looking Statements" on page 95.***

**Description of Business Groups**

**Communications Group**

The Communications Group invests in communications businesses principally in Eastern Europe and the republics of the former Soviet Union. Until the end of 1999, the Communications Group also held interests in several telecommunications joint ventures in China. The percentage of consolidated revenues from operations in Eastern Europe and the republics of the former Soviet Union for 1999, 1998 and 1997 were 18%, 13%, and 10%, respectively.

At December 31, 1999, the Communications Group owned interests in and participated with partners in the management of joint ventures that had 55 operational systems, consisting of 12 cable television systems, 3 GSM wireless telephone systems (the Communications Group's interest in one of which is in the process of being sold), 2 analog wireless telephone systems, 7 fixed and other telephony networks (which include local, international and long distance telephony providers and satellite-based telephony and wireless local loop operators), 17 radio broadcasting stations, 12 paging systems and 2 other telephony-related businesses.

6

O U T F R O N T

# Zamboni Time?

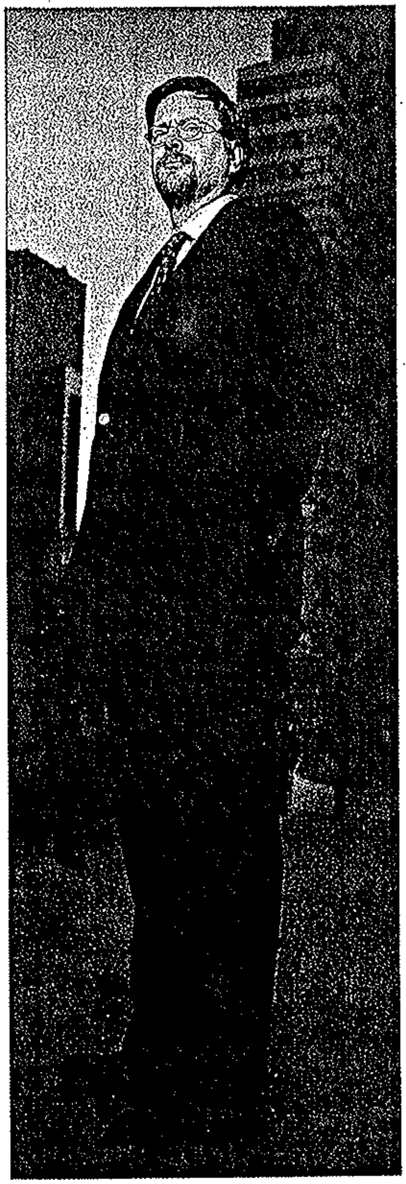
**INVESTMENTS | Russian problems plus distrust of billionaire John Kluge have turned Metromedia International into a rare object: an undervalued telecom.**

BY JUSTIN DOEBELE

THE BULK OF JOHN KLUGE'S $11 billion fortune traces to his sale of U.S. telecom assets from Metromedia after he and longtime aide Stuart Subotnick took it private for a song in 1984. An accounting irregularity had knocked the stuffing out of the stock. What happened was legal, but many shareholders felt cheated, and Kluge had to cough up a minor settlement.

Flash forward to 2000. Kluge has a new Metromedia, this one called Metromedia International Group, which, like the old entity, has TV, radio, wireless and paging assets. Instead of being based in the U.S., however, this international version has its assets in Russia and nearby states.

Like the old Metromedia, the new version is a fallen angel: Trading at $23 a share in 1990, Metromedia International now hovers around $6 on the American Stock Exchange. The Russian crisis of 1998 and subsequent troubles daunt investors.



Mission to Moscow: James Hatt is Kluge's point man in getting Metromedia credibility, but both must bank on a more stable Russia.

Will Kluge Inc. get there first again? Subotnick, in day-to-day operating control of Metromedia International, insists not. "We have always tried to build this company for the benefit of the shareholders," he says. "We have no plans to take this company private."

After taking over PLD, a leading Russia-based telecom company, late last year, Metromedia brought in PLD's chief, the dapper Englishman James Hatt, to revitalize the company and its stock.

The 6-foot-7 Hatt, 40, is a formidable presence, both physically and in his reputation. He came to what was still the Soviet Union as a Cable & Wireless executive. He left that giant in 1994 and the next year was atop PLD, which had established itself as the first Western-owned telecom outfit in Russia.

With the PLD transaction, Kluge also got a major ally, Rupert Murdoch's News Corp. News Corp. owned 38% of PLD, and now has 10% of Metromedia International. Murdoch, who has a long history of friendly deals with Kluge, is now the second-largest shareholder after Kluge and Subotnick, who have a combined stake in Metromedia International of at least 30%. Snyder Capital, a San Francisco money manager, is third, with 7%.

Winning over Wall Street, however, doesn't seem to be high on the agenda, notwithstanding a road show Hatt and Subotnick have set for late March. The company stopped producing an annual report last year. Its public filings with the SEC are long, turgid documents filled with legalese, which makes an already complicated company, with more than 72 ventures in and around Russia and eastern Europe, even more difficult to decipher.

Also spooking some investors are whispers that the heavy-handed Russian dealster Boris Berezovsky, a longtime Murdoch ally in Russia, is involved with Metromedia International and PLD. Hatt shakes his head in a strenuous denial: "Never ever, ever, ever." Berezovsky and his ilk, says Hatt, were more interested in newly privatized state companies, which could be easily looted, like banks and oil companies.

Hatt argues that a new era of stability may dawn in Russia with the likely election of Vladimir Putin as president in March. Subotnick makes a colorful analogy: "This ice rink hasn't been smooth skating. We need a Zamboni. Maybe Putin will be the Zamboni."

Kluge could do a little smoothing out over here by shedding an irrelevant asset, the Snapper division, a moneylosing lawnmower maker with sales of $210 million a year. There's a decent chance he will act within the first half of the year.

What would be left? A diversified telecom and cable TV operation that had a small operating loss (before depreciation, interest and taxes) last year on estimated sales of $145 million. Actual figures should be released next month.

At the recent share price, the company carries an enterprise value (market cap plus debt minus cash) of only $745 million. That's too low, says Snyder, who figures a fair price for the equity is $19 a share. F

JOHN EMERSON (TOP); KELLY JORDAN / SYGMA

METROMEDIA
International Group, Inc.

6-A

6-A

# Metromedia International Group Response to Lens Investment Management

NEW YORK, November 14, 2000 — Metromedia International Group, Inc. (AMEX:MMG), which through Metromedia International Telecommunications, Inc. (MITI), is the owner of various interests in communications joint ventures in Eastern Europe, the former Soviet Union and other emerging markets, today is making public its response to the letter dated September, 29, 2000 from Lens Investment Management, LLC. The following is an excerpt of the letter written by Stuart Subotnick, the President and Chief Executive Officer of Metromedia International Group, Inc.:

I will attempt to address your concerns in turn.

First, my partner John Kluge and I are MMG's largest stockholders so we share your concern regarding MMG's stock price. However, neither MMG nor its management team can control what happens positively or negatively in the capital markets and we do not manage businesses solely to please the capital markets. We have run and will continue to run MMG with a view to what is in the best interest of all of its stockholders. In addition, our businesses and operations are concentrated for the most part in Russia and the republics of the former Soviet Union, areas of the world in which almost all of the companies in the comparison indices may have limited operations but none of which match our concentration in those areas. Unfortunately, as has been widely reported, these areas have undergone considerable political and economic turmoil, which has had an adverse effect on the capital markets impression of the value of our Company.

On the other hand, while MMG's stock price has not performed well recently, we have made very significant accomplishments in the last five years, including:

- The disposition of our film and theater businesses (Orion and Landmark) for approximately $650 million in cash;
- We acquired PLD Telekom with its Russian telecom properties, successfully integrated their operations into ours and realized approximately $20 million of cost synergies out of the combined businesses;
- We successfully negotiated an amicable resolution of our differences with China Unicom and successfully repaid MMG monies it had advanced to those ventures;
- We successfully implemented, where necessary, management changes to improve operating results.

Second, we understand that there have been some filings by stockholders unhappy with the MMG stock performance. Again, as the largest stockholders of MMG with a very significant investment in MMG, we share your interest in maximizing stockholder value and we are constantly evaluating opportunities to maximize our assets. We will not, however, manage our business and operations solely to respond to the capital markets.

(6-B)

Next, we have already announced that Snapper is a non-core asset and we will dispose of it under the proper circumstances. It has been in a rebuilding process for a number of years and as we have said in the past, we did not think we could get a price for Snapper which was reflective of its true value. We have always managed MMG's assets with a view towards maximizing stockholder value which is exactly why we sold Orion Pictures and the Landmark Theater businesses when we did and both of those transactions benefited greatly our stockholders as a whole. We continue to examine all opportunities to maximizing value to all of our stockholders, which is again consistent with our position as the Company's largest stockholders.

I also take issue with your characterization that management is insulated and that we have poor investor relations. We have held quarterly stockholder and analyst meetings for the last year (four in a row) which have dial-in information as well. We also tape these meetings and copies of the sessions will be available to analysts and stockholders. I am also keenly aware of the importance of research analyst coverage; that being said, we cannot force analysts to cover the Company and despite our efforts to encourage them to do so (we have met with numerous analysts over the years), none have elected to commence research coverage. This is unfortunate and we continue to work to encourage analysts to cover our Company.

I also believe that we have a top-notch Board of Directors. We have four very vibrant outside directors, three of whom were or are CEOs of major public companies. Their input is vital. Four of the "inside" directors are employed by Metromedia Company which is MMG's largest stockholder – we are not an entrenched management team looking to protect our jobs but rather individuals whose interests are exactly aligned with that of the stockholders. In addition, one of our other directors is employed by News Corporation, our second largest stockholder. In short, you have a board with important outside directors, other directors who represent the Company's biggest and second biggest stockholders and only one "insider" that runs the Company's largest operating business. We think this is a Board whose interests are aligned perfectly with the stockholders' interests.

## About Metromedia International Group

Metromedia International Group, Inc. is a global communications and media company. Through its wholly owned subsidiaries and its joint ventures, the Company owns and operates communications and media businesses in Eastern Europe, the republics of the former Soviet Union, China and other emerging markets. These include a variety of telephony businesses including cellular operators; providers of local, long distance and international services over fiber-optic and satellite-based networks; international toll calling; fixed wireless local loop; wireless and wired cable television networks and broadband networks; FM radio stations; and e-commerce.

*This news release contains certain forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such risks and uncertainties include, but are not limited to, general economic and business conditions, competition, changes in technology and methods of marketing, and various other factors beyond the Company's control. This also includes such factors as are described from time to time in the SEC reports filed by Metromedia International Group, Inc., including its most recently filed Forms S-3 and 10-K and the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2000, which will be filed shortly.*

Contact:
MMG: Investor Relations
(212) 606-4389

3RD QTR 10-Q FILED 11-13-2000 WITH THE SEC

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to increase as the Communications Group's joint ventures develop their businesses. Consolidated revenues of the Company for the nine months ended September 30, 2000 include $77.4 million attributable to PLD Telekom.

BASIS OF PRESENTATION

Almost all of the Communications Group's joint ventures other than the PLD Telekom businesses report their financial results on a three-month lag. Therefore, the Communications Group's financial results for September 30 include the financial results for those joint ventures for the three and nine months ending June 30. The Company is currently evaluating the financial reporting of these ventures and the possibility of reducing or eliminating the three-month reporting lag for certain of its principal businesses for the purpose of presenting the Company's results of operations on a more timely basis.

SALE OF BALTCOM GSM

In October 2000 the Communications Group sold its indirect 22% interest in Baltcom GSM, a Latvian mobile operator, to Tele2 AB, for total cash consideration of $66.3 million. The Communications Group's sale of its interest in Baltcom GSM was part of a sale by all of the selling shareholders of their stakes to Tele2. The sale agreement contained customary representations and warranties for the selling

22% interest in mobile phone co. in RIGA, LATVIA



Metromedia gets $66.3 million, CASH, from Baltcom GSM sale, and $94.7 million, CASH, from sale of assets in China. By the end of the 3rd Q, the Company still has an extra $100 million after the $60 million paid for Comstar.

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**METROMEDIA INTERNATIONAL GROUP INC filed this 10-Q on 11/13/2000.**



ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

shareholders, including the Communications Group, and indemnification provisions for the benefit of the buyer from the selling shareholders.

The Communications Group expects to report the after tax gain on this disposal, approximately $50 million, in the final quarter of 2000. Taxes payable on the gain are expected to be negligible.

$50 million gain on $9 million invested after 3yrs on a minority stake of 22%.

1999 RESTRUCTURING AND IMPAIRMENT CHARGES

Shortly after completing its September 30, 1999 acquisition of PLD Telekom, the Company began identifying synergies and redundancies between its Metromedia International Telecommunications, Inc. ("MITI") and PLD Telekom subsidiaries. The Company's efforts were directed toward streamlining its operations. Following the review of its operations, the Communications Group determined to make significant reductions in its projected overhead costs for 2000 by closing its offices in Stamford, Connecticut and London, England, consolidating its executive offices in New York, New York, consolidating its operational headquarters in Vienna, Austria and consolidating its two Moscow offices into one. As part of this streamlining of its operations, the Company announced an employee headcount reduction. Employees impacted by the restructuring were notified in December 1999 and in almost all cases were terminated effective December 31, 1999. The total number of U.S. domestic and expatriate employees separated was approximately 60. In addition, there were reductions in locally hired staff. In 1999 the Company recorded a charge of $8.4 million in connection with the restructuring.

Operating expenses are declining

NOTE #6 $8.4 mm Restructuring Charge in 1999

Following is a rollforward of the activity and balances of the restructuring reserve account from inception to September 30, 2000 (in thousands):

| TYPE OF COST | RESTRUCTURING COST | PAYMENTS | DECEMBER 31, 1999 | PAYMENTS | ADJUSTMENTS | SEPTEMBER 3 2000 |
|---|---|---|---|---|---|---|
| Employee separations............. | $6,175 | $(303) | $5,872 | $(3,959) | $(676) | $1,237 |
| Facility closings............... | 1,456 | -- | 1,456 | (912) | (147) | 397 |

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**METROMEDIA INTERNATIONAL GROUP INC filed this 10-Q on 11/13/2000.**

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

a non-cash impairment charge on certain of its paging, cable television and telephony businesses of $23.2 million.

NOTE #7 $23.2MM
NON-CASH
IMPAIRMENT CHARGE

TERMINATION OF CHINA TELECOMMUNICATIONS JOINT VENTURES

Between 1996 and 1999, the Company made investments in four telecommunications joint ventures in China through its majority-owned subsidiary, Asian American Telecommunications Corporation. These joint ventures engaged in cooperation projects under contracts with China Unicom. All four of these ventures prematurely terminated operations by order of the Chinese government in late 1999. Concurrent with this termination, the Company reached agreement with China Unicom and its Chinese partners in the ventures, for the distribution of approximately $94.7 million in settlement of all claims under the joint venture agreements and cooperation contracts. The Company has received full distribution of these funds as of September 30, 2000 and Ningbo JV, Ningbo JV II, Sichuan JV and Chongqing JV have been fully dissolved. The $94.7 million in total distributions from the joint ventures was insufficient to fully recover the goodwill originally recorded in connection with the Company's investment in these joint ventures. As of September 30, 2000, the Company had recorded non-cash impairment charges of $41.7 million for the write-off of goodwill to reflect this shortfall.

GOT $94.7 MILLION
CASH

NOTE #8 NON-CASH
$41.7MM IMPAIRMNT.
CHARGE TO WRITE-
OFF GOODWILL
IN CHINESE JVs

NON-CASH

SUBSEQUENT EVENT

On November 8, 2000, the Company's Board of Directors authorized management to evaluate structural alternatives to separate its Snapper, Metromedia China and eastern European radio and cable businesses from its Russian and eastern European telephony assets. These alternatives may include sales of certain or all of these assets to third parties or the spin-off of certain or all of these assets as independent companies to MMG's stockholders.

The Company's Board of Directors has not approved any definitive transaction and any final action would remain subject to a number of conditions in addition to final Board of Director approval, including, for certain transactions, obtaining the consent of the Company's banks and bondholders. The Company does not currently believe that any spin-off of its businesses could be accomplished on a tax-free basis.

telephony consolidated revenues for the three months ended September 30, amounted to $24.3 million. PeterStar's revenues for the three months ended eptember 30, 2000 amounted to $14.5 million, a marginal increase on revenues of $13.6 million generated in the same period in 1999. Technocom's revenues increased from $4.2 million for the three months ended September 30, 1999 to $8.0 million in the comparable period in 2000.

(10)

OPERATING INCOME. During the nine months ended September 30, 2000, fixed telephony consolidated ventures generated operating income of $14.5 million. PeterStar's operating income for the nine months ended September 30, 2000 amounted to $14.9 million compared to $11.0 million for the nine months ended September 30, 1999. Although revenues remained flat as compared with the same period in 1999, PeterStar's profitability for the nine months ended September 30, 2000 was favorably affected by reduced overhead expenses. Technocom generated an operating loss of $54,000 during the first nine months of 2000 compared to a loss of $4.2 million in the corresponding period in 1999. The reduction of Technocom's operating loss was due to a restructuring of operations in early 1999 resulting in reduced overhead expense, and also to the above mentioned increase in revenue.

Going the right way

Fixed telephony operating profits for the three months ended September 30, 2000 amounted to $5.8 million. PeterStar's operating income for the three months ended September 30, 2000 increased to $5.3 million from $2.5 million in the same period of 1999. In the three months ended September 30, 2000 Technocom generated operating income of $454,000 as compared with an operating loss of $869,000 in the corresponding period of 1999.

all positive

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**METROMEDIA INTERNATIONAL GROUP INC filed this 10-Q on 11/13/2000.**

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

notes plus accrued and unpaid interest to the date of repurchase (if such repurchase is after March 30, 2002).

The Indenture for the Senior Discount Notes permits the Company to finance the development of its communications operations. The Indenture for the Senior Discount Notes limits the ability of the Company and certain of its subsidiaries to, among other things, incur additional indebtedness or issue capital stock or preferred stock, pay dividends on, and repurchase or redeem their capital stock or subordinated obligations, invest in and sell assets and subsidiary stock, engage in transactions with affiliates and incur additional liens. The Indenture for the Senior Discount Notes also limits the ability of the Company to engage in consolidations, mergers and transfers of substantially all of its assets and also contains limitations on restrictions on distributions from its subsidiaries.

TRAVELERS. Also at completion of the Company's acquisition of PLD Telekom, PLD Telekom paid The Travelers Insurance Company and The Travelers Indemnity Company (together, "Travelers") approximately $8.7 million of amounts due under the revolving credit and warrant agreement dated November 26, 1997 between PLD Telekom and Travelers (the "Old Travelers Agreement"). PLD Telekom and Travelers also entered into an amended and restated revolving credit note agreement (the "New Travelers Agreement") pursuant to which PLD Telekom agreed to repay Travelers the remaining $4.9 million due under the Old Travelers Agreement on August 30, 2000 and to pay interest on the outstanding amount at a rate of 10 1/2%. The $4.9 million was repaid on August 30, 2000, fully discharging the obligation to Travelers.

COMSTAR. As part of the Communications Group's strategy to further develop its fixed telephony business, in June 2000 it entered into an agreement with Marconi Communications Limited of the U.K. to acquire Marconi's 50% ownership position in Comstar, the third largest digital overlay operator in Moscow. The Company has agreed to pay $60.0 million for the 50% interest in Comstar. The parties expect the transaction to close in 2000, following the completion of due diligence and the resolution of any issues arising from that process. Comstar is a 50/50 joint venture with the Moscow City Telephone Network ("MGTS"). It has a 756 mile optical fiber network throughout Moscow. This network supports local, national and international data and telephony services and is interconnected into MGTS' public network of 4.5 million customers. Comstar has a

COM STAR IN MOSCOW

756-

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well-established platform that facilitates all types of IP services through a Central Internet Service Node based on Marconi technology. This platform will enable Comstar to develop VoIP services, point-to-point data communications, frame relay, ATM and a total package of ISP services.

The acquisition of the Comstar interest is expected to give the Communications Group a significant presence in the Moscow market, which remains the most important in Russia, and complements its position in Russia's second largest city, St. Petersburg, through its majority owned interests in PeterStar and its wholly owned interest in Baltic Communications Limited.

& one of the most important Capitols in the world.

The agreement with Marconi required the Communications Group to place $3.0 million in escrow, pending closing of the transaction. In the event that the acquisition is not completed by November 30, 2000, Marconi has the right to terminate the Purchase Agreement and, in certain circumstances, retain the escrowed funds. In addition, the purchase price is subject to escalation in certain circumstances, with the additional amount not exceeding approximately $1.2 million.

PLD was acquired by MIG SEPT 30, 1999

TELECOMINVEST. In September and October 1999, PLD Telekom entered into certain option agreements (subsequently assigned to the Company) with Commerzbank AG and First National Holding S.A. which owns the majority of the ordinary shares of OAO Telecominvest, a Russian company with interests in a wide range of telecommunications companies in St. Petersburg and Northwestern Russia, and which is PLD Telekom's joint venture partner in its subsidiary PeterStar. The aggregate consideration for the

FIRST NATIONAL HOLDING MENTIONED

ITEM #1

(13)

METROMEDIA INTERNATIONAL GROUP, INC.

Consolidated Statements of Cash Flows / YEAR 2000

(in thousands)

| | Years ended December 31, 2000 | 1999 | 1998 |
|---|---|---|---|
| Operating activities: | | | |
| Net loss | $ (24,304) | $(141,983) | $(123,670) |
| Items not requiring cash outlays: | | | |
| Gain (loss) on disposition of discontinued operations | - | 12,776 | (12,316) |
| Equity in losses of investment in unconsolidated investees | 8,713 | 22,299 | 18,151 |
| Depreciation and amortization | 67,520 | 32,608 | 20,588 |
| (Reduction in estimate of) restructuring and asset impairment charges | (3,669) | 61,684 | 40,317 |
| Amortization of debt discount | 18,763 | 4,482 | - |
| (Gain) loss on disposition of businesses, net | (59,020) | 243 | (5,527) |
| Other income | (5,157) | - | - |
| Minority interest | 4,791 | (26,938) | (9,858) |
| Other | 974 | 1,030 | (909) |
| Changes in: | | | |
| Accounts receivable | 5,342 | 10,914 | (3,838) |
| Inventories | (9,820) | 10,910 | 32,475 |
| Other assets and liabilities | 4,201 | (2,136) | (4,099) |
| Accounts payable and accrued expenses | (9,734) | (27,682) | (10,492) |
| Other operating activities, net | (937) | 2,558 | (2,185) |
| Cash used in operating activities | (2,337) | (39,235) | (61,363) |
| Investing activities: | | | |
| Investments in and advances to joint ventures | (70,186) | (20,792) | (48,171) |
| Distributions from joint ventures | 71,368 | 43,058 | 5,441 |
| Cash paid in acquisition of PLD Telekom, net | - | (19,622) | - |
| Cash paid for acquisitions and additional equity in subsidiaries | (5,294) | (1,544) | (10,997) |
| Additions to property, plant and equipment | (21,621) | (5,793) | (11,400) |
| Net proceeds from sale of discontinued operations | - | - | 57,298 |
| Purchase of short-term investments | - | - | (3,069) |
| Proceeds from sale of short-term investments | - | - | 103,069 |
| Cash received in settlement of option | 11,000 | - | - |
| Proceeds from sale of business | 66,657 | - | 14,533 |
| Other investing activities, net | 2,513 | (8,500) | (134) |
| Cash provided by (used in) investing activities | 54,437 | (13,193) | 106,570 |
| Financing activities: | | | |
| Proceeds from issuance of long-term debt | 5,001 | - | 49,918 |
| Payments on long-term debt | (12,118) | (19,303) | (77,500) |
| Proceeds from issuance of common stock related to incentive plans | 1,211 | 99 | 5,347 |
| Preferred stock dividends paid | (15,008) | (15,008) | (15,008) |
| Dividends paid to minority interests | (1,935) | - | - |
| Cash used in financing activities | (22,849) | (34,212) | (37,243) |
| Net increase (decrease) in cash and cash equivalents | 29,251 | (86,640) | 7,964 |
| Cash and cash equivalents at beginning of year | 50,985 | 137,625 | 129,661 |
| Cash and cash equivalents at end of year | $ 80,236 | $ 50,985 | $ 137,625 |

more & more in cash Distributions!!

See accompanying notes to consolidated financial statements.

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Year 2000

**METROMEDIA INTERNATIONAL GROUP, INC.**

**Consolidated Statements of Cash Flows**

**(in thousands)**

| | Years ended December 31, 2001 | 2000 | 1999 |
|---|---|---|---|
| Operating activities: | | | |
| Net loss | **$(248,531)** | $(24,304) | $(141,983) |
| Items not requiring cash outlays: | | | |
| Gain on disposition of discontinued operations | **—** | — | 12,776 |
| Equity in losses of and write-down of investment in unconsolidated investees | **37,595** | 6,555 | 67,981 |
| Depreciation and amortization | **73,304** | 67,520 | 30,108 |
| Restructuring and asset impairment charges, net | **112,652** | (1,511) | 18,502 |
| Amortization of debt discount | **20,273** | 18,763 | 4,482 |
| Loss (gain) on disposition of businesses, net | **335** | (59,020) | 243 |
| Other income | **(729)** | (5,157) | — |
| Minority interest | **1,653** | 4,791 | (26,938) |
| Cumulative effect of a change in accounting principle | **2,363** | — | — |
| Other | **—** | 974 | 1,030 |
| Changes in: | | | |
| Accounts receivable | **5,792** | 5,342 | 10,914 |
| Inventories | **1,251** | (9,820) | 10,910 |
| Other assets and liabilities | **5,685** | 4,201 | (2,136) |
| Accounts payable and accrued expenses | **(31,683)** | (9,734) | (27,682) |
| Other operating activities, net | **167** | (937) | 2,558 |
| Cash used in operating activities | **(19,873)** | (2,337) | (39,235) |
| Investing activities: | | | |
| Investments in and advances to business ventures | **(4,289)** | (70,186) | (20,792) |
| Distributions from business ventures | **1,162** | 71,368 | 43,058 |
| Acquisition of PLD Telekom, net | **—** | — | (19,622) |
| Acquisitions and additional equity in subsidiaries | **—** | (5,294) | (1,544) |
| Additions to property, plant and equipment | **(20,718)** | (21,621) | (5,793) |
| Settlement of option | **—** | 11,000 | — |
| Proceeds from sale of business | **—** | 66,657 | — |
| Other investing activities, net | **—** | 2,513 | (8,500) |
| Cash (used in) provided by investing activities | **(23,845)** | 54,437 | (13,193) |
| Financing activities: | | | |
| Borrowings on debt | **3,814** | 5,001 | — |
| Payments on debt and capital leases | **(2,802)** | (12,118) | (19,303) |
| Proceeds from issuance of common stock related to incentive plans | **—** | 1,211 | 99 |
| Preferred stock dividends paid | **(3,752)** | (15,008) | (15,008) |
| Dividends paid to minority interests | **(3,219)** | (1,935) | — |
| Other financing activities | **(307)** | — | — |
| Cash used in financing activities | **(6,266)** | (22,849) | (34,212) |
| Net (decrease) increase in cash and cash equivalents | **(49,984)** | 29,251 | (86,640) |
| Cash and cash equivalents at beginning of year | **80,236** | 50,985 | 137,625 |
| Cash and cash equivalents at end of year | **$ 30,252** | $ 80,236 | $ 50,985 |

See accompanying notes to consolidated financial statements.

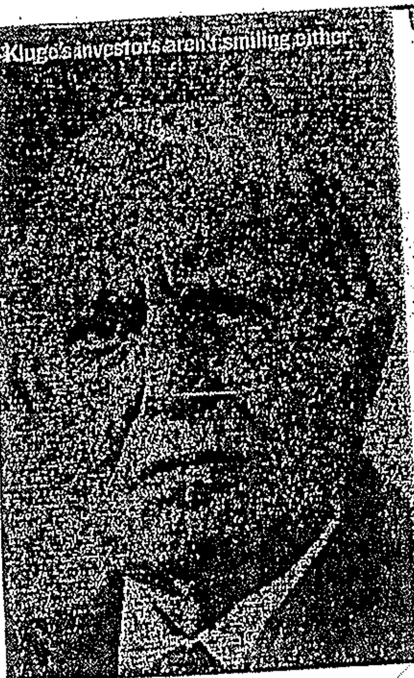
12-31-02 10-K FILINGS

(15)

YEAR 2000

**METROMEDIA INTERNATIONAL GROUP, INC.**
**Consolidated Statements of Cash Flows**
**(in thousands)**

| | Years ended December 31, | | |
|---|---|---|---|
| | 2002 | 2001 | 2000 |
| Operating activities: | | | |
| Net loss | $ (111,374) | $ (248,531) | $ (24,304) |
| Loss from discontinued components | 15,876 | 54,457 | 18,433 |
| Loss from continuing operations | (95,498) | (194,074) | (5,871) |
| Items not requiring cash outlays: | | | |
| Equity in losses of and write-down of investment in unconsolidated investees | 28,351 | 48,384 | 15,089 |
| Depreciation and amortization | 27,542 | 48,487 | 47,488 |
| Asset impairment and restructuring charges, net | 8,732 | 67,848 | (1,511) |
| Accretion of debt discount | 5,253 | 20,273 | 18,763 |
| Loss (gain) on disposition of businesses, net | (5,176) | 108 | (59,020) |
| Other income | — | (729) | (5,157) |
| Minority interest | 4,692 | 3,196 | 3,010 |
| Cumulative effect of a change in accounting principle | 3,157 | — | — |
| Other | — | — | 878 |
| Changes in: | | | |
| Accounts receivable | 714 | 19 | (576) |
| Inventories | (133) | 701 | (379) |
| Other assets and liabilities | (5,771) | 5,393 | 5,838 |
| Accounts payable and accrued expenses | 5,424 | (16,775) | (17,869) |
| Other operating activities, net | — | 15 | (1,411) |
| Cash used in operating activities | (22,713) | (17,154) | (728) |
| Investing activities: | | | |
| Investments in and advances to business ventures | (721) | (4,289) | (70,186) |
| Distributions from business ventures | 3,055 | 1,162 | 5,938 |
| Acquisitions and additional equity in subsidiaries | — | — | (5,294) |
| Additions to property, plant and equipment | (16,116) | (15,227) | (16,521) |

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# Repeat Performance

**FEUDS** | Octogenarian investor John Kluge is bracing for another raucous showdown with his shareholders. 310-452-2808

BY JOHN GORHAM ~~310-~~

As a young analyst in the 1980s at British brokerage Rowe & Pitman, Alan Snyder put his institutional clients into something called Metromedia. Run by financier John Kluge, Metromedia owned potentially valuable television and radio properties, as well as a nascent cellular telephone business. While Snyder worried that Kluge deliberately obscured Metromedia's value, he thought the company was cheap.

So did Kluge. With Metromedia's stock languishing, Kluge took the company private in 1984 in a $1.2 billion leveraged buyout. Then he enraged former shareholders by selling off the pieces for $8 billion.

Seventeen years later Snyder and other shareholders are again battling the 86-year-old Kluge. With a 7.7% stake, San Francisco-based Snyder Capital Management is the largest institutional shareholder in Kluge's Metromedia International Group, a hodgepodge of smallish telecommunications, Internet, radio and cable TV companies spread across China,

AP / WIDE WORLD PHOTO (BOTTOM); CHRISTINE OSBORNE / MIDDLE EAST PICTURES



**"They have noncore assets that have been through cycles. Power mowers? Eastern European telecommunications assets? Tell me the synergy."**

eastern Europe and former Soviet backwaters such as Kyrgyzstan and Belarus. Combined revenues from Metromedia's communications subsidiaries and joint ventures last year rose 71% to $280 million.

Kluge's millionaire sidekick: Stuart Subotnick.

True to form, Kluge is again infuriating investors. Since he formed the company in 1995, Metromedia International's stock has tanked by 85% to a recent $2.69. The complaints have a familiar echo. Investors say the company is worth more than $9 a share. They accuse Kluge and his longtime sidekick, Stuart Subotnick, of obscuring the company's true value and depressing its stock price through a byzantine structure of more than 50 separate subsidiaries, with varying ownership percentages, spread across 20 countries. For example, Kluge recently sold off Metromedia's 22% stake in a Latvian mobile phone operator for a $57 million gain on an estimated $9 million investment. "What's a minority position in Riga worth?" Snyder huffs.

Suspicious that Kluge and Subotnick are again scheming to take the company private for a song, outside shareholders aren't lying down this time. New York hedge fund manager Paul Singer of Elliott Associates, which owns 3.8% of the stock, recently launched a proxy fight for three of the eight board seats.

A former corporate lawyer, Singer is a veteran of scrapes with dealster Ronald Perelman and former government monopoly Telecom Italia. He successfully sued the Peruvian government after it tried to force a haircut on distressed government bonds.

To turn up the heat on Kluge, Singer enlisted Lens, the self-appointed shareholder gadfly outfit in Portland, Me., to stand for three board seats. If elected, the Lens candidates promise to force a sale of Metromedia's ailing Snapper lawnmower unit, buy back stock and separate the company's telecom business from its paging, cable TV, and radio and Internet operations.

"They have had noncore assets that have actually been through entire cycles. Power mowers? Eastern European telecommunications assets? Tell me the synergy," Singer snorts.

Lens claims it got shareholders representing 25% of the stock to attend a dissident pep rally in February at New York City's Marriott Marquis. Adding to the pressure, former Metromedia executive James Hatt filed a lawsuit against the company in April. Though the lawsuit is over his severance, Hatt also airs dirty laundry about the $3.75 million annual management fee collected by Subotnick and Kluge's private holding company.

Lens scored a minor victory recently after suing to get a look at Metromedia's books. To buy time, Kluge and Subotnick, who together own 18% of the stock, say they'll consider separating the company's valuable telecom assets as part of a restructuring. They deny trying to confuse shareholders and say they have no plans to take the company private.

Once bitten, twice shy. "They have to be forced to do the right thing," says Snyder. "Their natural inclination is not to give a damn about shareholders." F

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William B. Manning
the ~~X~~ 4 day CFO
Resigns

2 Equity CN

Search GO Options Related Info BN Nov 15 2001 8:52

Metromedia International Group Says Its CEO, CFO Have Resigned Page 1/2

Metromedia International Group Says Its CEO, CFO Have Resigned

2001

New York, Nov. 15 (Bloomberg) -- Metromedia International Group Inc., which runs phone and cable-television systems in Eastern Europe, said Chief Executive Officer Stuart Subotnick and other top executives resigned in response to shareholder concerns.

Carl Brazell, head of Metromedia's telecommunications unit, will replace Subotnick as CEO and was also named president, the company said in a statement released by Business Wire. William Manning, a former Metromedia executive, was named chief financial officer, replacing Silvia Kessel, who quit, the company said.

Metromedia, backed by billionaire John Kluge, said the changes were ''in response to shareholder concerns and to provide for a more efficient management structure.'' The company didn't elaborate and officials weren't available for comment. East Rutherford, New Jersey-based Metromedia is unprofitable and its shares have plunged 67 percent in the past year.

David Persing resigned as senior vice president and general counsel and will be replaced by Matthew Mosner, general counsel for the telecommunications unit.

Subotnick will remain a board member, though he resigned as



METROMEDIA STOPPED PAYING ITS $3 MILLION QUARTERLY PREFERRED DIV. ON, OR AS OF JUNE 15, 2001, AND NEVER PAID IT AGAIN.

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Metromedia International Group Chief Financial Officer Reconsiders Position

Pag

NEW YORK--(BUSINESS WIRE)--Nov. 19, 2001--Metromedia International Group, Inc. (the Company) (AMEX:MMG - news), which through its subsidiary Metromedia International Telecommunications, Inc. (MITI), is the owner of various interests in communications joint ventures in Eastern Europe, the former Soviet Union, China and other emerging markets, announced today that William B. Manning, the Company's newly appointed Executive Vice President and Chief Financial Officer, has reconsidered the position. For personal reasons, Mr. Manning has decided not to join the Company.

The Company has immediately commenced a search for a new Chief Financial Officer.

About Metromedia International Group

Metromedia International Group, Inc. is a global communications and media company. Through its wholly owned subsidiaries and its joint ventures, the Company owns and operates communications and media businesses in Eastern Europe, the republics of the former Soviet Union, China and other emerging markets. These include a variety of telephony businesses including cellular operators; providers of local, long distance and international services over fiber-optic and satellite-based networks; international toll

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DECEMBER 31, 2001 FORM 10-K PAGE 18-A

## Independent Auditors' Report

The Board of Directors and Stockholders
Metromedia International Group, Inc.:

We have audited the accompanying consolidated financial statements of Metromedia International Group, Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedules as listed in the accompanying index. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metromedia International Group, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring net losses and net operating cash deficiencies, and does not presently have sufficient funds on hand to meet its current debt obligations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 2 to the financial statements, effective January 1, 2001, the Company adopted the provisions of Emerging Issues Task Force Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Product).

KPMG LLP

New York, New York
April 18, 2002

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DECEMBER 31, 2002 FORM 10-K FILING WITH THE SEC

**Independent Auditors' Report**

The Board of Directors and Stockholders
Metromedia International Group, Inc.:

We have audited the accompanying consolidated financial statements of Metromedia International Group, Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedules as listed in the accompanying index. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metromedia International Group, Inc. and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring net losses and net operating cash deficiencies, and does not presently have sufficient funds on hand to meet its current debt obligations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 4 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangibles" as of January 1, 2002.

KPMG LLP

New York, New York
July 11, 2003

DECEMBER 31, 2002 SEC FORM 10-K

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**METROMEDIA INTERNATIONAL GROUP, INC.**
**Consolidated Statements of Operations (in thousands, except per share amounts)**

| | Years Ended December 31 | | |
|---|---|---|---|
| | 2002 | 2001 | 2000 |
| Revenues | $ 104,646 | $ 116,623 | $ 129,622 |
| Cost and expenses: | | | |
| Cost of services and operating expenses | 28,075 | 41,757 | 29,825 |
| Selling, general and administrative | 78,836 | 75,049 | 80,551 |
| Depreciation and amortization | 27,542 | 48,487 | 47,488 |
| Asset impairment and restructuring charges, net | 8,732 | 67,848 | (1,511) |
| Operating loss | (38,539) | (116,518) | (26,731) |
| Other income/(expense): | | | |
| Interest expense | (22,267) | (20,972) | (19,566) |
| Interest income | 1,146 | 2,401 | 5,428 |
| Equity in income (losses) of and write-downs of investment in unconsolidated investees | (28,351) | (48,384) | (15,089) |
| (Loss) gain on disposition of businesses, net | 5,176 | (335) | 59,020 |
| Foreign currency gain (loss) | 1,342 | 130 | (606) |
| Other income | 31 | 692 | 5,032 |
| | (42,923) | (66,468) | 34,219 |
| Loss (income) before income tax expense, minority interest, discontinued components and the cumulative effect of a change in accounting principle | (81,462) | (182,986) | 7,488 |
| Income tax expense | (6,187) | (7,892) | (10,349) |
| Minority interest | (4,692) | (3,196) | (3,010) |
| Loss from continuing operations before discontinued components and the cumulative effect of a change in accounting principle | (92,341) | (194,074) | (5,871) |
| Loss from discontinued components | (15,876) | (54,457) | (18,433) |
| Cumulative effect of a change in accounting principle | (3,157) | — | — |
| Net loss | (111,374) | (248,531) | (24,304) |
| Cumulative convertible preferred stock dividend requirement | (15,008) | (15,008) | (15,008) |
| Net loss attributable to common stockholders | $ (126,382) | $ (263,539) | $ (39,312) |

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# Form 8-K for METROMEDIA INTERNATIONAL GROUP INC

7-Jun-2005

## Results of Operations, Triggering Events of Financial Obligati

### Item 2.02. Results of Operations and Financial Condition.

The announcement described in Item 4.02 below includes information regarding the results of operations of Metromedia International Group, Inc. (the "Company") for the year ended December 31, 2003 and the quarters ended December 31, 2003, March 31, 2004 and September 30, 2004. See Items 4.02 and 9.01 below.

### Item 2.04 Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement

The Company has outstanding $152 million in principal amount of 10 1/2% Senior Notes due 2007 (the "Senior Notes"), which are governed by an indenture (the "Indenture") between the Company and U.S. Bank Trust National Association, a national banking association, as trustee (the "Trustee"). As previously announced by the Company and reported in earlier Securities and Exchange Commission ("SEC") filings, the Company has not filed with the SEC its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the "Form 10-K"), the timely public filing of which is required under the Indenture.

On April 4, 2005, the Trustee issued a notice that the Company's failure to deliver the Form 10-K to the Trustee is a default under the Indenture and that the Company was required to deliver the Form 10-K, and certain other annual certificates (the "Certificates") as required under the Indenture, to the Trustee no later than June 3, 2005, the sixtieth day following the receipt of the Trustee's notice, in order to avoid an event of default on the Senior Notes. The Company was unable to deliver the Form 10-K and the Certificates to the Trustee on or prior to June 3, 2005 and therefore an event of default has occurred under the Indenture. Upon the occurrence of an event of default, the Trustee or holders of at least 25% of the aggregate principal amount of the Senior Notes outstanding can declare all Senior Notes to be due and payable immediately. If this were to happen, the Company would not have sufficient corporate cash available to meet this obligation.

As announced on June 3, 2005, the Company and the holder of in excess of 80% of the aggregate outstanding principal amount of the Senior Notes have reached an agreement in principle, subject to preparation and execution of definitive documentation, in respect of a waiver of the aforementioned event of default under the Senior Notes through July 15, 2005. No event of default in respect of the foregoing will exist during the period of the waiver and the Senior Notes cannot be declared due and payable immediately based on the foregoing during such period.

une 3, 2005, the Company issued a press release regarding the event of default. A copy of the press release is attached as Exhibit 1 to this Current Report on Form 8-K and is incorporated herein by reference.

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**Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review**

On June 2, 2005, the Company concluded that it will be required to restate its previously issued financial statements as of December 31, 2003 and for the years ended December 31, 2003 and 2002 and the quarters ended March 31, June 30 and September 30, 2004 and 2003. The Company's financial statements for those periods and its previously announced unaudited financial results for the year and quarter ended December 31, 2004 should therefore no longer be relied upon.

On June 3, 2005, MIG issued a press release regarding the restatement. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The Company's management and its Audit Committee have discussed the decision to restate with the Company's independent registered accountants.

**Item 9.01 Financial Statements and Exhibits**

(c) Exhibits

99.1 Press Release of Metromedia International Group, Inc., dated June 3, 2005.

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FINALLY FILED DECEMBER 15, 2006
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## SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT
## METROMEDIA INTERNATIONAL GROUP, INC.

### CONDENSED STATEMENTS OF OPERATIONS

| | Years Ended December 31, 2004 | 2003 (Restated) | 2002 (Restated) |
|---|---|---|---|
| | (In thousands, except per share amounts) | | |
| Revenues | $ — | $ — | $ — |
| Cost and expenses: | | | |
| Selling, general and administrative | 15,586 | 14,011 | 8,204 |
| Depreciation and amortization | 54 | 132 | 64 |
| Operating loss | (15,640) | (14,143) | (8,268) |
| Other income (expense): | | | |
| Interest expense | (16,139) | (17,999) | (21,921) |
| Interest income on cash and cash equivalents | 356 | 133 | 293 |
| Interest income, net — accrued on credit lines with subsidiaries | 39,558 | 35,710 | 33,134 |
| Equity in losses of subsidiaries | (32,613) | (27,708) | (79,402) |
| Gain on retirement of debt | — | 24,582 | — |
| Other income | 76 | — | 904 |
| Income tax (expense) benefit | (156) | — | 4,403 |
| (Loss) income from continuing operations before discontinued components and the cumulative effect of changes in accounting principles | (24,558) | 575 | (70,857) |
| Income (loss) from discontinued components | 6,595 | 10,266 | (36,269) |
| Cumulative effect of changes in accounting principles | — | 2,023 | (1,127) |
| Net (loss) income | (17,963) | 12,864 | (108,253) |
| Cumulative convertible preferred stock dividend requirement | (18,790) | (17,487) | (16,274) |
| Net loss attributable to common stockholders | $ (36,753) | $ (4,623) | $ (124,527) |
| (Loss) income per common share — Basic and diluted: | | | |
| Continuing operations | $ (0.46) | $ (0.18) | $ (0.93) |
| Discontinued components | 0.07 | 0.11 | (0.38) |
| Cumulative effect of change in accounting principle | — | 0.02 | (0.01) |
| Net loss per share attributable to common stockholders | $ (0.39) | $ (0.05) | $ (1.32) |
| Weighted average number of common shares — Basic and diluted | 94,035 | 94,035 | 94,035 |

The accompanying notes are an integral part of the condensed financial information.

See Notes to Condensed Financial Information on page S-4.



NOTE: THIS FORM 10-K WAS THE LAST SEC FILING METROMEDIA MADE UNTIL IT WAS SOLD IN THE FALL OF 2007.

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(A) The accompanying parent company financial statements reflect only the operations, balance sheet and cash flows of Metromedia International Group, Inc. (the "Company" or the "Registrant") for the years ended December 31, 2004, 2003 and 2002. As discussed in Note 1 of the "Notes to Consolidated Financial Statements," the Company is a holding company that has economic interests in business ventures that principally provide telecommunications services to customers in the country of Georgia.

(B) The Company has determined that it should restate certain reports, including the accompanying parent company financial statements, included previously on Form 10-K and Form 10-Q to reflect the correction of certain past accounting errors. For additional information and specific errors corrected, see Note 2 of the "Notes to Consolidated Financial Statements."

(C) The principal repayments of the Registrant's borrowings under contractual terms of debt agreements are as follows (in thousands):

| | December 31, 2004 |
|---|---|
| 2005-2006 | $ — |
| 2007 | $ 152,026 |

For additional information regarding the Registrant's and subsidiaries' borrowings under debt agreements and other debt, see Note 7 of the "Notes to Consolidated Financial Statements."

On April 24, 2003, the Company completed an exchange with Adamant Advisory Services ("Adamant") of certain of its business ventures in Russia for, among other things, $58.6 million face value of Senior Notes held by Adamant, $5.0 million in cash and a release of its $3.5 million obligation to pay interest accrued on the Senior Notes being exchanged (see Notes 7 and 12 of the "Notes to Consolidated Financial Statements." With the completion of this transaction, the outstanding principal balance on the Senior Notes was reduced to $152.0 million.

On June 3, 2005, the Company defaulted on certain covenants outlined in the trustee agreement governing the Senior Notes. The Company paid a fee of $0.4 million to holders of the Senior Notes on June 9, 2005, which granted the Company an extension to July 15, 2005 to remedy the events of default. On July 16, 2005, the Company failed to remedy the defaults, thus an event of default occurred as of that date.

In addition, on August 8, 2005, the Company completed redemption of the Registrant's outstanding debt with the proceeds from the disposition of PeterStar. For additional information, see Note 19 of the "Notes to Consolidated Financial Statements."

(D) The Condensed Statements of Cash Flows have been presented net of non-cash intercompany interest of $39,816; $35,710; and $33,134 for the years ended December 31, 2004, 2003 and 2002, respectively. In addition, as outlined in Note 7 of the "Notes to Consolidated Financial Statements," the Company redeemed $58,605 of Senior Notes in exchange of its interests in certain businesses during the year ended December 31, 2003.

# Metromedia International Group, Inc.'s Original 2002 Form 10-K versus the Restated Form 10-K Not Filed Until December 15, 2006

**December 31, 2002 Form 10-K p. F-20**

**Item "6. Investments and Advances to Business Ventures" Analysis**

By their own description, Metromedia kept very close tabs on all the cash in their subsidiaries and their business ventures. This stands in stark contrast to other accountings in the same filing, and shareholders want to know why?

Again, Metromedia reported contractual obligations to provide up to $103.9 million for 2002, with $18.4 million still available in the credit facility. That meant that Metromedia's loans totaled only $85.5 million to their business ventures at the end of 2002.

The interest on that amount of debt would have been $5.13 million at 6%, or approximately $10.26 million at 12%.

Yet Metromedia in its "(Restated)" Condensed Statements of Operations and Footnote D on pp. S-1 & S-4, is showing "non-cash intercompany interest" of $33.134 million for 2002.

At 6%, $33.134 million would be the interest on approximately $550 million in debt. At 12%, $33.134 million would be the interest on approximately $275 million in debt.

So if you deduct the $85 million Metromedia said was outstanding in their Form 10-K, then there is somewhere between $190-465 million that's also unaccounted for in their report.

The question becomes: Can Metromedia have it both ways: they had a liquidity crisis, but they really did not if they had that kind of money to lend "intercompany"?

There is no accounting for any of this in their Form 10-K, so the next question becomes: Were these loans for real?

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**If they were for real, then why weren't they reported to shareholders who needed to know about them to understand the risks their investments represented?**

**If they were not for real, then what was the purpose of claiming to have made all these loans to the business ventures, most of which were ultimately written off as uncollectible?**

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| | Property and equipment | Intangibles, exclusive of goodwill | Goodwill | Investments in and advances to business ventures | Total |
|---|---|---|---|---|---|
| Technocom | $ 28,925 | $ 14,082 | $ 23,822 | $ — | $ 66,829 |
| Kosmos TV | — | — | — | 16,816 | 16,816 |
| Telecom Georgia | — | — | — | 10,180 | 10,180 |
| BELCEL | — | — | — | 5,247 | 5,247 |
| Other | — | — | 2,550 | 4,509 | 7,059 |
| Totals | $ 28,925 | $ 14,082 | $ 26,372 | $ 36,752 | $ 106,131 |



The 2001 impairment charges relating to consolidated ventures of $69.3 million are reflected in the restructuring and asset impairment charge on the accompanying consolidated statement of operations, net of $1.5 million of recoveries of a previous restructuring provision and an equipment payment guarantee. The 2001 impairment charges relating to unconsolidated ventures of $36.8 million are reflected in the equity in losses of and write-down of investment in unconsolidated investees, in the accompanying consolidated statement of operations.

*2000 Impairment Charge*

In 2000, the Company recorded a non-cash impairment charge on three of its CIS and Eastern Europe business ventures totaling $9.4 million as a result of performing an analysis of the recoverability of long-lived assets in accordance with the provisions of SFAS 121.

*Recoveries*

As part of its investment in Tyumenruskom, the Company agreed to provide a guarantee to the financing party of Tyumen's then $6.1 million equipment financing obligation. In 1999, the Company reserved $4.3 million for its contingent obligations under this guarantee. In 2002, 2001 and 2000, Tyumenruskom generated cash and partially repaid its debt. As a result, the Company recorded recoveries under the guarantee of $1.0 million, $1.2 million and $0.7 million, respectively.

In 2000, the Company recovered certain monies totaling $4.1 million related to its equity method investees in China. Such amounts had previously been written off.

**6. Investments and Advances to Business Ventures**

TOTAL LOANS TO BUSINESS VENTURES = $85.5 MILLION AT 12-31-02

*General*

Advances are made to business ventures and subsidiaries in the form of cash, for working capital purposes, payment of expenses or capital expenditures, or in the form of equipment purchased on behalf of the business ventures. Interest rates charged to the business ventures and subsidiaries range from prime rate to prime rate plus 6%. The credit agreements generally provide for the payment of principal and interest from 90% of the business ventures' and subsidiaries' available cash flow, as defined,

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prior to any substantial distributions of dividends to the business venture partners. The Company has entered into credit agreements with its business ventures and subsidiaries to provide up to $103.9 million in funding of which $18.4 million in funding obligations remain at December 31, 2002. The Company's funding commitments are contingent on its approval of the respective business ventures' and subsidiaries' business plans. The Company's ability to fund these commitments is dependent on the resolution of its liquidity issues (see Note 1).

*Equity Method Investment Information*

At December 31, 2002 and 2001, the Company's unconsolidated investments in and advances to business ventures in Eastern Europe and the CIS, at cost, including associated net goodwill and



intangible asset balances, and net of adjustments for its equity in earnings or losses, impairment charges and distributions were as follows (in thousands):

| Name | 2002 | 2001 | Ownership % |
|---|---|---|---|
| **Wireless Telephony** | | | |
| Magticom, Georgia | $ 30,297 | $ 24,538 | 35% |
| BELCEL, Belarus | — | 894 | 50% |
| | 30,297 | 25,432 | |
| **Fixed Telephony** | | | |
| Comstar | 25,135 | 55,595 | 50% |
| MTR-Sviaz, Russia | 1,218 | 1,091 | 49% |
| Telecom Georgia, Georgia | 33 | 461 | 30% |
| | 26,386 | 57,147 | |
| **Cable Television and other Communications Entities** | | | |
| Kosmos TV, Russia | 6,054 | 8,079 | 50% |
| Baltcom TV, Latvia | 4,656 | 4,682 | 50% |
| Cosmos TV, Belarus | 1,821 | 1,761 | 50% |
| Alma-TV, Kazakhstan | — | 5,737 | 50% |
| Other | 1,437 | 1,401 | 35%-50% |
| | 13,968 | 21,660 | |
| Total | $ 70,651 | $ 104,239 | |

(29)

**Kevin McLaughlin**

**From:** Margaret Purdy [Margaret@brookslodden.com]
**Sent:** Tuesday, October 04, 2005 5:01 PM
**To:** Kevin McLaughlin
**Subject:** FW: Questions

FORENSIC ACCOUNTANT'S QUESTIONS ABOUT, AND MIG'S CONFIDENTIAL ACCOUNTING SUMMARY

Mr McLaughlin.doc
(20 KB)

```
>  -----Original Message-----
> From:      Margaret Purdy
> Sent:      Tuesday, October 04, 2005 8:53 AM
> To: 'kevinm@bdfs.com'
> Subject:  Questions
>
>
> Kevin,
>
> Attached are questions Ted Lodden has for you.  Please review them and
> get back to him with your response. If you have any questions please
> give him a call. Have a great day.
>
> Thanks
> Margaret
> Brooks Lodden, P.C.
>
>             > >  <<Mr McLaughlin.doc>>
```

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1\. QUESTIONS 1; 2 & 4 FROM TELFORD LODDEN (BROOKS, LODDEN, P.C.) RELATE TO CONFIDENTIAL ACCOUNTING

2\. INFORMATION PREPARED EXCLUSIVELY FOR MR. McLAUGHLIN ON 3-18-05

3. On page 70 of the 12/31/2001 10K, it states that the credit line available to business ventures was $207.8 million and that $46.3 million remained at December 31, 2001. That means that $161.6 million had been advanced. On page F-20 of the 12/31/2002 10K, it states that $103.9 million was available and that $18.4 million remained. Thus the outstanding credit line was $85.5 million. Therefore, $76.1 million was received from the business ventures during 2002. I do not see the cash flows on page F-5 (consolidated statement of cash flows) or page S-3 (condensed statement of cash flows) contained in the 12/31/2002 10K. THIS SENTENCE DELETED DUE TO REFERENCE TO CONFIDENTIAL ACCOUNTING SUMMARY. How do you explain this?

4\.

AND CAN'T BE DISCLOSED. BUT QUESTION 3 COMES FROM PUBLIC INFORMATION AND RELATES TO APPROXIMATELY A YEAR AND A HALF OF REVENUES LODDEN, MR. McLAUGHLIN AND HIS ATTORNEYS FOUND MISSING WITH NO EXPLANATION. NO QUESTIONS WERE EVER ANSWERED.

<DOCUMENT>
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ITEM #7

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): JULY 9, 2004

METROMEDIA INTERNATIONAL GROUP, INC.

(Exact name of registrant as specified in its charter)

| Delaware | 1-5706 | 58-0971455 |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| 8000 Tower Point Drive, Charlotte, NC | 28227 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (704) 321-7380

(Former name or former address, if changed since last report)

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ITEM 4. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

KPMG LLP was previously the principal independent registered public accounting firm for Metromedia International Group, Inc. (the "Company"). On July 9, 2004, KPMG LLP notified the Company that it has resigned as the principal independent registered public accounting firm for the Company. In addition, on July 9, 2004, the Company engaged KPMG Limited, based in Moscow, Russia, as its principal independent registered public accounting firm. The decision to appoint KPMG Limited was approved by the Audit Committee of the

...pany's Board of Directors.

The Company was advised by KPMG LLP that it was more appropriate for KPMG Limited to be the Company's principal independent public accounting firm since it audits substantially all of the Company's operating business ventures as a result of the Company's restructuring initiatives. Furthermore, present Company plans are to continue to maintain the Company's recently opened corporate headquarters office in Charlotte, North Carolina, where the Company's Chief Financial Officer, General Counsel, Chief Accounting Officer, Assistant General Counsel and Corporate Controller maintain their current offices. KPMG Limited will also continue as the principal independent registered public accounting firm for both PeterStar, the Company's principal consolidated business venture and Magticom Limited, the Company's principal unconsolidated business venture, and as such, will continue to issue audit reports for these business ventures standalone consolidated financial statements.

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The audit reports of KPMG LLP on the Company's consolidated financial statements as of and for the years ended December 31, 2003 and 2002 did not contain any adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles except for the following paragraphs:

> The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring operating losses and net operating cash deficiencies, and does not presently have sufficient funds on hand to meet its current debt obligations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.
>
> As discussed in Note 4 to the consolidated financial statements, the Company changed its policy regarding the accounting for certain business ventures previously reported on a three-month lag basis as of January 1, 2003.
>
> As discussed in Note 4 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangibles" as of January 1, 2002.

In connection with the audits of the two years ended December 31, 2003 and 2002, and subsequent interim periods preceding the date of the resignation of KPMG LLP, there were no disagreements with KPMG LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of KPMG LLP, would have caused it to make reference to the subject matter of the disagreements in connection with its report on the Company's consolidated financial statements.

KPMG LLP advised the Audit Committee and management that in connection with KPMG LLP's audits for the years ended December 31, 2003 and 2002, it noted matters involving internal controls that it considered material weaknesses. KPMG LLP has advised the Company that under the standards of the Public Company Accounting Oversight Board (United States), a material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The Company disclosed these material weaknesses in internal control and actions taken to address such material weaknesses in its Form 10-Q for the quarter ended March 31, 2004 as follows:

In the fourth quarter of 2003, it was determined that the Company's

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Commentary and Question:

To summarize Metromedia's questionable accountings for 2002:

$65.4 million unexplained reduction in "Distributions from business ventures" two years after the original entry for the cash received; $76.1 million in payments from "Investments and Advances to Business Ventures" in item #6, which Telford Lodden could never even find in the filing, and something approximating an additional $190-465 million in "intercompany" loans that were never disclosed.

This makes the total accountings in questions approximately $331-606 million for the 2002 SEC Form 10-K filing. And all these assets went missing in a year when the Company reported revenues of $104 million.

Further:

Metromedia had three outside auditors, or certifying accountants, from 2004 until 2007: KPMG LLP; KPMG Limited of Moscow, Russia, and a division of Grant & Thornton. But the interesting thing is that the Company, its managers and directors never produced a single audited financial report after the 2004 Form 10-K. Senator Tom Harkin described the three auditors in just three years as a "red flag."

Shareholders want to know, and Representative Linda Upmeyer, in an email to Metromedia's attorneys, Maeve O'Connor and Steven Klugman at Debevoise & Plimpton in New York, demanded copies of billings from these accounting firms to see what stockholders had been paying for, that we never ever received, in the way of financial accountings?

Representative Upmeyer also demanded copies of billings from the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP, to see what Metromedia's shareholders paid to see to it that questions I was raising in my books and records demand, (Delaware Chancery Court C. A. No. 156-VCL), never got answered.

In other words, we got a lot of information that tells a lot of the story. But we never got answers to questions about roughly $331-606 million that was missing in the 2002 Form 10-K.

Where did Metromedia get all that money to lend "intercompany" in the middle of their claimed liquidity crisis?

Seventeen Iowa legislators signed demand letters for copies of the confidential documents my attorneys and I won over the course of about three and a half years in the Delaware courts. Those documents are here today and, at some point, need to be made public by the Iowa General Assembly in an effort to protect their constituents, or by federal legislators and committees looking out for the more than 6,000 shareholders in Metromedia.

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# Summaries of several asset sales: PeterStar telephony system in St. Petersburg; Moscow-based Comstar, the fixed-line telephony operator; Kosmos TV, the Moscow cable TV system, and the "Radio Businesses," ZAO SAC and Radio Katusha, also in Moscow

## Comstar:

**Comstar was purchased in 2000 for $60 million. It was located in one of the most important capitols in the world, Moscow, which was experiencing rapid economic growth. This investment was a 50:50 joint venture with the Moscow City Telephone Network with connections to 4.5 million existing customers and it had more sources of revenue, according to the Company's 10-Q in Novemebr of 2003, than a race track has horses.**

**In April of 2003, Comstar was sold, but not alone. Included in the sale were Kosmos TV and radio stations ZAO SAC and Radio Katusha. Readers will remember that Metromedia told Forbes Magazine that they used their radio stations to drive business and subscribers to their telephony and cable TV assets.**

**The price for all these assets, in spite of the economic growth, was the cancellation of $58.6 million of Metromedia's Senior Notes and $3.5 million in interest on them, along with $5 million in cash.**

**A little over a year later, Dow Jones ran the article "Wealthy Russians Jump Line to Tap Phone Services" which reported that lots of customers were willing to pay up to $10,000 to get phones and that Comstar was cashing in on the boom. Does it make sense that investors like Kluge, Subotnick and Rupert Murdoch's News Corporation would miss out on such a great opportunity by a little more than a year?**

**Secondly, investors never saw any evidence of meaningful due diligence so they would know who was buying Metromedia's assets. Did the controlling shareholders sit still for that?**

**PeterStar:**

**PeterStar came to Metromedia through the acquisition of PLD Telekom in St. Petersburg, controlled by Rupert Murdoch's News Corporation. It came to be the leading competitive local exchange carrier in that city. The minority stockholder in**

PeterStar was OAO Telecominvest, which was controlled by First National Holding S.A. of Luxembourg.

In late 2004, there was an offer to buy all of Metromedia's assets for $300 million. But Esopus Creek Capital LLC and Mellon HBV Alternative Investment Strategies LLC objected in writing and threatened a proxy fight to stop the sale. In spite of promises of a vote on the sale of PeterStar, the common shareholders never got to cast a ballot. And there is not one sign of an objection by Kluge, Subotnick or News Corporation, whose executive vice president, I. Martin Pompadur, was always a director since September 1999.

Very shortly thereafter, Metromedia produced another offer for PeterStar alone for $215 million, also driven by First National Holding. This valued the rest of the assets, mainly the telephony system in the Republic of Georgia, for $85 million because of the first offer of $300 million for everything.

PeterStar wound up being sold, but the controlling shareholders never gave any evidence that they agreed with Esopus and Mellon. Their letters are included her which condemn the exclusive nature of the transaction; the valuation of the assets, and the huge bonus management was to receive, which was proposed at 5% each, for Mark Hauf, Chairman and CEO, and Harold F. Pyle III, the CFO.

The letter from Esopus put a value on the telephony assets in the republic of Georgia at $1 Billion, far above the $85 million mentioned relative to the sale price above.

Sale of Remaining Assets in republic of Georgia:

In the fall of 2006, Metromedia had another offer for all the assets at the $480 million level. And again, the common shareholders were not to get a vote. But instead of Kluge, Subotnick and News Corp. standing up in opposition to the transaction, it was Esopus and Black Horse Captial.

The Delaware court ruled in the plaintiffs' favor and the transaction was stopped.

But the SEC came along in April of 2007 and gave Metromedia 15 days to get its financial filings current, or face the deregistration of its common and preferred shares, and the possible censure and fining of its officers and directors. The amazing part was that the SEC did absolutely nothing.

Metromedia came back to the shareholders with an offer to sell the remaining assets for $1.80 per common share, which left the preferred shareholders in limbo. With approximately 103 million shares outstanding because Mark Hauf, the CEO was being given more than nine million shares as a bonus, the Company was sold in the fall of 2007 for about $185 million.

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**The buyer was controlled by Arkady "Badri" Patarkatsishvili, a known fugitive from Russian justice according to Forbes Magazine, ("Reform, Caucasus-Style" January 10, 2005). With the shareholders unable to mount a defense, the remaining assets were sold without any evidence of any objections by the controlling shareholders.**

**METROMEDIA INTERNATIONAL GROUP INC filed this 10-Q on 11/13/2000.**

Outline Printer Friendly
« Prev Page Entire Filing Next Page »

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

notes plus accrued and unpaid interest to the date of repurchase (if such repurchase is after March 30, 2002).

The Indenture for the Senior Discount Notes permits the Company to finance the development of its communications operations. The Indenture for the Senior Discount Notes limits the ability of the Company and certain of its subsidiaries to, among other things, incur additional indebtedness or issue capital stock or preferred stock, pay dividends on, and repurchase or redeem their capital stock or subordinated obligations, invest in and sell assets and subsidiary stock, engage in transactions with affiliates and incur additional liens. The Indenture for the Senior Discount Notes also limits the ability of the Company to engage in consolidations, mergers and transfers of substantially all of its assets and also contains limitations on restrictions on distributions from its subsidiaries.

TRAVELERS. Also at completion of the Company's acquisition of PLD Telekom, PLD Telekom paid The Travelers Insurance Company and The Travelers Indemnity Company (together, "Travelers") approximately $8.7 million of amounts due under the revolving credit and warrant agreement dated November 26, 1997 between PLD Telekom and Travelers (the "Old Travelers Agreement"). PLD Telekom and Travelers also entered into an amended and restated revolving credit note agreement (the "New Travelers Agreement") pursuant to which PLD Telekom agreed to repay Travelers the remaining $4.9 million due under the Old Travelers Agreement on August 30, 2000 and to pay interest on the outstanding amount at a rate of 10 1/2%. The $4.9 million was repaid on August 30, 2000, fully discharging the obligation to Travelers.

COMSTAR. As part of the Communications Group's strategy to further develop its fixed telephony business, in June 2000 it entered into an agreement with Marconi Communications Limited of the U.K. to acquire Marconi's 50% ownership position in Comstar, the third largest digital overlay operator in Moscow. The Company has agreed to pay $60.0 million for the 50% interest in Comstar. The parties expect the transaction to close in 2000, following the completion of due diligence and the resolution of any issues arising from that process. Comstar is a 50/50 joint venture with the Moscow City Telephone Network ("MGTS"). It has a 756 mile optical fiber network throughout Moscow. This network supports local, national and international data and telephony services and is interconnected into MGTS' public network of 4.5 million customers. Comstar has a

756-

COM STAR IN MOSCOW

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well-established platform that facilitates all types of IP services through a Central Internet Service Node based on Marconi technology. This platform will enable Comstar to develop VoIP services, point-to-point data communications, frame relay, ATM and a total package of ISP services.

The acquisition of the Comstar interest is expected to give the Communications Group a significant presence in the Moscow market, which remains the most important in Russia, and complements its position in Russia's second largest city, St. Petersburg, through its majority owned interests in PeterStar and its wholly owned interest in Baltic Communications Limited.

& one of the most important Capitols in the world.

The agreement with Marconi required the Communications Group to place $3.0 million in escrow, pending closing of the transaction. In the event that the acquisition is not completed by November 30, 2000, Marconi has the right to terminate the Purchase Agreement and, in certain circumstances, retain the escrowed funds. In addition, the purchase price is subject to escalation in certain circumstances, with the additional amount not exceeding approximately $1.2 million.

PLD was acquired by MIG SEPT 30, 1999

TELECOMINVEST. In September and October 1999, PLD Telekom entered into certain option agreements (subsequently assigned to the Company) with Commerzbank AG and First National Holding S.A. which owns the majority of the ordinary shares of OAO Telecominvest, a Russian company with interests in a wide range of telecommunications companies in St. Petersburg and Northwestern Russia, and which is PLD Telekom's joint venture partner in its subsidiary PeterStar. The aggregate consideration for the

FIRST NATIONAL HOLDING MENTIONED

DECEMBER 31, 2003 FORM 10-K



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METROMEDIA INTERNATIONAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Accordingly, as of December 31, 2003, the income statement of the Company for current and prior periods has presented the results of operations of the discontinued components, including any gain or loss recognized on such disposition, in income (loss) from discontinued components and the balance sheet presents the assets and liabilities of such operations as assets and liabilities of discontinued components.

A summary of significant dispositions of such businesses from January 1, 2002 to December 31, 2003 are summarized below.

***Sun TV***

On November 12, 2003, the Company sold its interest in the Moldovan cable television company Sun TV and Sun Constructie S.R.L., a Moldovan trading company, to Lekert Management, LTD, a company organized under the laws of British Virgin Islands for cash consideration of $2.1 million. Lekert Management, Ltd. is an affiliate of Neocom S.R.L., which owned 35% of Sun TV prior to the transaction. The Company recorded a charge to earnings in the third quarter of 2003 in the amount of $0.4 million to reflect its investment in Sun TV and Sun Constructie at the lower of cost or fair value less cost to sell. The impairment charge is included in the results of discontinued operations.

***Technocom Transaction***

On June 25, 2003, the Company sold its wholly owned subsidiary, Technocom Limited ("Technocom") for $4.5 million. Technocom held interests in several Russian telecommunications enterprises including satellite-based transport operator Teleport-TP. Simultaneous with the sale of Technocom, the Company entered into agreements intended to settle all historical claims concerning Technocom-related businesses, including claims arising from litigation in Guernsey that Technocom initiated in 2002 concerning its majority-owned subsidiary Roscomm and from arbitration proceedings initiated in 2003 in connection with that Guernsey litigation. The Company further expects that the broad releases, from and among all potential claimants contained in the settlement agreements, will avoid any further dispute in connection with Technocom, its subsidiary businesses, or its past or present stakeholders.

The Company received cash proceeds of $4.5 million and incurred closing costs of $0.6 million, principally legal fees and severance costs, resulting in a gain of $2.8 million on the disposition, which was recorded in the three months ended June 30, 2003. Such gain is included in the results of discontinued operations.

***Adamant Transaction*** SALE OF COMSTAR, KOSMOS TV & RADIO ASSETS

On April 24, 2003, the Company completed an exchange with Adamant Advisory Services ("Adamant") of its ownership in certain of its business units in Russia for approximately $58.6 million, face value, of the Company's Senior Notes held by Adamant. The Company conveyed to Adamant its ownership interests in Comstar, a Moscow-based fixed-line telephony operator ("Comstar"); Kosmos TV, a Moscow-based cable television operator ("Kosmos TV"); and the Company's Russian radio businesses (the "Radio Businesses"). In addition to conveying the Senior Notes to the Company, Adamant paid $5.0 million in cash and released the Company of its $3.5 million obligation to pay interest accrued on the Senior Notes being exchanged. The consideration was determined by arms length negotiations between the Company and Adamant.

The Company has recorded a gain related to this transaction of approximately $31.6 million in the year ended December 31, 2003, which is comprised of a $24.6 million gain related to the early extinguishment of the exchanged Senior Notes and a $7.0 million gain on the transfer of the Company's interests in the Radio Businesses. Such gain on early debt extinguishment was adjusted to $24.6 million in the third quarter of 2003, due to a favorable adjustment of $0.5 million to professional fees previously accrued. The gain on early extinguishment was reflected in the Company's income from continuing operations in the three months ended

Symbol(s) MTRM & Services Date
Use Page Up, Page Down, ↑, ↓, or press ↵

10/25 4:48A (DJ) =DJ FOCUS: Wealthy Russians Jump Line To Tap Phone Services
Story 0905 (AFK.YY, GLDN, MGTS.RS, MTRM, NNSI.RS, ROS, RTKM.RS, SPTL.RS...)
By Anna Ivanova-Galitsina
Of DOW JONES NEWSWIRES

MOSCOW (Dow Jones)--Wealthy Russians are happy to pay $10,000 to jump the line for a phone and the country's fledgling private telecommunications operators are cashing in.

As luxury apartment blocks mushroom in Moscow and other major cities, wealthy buyers are bypassing state-owned carriers which are hamstrung by fixed prices and whose sluggish response to the rapidly liberalizing telecom sector means the less well-off have to wait up to a year for a phone line. There's no shortage of customers either, with this revenue source an unexpected bonus for the new aggressive breed of Russian telecom operator.

"When we were building networks for large corporations, many top managers asked us for the same services at home. These were well-to-do people and they were prepared to pay," said Alexander Vinogradov Chief Executive of Moscow-based Golden Telecom Inc. (GLDN), Russia's largest alternative operator.

Golden Telecom now generates around 8% of annual sales of $360.5 million from individuals and Vinogradov says he expects revenue from these wealthy private customers to rise as incomes grow and more top-tier real estate is bought.

According to real estate journal Square Meter, there are more than 50 so-called "elite blocks" - where prices for spacious apartments start at around $900,000 - being built each year in Moscow, along with about 250 country houses costing more than $1 million in the city's outskirts.

"Demand still exceeds supply by far," said editor-in-chief Mikhail Morozov.

Targeting individuals is a departure for the biggest private operators which have established themselves as major rivals to the state-owned crowd by focusing mainly on corporate clients.

These operators have initially targeted Moscow and St. Petersburg, where average individual annual incomes are three times higher than those of the average Russian. In these cities 33% of citizens enjoy higher incomes compared with 2.1% in the rest of the country, according to a study by the All-Russian Centre of Public Opinion.

AFK Sistema's (AFK.YY) ZAO Comstar, Golden's main rival in Moscow, started by providing telecom services to building firms.

Chief Executive Semyon Rabovsky told Dow Jones Newswires his company now controls a third of the elite real estate market and expects this sector to generate more than $3.5 million in revenue for Comstar in 2004, a 30% rise on the year. Comstar expects 2004 revenue to rise 10% from $244 million posted in 2003.

Owners of luxury pads in Moscow are prepared to pay 20 times the amount a regular customer spends on the phone each month. Monthly bills for Golden Telecom or Comstar subscribers average $130 a month, according to Alexander Konovalov, commercial director of state-owned OAO Moscow City Telephone Network (MGTS.RS).

MGTS, by contrast, charges a flat fee of $6 a month for fixed-line telephony, about $30 a month for Internet use and a $200 connection fee, Konovalov said.

Comstar and Golden say connection and monthly charges vary, depending on how much they invested in wiring up a building and how much traffic is generated.

Aside from squeezing more cash out of their clients, the operators note that combining corporate and private clients allows more efficient use of network capacity.

The alternative operators have the same legal rights to provide last mile connection to the end user as state-owned MGTS. Like MGTS, they operate their own cable networks.

These networks have to be connected to both the local incumbent for local calls and the national long-distance grid operated by OAO Rostelecom (ROS) for intercity and international access.

Alternative operators say that incumbents sometimes create obstacles but these are usually resolved by negotiation. Court cases are rare.

The alternative operators stress that they're only targeting the wealthy and have no plans to aim for the less lucrative broader consumer market.

In any event, the majority of Russians simply can't afford the services offered by the likes of Golden Telecom or Comstar. According to the State Statistics Service, the average Russian earns $223 a month. State-employed teachers or doctors get between $50 and $80.

"We don't plan to enter the mass market of newly-built houses, we plan to work with individual buildings and condominiums," says Viktor Koresh, CEO of Metromedia International Telecommunications Inc.'s (MTRM) ZAO Peterstar.

Comstar aims to boost its market share in Moscow, the capital's wealthy suburbs and other cities.

Having finished a project in the Black Sea resort of Sochi, Comstar CEO Rabovsky's most ambitious plans are for the country houses being constructed outside Moscow.

The company is building a network that will initially connect some 600 villas near Moscow, giving Comstar customers the same services they get in the city, including high-speed Internet and cable television and even remote access to their office networks, Rabovsky said.

These niche revenue opportunities for the alternative telecom companies underline the delay most would-be customers face in getting a phone installed.

Historically, Russians who buy new apartments have to wait several months, sometimes years, for incumbents to install a phone. There are no financial incentives to fix new lines because strict government regulation means that for social reasons tariffs are kept below cost.

In Moscow, 35,000 are waiting for an MGTS phone installation while in St. Petersburg 62,000 are on the list to be wired by state-owned OAO North-West Telecom (SPTL.RS).

Belatedly, these incumbents have woken up to the opportunity.

"We've suddenly realized that there are all these small companies wiring up elite apartment blocks and we're not doing so," said Konovalov of MGTS. "Now we are also going to work with constructors."

OAO Volgatelecom (NNSI.RS), a state-owned operator in the prosperous southern Volga region, says it has been successful in attracting VIP clients.

"We understand that we have to get the cream of users fast and polish up our marketing," said Vladimir Lyulin, Volgatelecom chief executive.

But in most regions that might be easier said than done because the bulk of state-owned operators are burdened by decades of inefficiency.

"MGTS has an image problem. It just isn't upscale enough for this segment and can get in the way of selling these elite apartments," says Morozov of

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As filed with the Securities and Exchange Commission on June 17, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

PETER STAR
PROXIES
FOR SHAREHOLDERS

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 14, 2005

METROMEDIA INTERNATIONAL GROUP, INC.

(Exact name of registrant as specified in its charter)

| Delaware | 1-5706 | 58-0971455 |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| 8000 Tower Point Drive, Charlotte, NC | 28227 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (704) 321-7380

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

|_| Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

|X| Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

|_| Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

|_| Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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, 1.01. Entry into a Material Definitive Agreement.

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.rst Supplemental Indenture

On June 14, 2005, Metromedia International Group, Inc. (the "Company") entered into the First Supplemental Indenture (the "Supplemental Indenture") with U.S. Bank National Association (f/k/a U.S. Bank Trust National Association), a national banking association, as trustee (the "Trustee"), which amended and supplemented the Indenture, dated as of September 30,.1999, between the Company and the Trustee, governing the Company's 10 1/2% Senior Notes Due 2007 (the "Senior Notes"). The net effect of the Supplemental Indenture is as follows:

- The Company has been granted an extension to July 15, 2005 to file with the United States Securities and Exchange Commission ("SEC") and to furnish the Trustee and the holders of the Senior Notes with its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 ("Current Annual Report"), and to deliver to the Trustee an officers' certificate and a written statement of the Company's independent public accountants required to accompany the Current Annual Report (the "CPA Statement").

As previously announced by the Company, the Company was not able to file the Current Annual Report with the SEC, deliver the Current Annual Report to the Trustee and the holders of the Senior Notes and deliver an officers' certificate and the CPA Statement to the Trustee by June 3, 2005 in order to avoid an Event of Default on the Senior Notes. As a result of the execution of the Supplemental Indenture there no longer exists any event of default on the Senior Notes in respect of the Company's failure to take the actions described in the preceding sentence. The Company's failure to comply with the terms of the Supplemental Indenture and file the Current Annual Report with the SEC, deliver the Current Annual Report to the Trustee and the holders of the Senior Notes and deliver an officers' certificate and the CPA Statement to the Trustee by July 15, 2005 will result in the occurrence of the event of default described in the first sentence of this paragraph. If such an event of default were to occur, the trustee or holders of at least 25% of the aggregate principal amount of the Senior Notes outstanding can declare all Senior Notes to be due and payable immediately. If this were to happen, the Company would not have sufficient corporate cash available to meet this obligation.

The foregoing description of the Supplemental Indenture does not purport to be complete and is qualified in its entirety by reference to the Supplemental Indenture, which is filed as Exhibit 4.1 hereto and incorporated herein by reference.

The press release announcing this matter is attached as Exhibit 99.1 and is incorporated herein by reference.

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Peterstar Share Purchase Agreement Amendment

On June 14, 2005, the Company entered into a Letter Agreement (the "Letter Agreement") with First National Holding S.A., a societe anonyme organized under the laws of Luxembourg ("FNH"), Emergent Telecom Ventures S.A., a societe anonyme organized under the laws of Switzerland ("ETV"), and Pisces Investment Limited, a company organized under the Companies Law of Cyprus and wholly-owned subsidiary of FNH and ETV ("Pisces," and together with FNH and ETV, the "Buyers"), pursuant to which the Company and the Buyers agreed to amend certain provisions of that certain Share Purchase Agreement, dated as of February 17, 2005 (the "Purchase Agreement"), by and among the Company and the contemplated by the Purchase Agreement, if such meeting is held less than sixty (60) days prior to March 31, 2006. The Company is obligated to pay the Buyers a $5.0 million fee in the event the Purchase Agreement is terminated by the Company in accordance with the foregoing.

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The foregoing description of the Letter Agreement does not purport to be complete and is qualified in its entirety by reference to the Letter Agreement, which is filed as Exhibit 10.1 hereto and incorporated herein by reference.

The press release announcing this matter is attached as Exhibit 99.1 and is incorporated herein by reference.

Additional Information and Where to Find It:
--------------------------------------------

The Company intends to file with the SEC a proxy statement and other relevant documents in connection with the proposed sale of the Company's interest in Peterstar to the Buyers. Investors and security holders of the Company are urged to read the proxy statement and other relevant documents when they become available because they will contain important information about the Company, the Buyers and the proposed sale. Investors and security holders of the Company may obtain free copies of the proxy statement and other relevant documents filed with the SEC (when they become available) at the SEC's website at www.sec.gov, and at the Company's website at www.metromedia-group.com. In addition, investors and security holders of the Company may obtain free copies of the proxy statement (when it becomes available) by writing to 8000 Tower Point Drive, Charlotte, NC 28227, Attention: Investor Relations, or by emailing to investorrelations@mmgroup.com.

The Company and its directors, executive officers, certain members of management and certain employees may be deemed to be participants in the solicitation of proxies in respect of the proposed sale. A description of the interests in the Company of its directors and executive officers is set forth in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2003 filed with the SEC on May 26, 2004 and in the Company's proxy statement for its 2003 annual meeting of stockholders filed with the SEC on October 20, 2003. Additional information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of proxies in connection with the proposed sale, and a description of their direct and indirect interests in the proposed sale, will be set forth in the proxy statement when it is filed with the SEC.

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Item 9.01 Financial Statements and Exhibits.

(c) Exhibits:

4.1 First Supplemental Indenture, dated June 14, 2005, by and between Metromedia International Group, Inc. and U.S. Bank National Association (f/k/a U.S. Bank Trust National Association), a national banking association, as trustee.

10.1 Letter Agreement, dated as of June 14, 2005, by and among Metromedia International Group, Inc., First National Holding S.A., Emergent Telecom Ventures S.A. and Pisces Investment Limited.

99.1 Press Release of Metromedia International Group, Inc., dated June 17, 2005.

EXHIBIT 1

HG

January 5, 2005

Mr. Mark Hauf
Chairman & CEO
Metromedia International Group, Inc.
8000 Tower Point Driver
Charlotte, NC 28227

Hauf & Pyle get 5%, each, out of the proceeds, or $15MM apiece.

Dear Mr. Hauf:

Mellon HBV Alternative Investment Strategies, LLC, through funds for which it serves as investment advisor, is the beneficial owner of 6.1% of the outstanding common stock of Metromedia International Group, Inc. ("MTRM" or the "Company"). We are writing to you as a significant shareholder to express our grave concern about recent actions taken by MTRM.

On October 18, 2004, the Company announced that it had retained Evercore Partners Inc. to assist the board of directors in its ongoing exploration of strategic alternatives to maximize shareholder value. We were quite surprised that on November 4, scarcely two weeks later, MTRM announced that it had entered into exclusive negotiations with an investor group (the "Investor Group") concerning their preliminary, non-binding proposal (the "Proposal") to acquire the Company.

The Proposal by the Investment Group, composed of Emergent Telecom Ventures, First National Holding, Capital International Private Equity Fund IV, L.P., and Baring Vostok Capital Partners, to acquire the Company by merger for $300 million in cash is in our view grossly inadequate. Based upon publicly available information, recent precedent transactions, and our industry contacts, we believe that the value of the Company is significantly more than $300 million.

The Company's wireless business is, in our view, a high margin, cash-generator which should produce significant cash flows for the Company in the future. Furthermore, its geographic location, the Republic of Georgia, is an attractive area for further growth and expansion by strategic players in the industry. The Company also has significant net operating losses ("NOLs") for which no value appears to be given in the Proposal. In short, our view is that the Proposal by the Investment Group significantly undervalues the Company and ignores its favorable prospects for the future.

(*) We are particularly concerned that the Company's board of directors is ignoring its fiduciary obligations to the common shareholders. On October 18, the Company announced that

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it would defer convening the annual shareholders meeting due to the ongoing strategic review by the board. However, barely two weeks later, the Company announced that it had entered into exclusive negotiations with the Investor Group.

It is troubling to us that the board of directors would grant the Investor Group exclusivity for 75-days to conduct due diligence and negotiate a definitive merger agreement, particularly since the Proposal is non-binding and further subject to a financing condition. We are especially surprised and disappointed that, according to the Company's recent announcements, senior executives of the Company would receive more than 5 percent of the total consideration to be paid under the Proposal, or about 10% of the total consideration that would be available to the holders of preferred and common stock.

Although the Proposal is preliminary and non-binding, the Company inexplicably has agreed to reimburse the Investor Group for its out-of-pocket expenses under certain circumstances. In addition, the Company also has announced that it has agreed to pay certain legal expenses incurred by an ad hoc group of holders of the Company's preferred stock related to discussions to be held in the future concerning the allocation of consideration under the Proposal between the holders of preferred and common stock. It appears to us that the only shareholders whose interests are not being protected are the common shareholders.

There is no indication that the Company has conducted an auction. Moreover, the brief period between the engagement of Evercore as financial advisor to MTRM and the announcement of the Proposal suggests that no such auction has been conducted. We request that the Company immediately commence an open and fair auction process that would maximize the consideration to be paid to shareholders. In addition, we would like to discuss with you ways for the Company to fully realize the value of its NOLs.

Based upon the foregoing, we are unable to support the course which the Company has elected to follow and would vote against the Proposal at present. If we are unable to resolve our concerns in the near term, we may seek representation on the board of directors or take other action which we deem to be appropriate in order to preserve the interests of all shareholders of the Company.

Sincerely yours,

MELLON HBV ALTERNATIVE
INVESTMENT STRATEGIES LLC

By: /s/ William F. Harley, III
Name: William F. Harley, III
Title: President

JMH:cah

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>
> Esopus Creek Capital, LLC
> 500 Fifth Avenue
> New York, NY 10110
>
> March 23, 2005
>
> Mark S. Hauf
> Chairman/President/ CEO
> C/O Metromedia International Group, Inc.
> 505 Park Avenue
> New York, New York 10022
>
> Via Federal Express
>
> Mr. Hauf:
>
> Esopus Creek Capital LLC, Esopus Creek Partners LLC, and its members
> are
> the beneficial owners of approximately 3% of Metromedia International
> Group,
> Inc. ("MTRM" or "Company") [(OTC Bulletin Board: MTRM) (Pink Sheets:
> MTRMP)].
> Given our substantial investment in the Company, we write to express our
> concern that you and the Board of Directors ("Board") are failing to
> faithfully discharge the fiduciary duties you and the Board owe to
> shareholders and MTRM itself.
> Our many well-founded concerns may be summarized as follows: You
> and the
> Board contemptuously failed to convene an annual meeting for election of
> directors during 2004; this is a direct violation of Delaware law. As a
> result of your disenfranchisement of MTRM shareholders, we were offered
> no
> choice but to commence legal action. We withdrew that action in light
> of your
> February 9, 2005, announcement that if the Company did not enter a
> definitive
> agreement requiring shareholder approval on or prior to March 7, 2005,
> you
> would convene a stockholders' meeting. To date, however, although the
> Company

Page 1

Page 2 Esopus Creek's Letter

(48)

> did announce such a definitive agreement, no meeting has been
scheduled
> and it
> appears that an annual meeting for the election of directors is many
> months
> off.
> Under most circumstances this act alone would be conclusive
evidence
> that
> you and the Board were derelict. Further, however, in the fall of
2004>
> you
> entered into an extraordinarily unfair exclusivity arrangement to sell
> the
> Company's assets to a potential investor group. Disturbingly, you and
> the
> Board accepted an inadequate potential value of $300 million for all
of
> the
> Company's assets, rather than conduct an open and fair auction to
> maximize
> value for both MTRM common and preferred shareholders. Succumbing to
> shareholder and legal pressure, you and the Board were ultimately
forced
> to
> concede that the value of $300 million, assigned to Company's
> full-basket of
> assets, was woefully inadequate. Indeed, that the $300 million value
> was
> inadequate is evidenced by the subsequent definitive agreement to sell
> your
> least attractive asset -- PeterStar -- for $215 million; this is
> approximately
> 70 percent of the value you had previously arbitrarily assigned to all
> of the
> Company's assets. These events demonstrate conclusively that you and
> the
> Board inadequately investigated the Company's actual value.
> We are further outraged that despite all of this, the Board
awarded
> you a
> $6 million bonus. This sum is both unreasonable and wholly
unjustified
> given
> how poorly you have discharged your fiduciary duties to date.
> Despite the foregoing, our paramount concern now surrounds the
sale
> of the
> Company's most prized and valuable asset -- Magticom -- a company with
> growing
> cash flows and a rich balance sheet. Based on an analysis of recent
> transactions in Eastern Europe, our own internal research leads us to
> conclude
> that Magticom, as a stand-alone asset, could be worth approximately $1
> billion. Since the expiration of the exclusivity period on February
14,
> 2005,
> you have made no public statements concerning your efforts to maximize
> the
> value of Magticom.
> Furthermore, we are concerned that you and the Board may have
> rebuffed
> various suitors who were interested in purchasing the asset after the
> expiration of the exclusivity period.
> We demand that you and the Board immediately commence a fair and
> open
> auction for the sale of Magticom so that shareholder value may be

I'll check Vimpel's transaction for info on valuations

> maximized.
> Any other result would constitute a further violation of the duty you
> owe both
> shareholders and the Company. Govern yourself accordingly.
>
> Joseph S. Criscione
> Managing Member ESOPUS CREEK CAPITAL
>
>

Page 3

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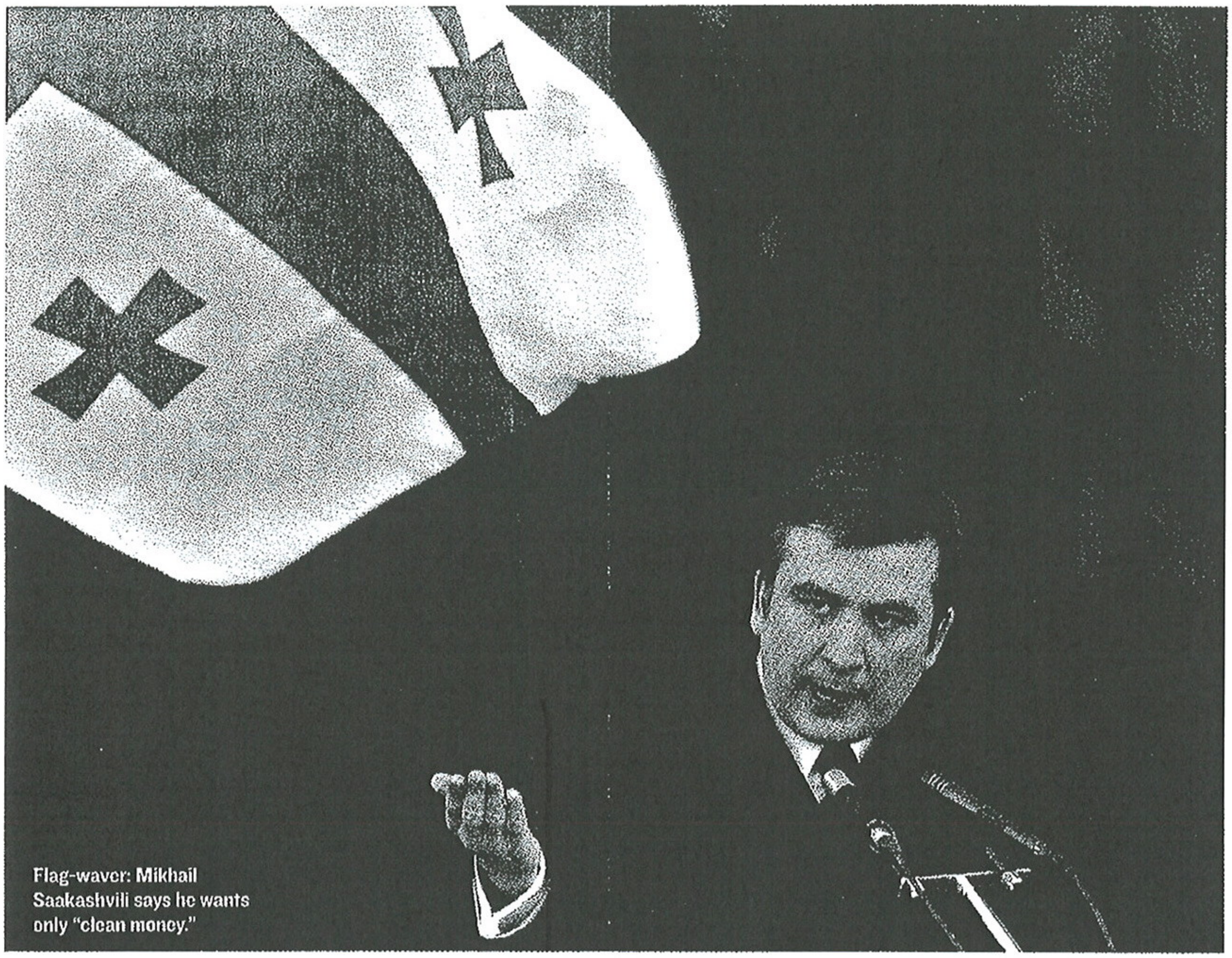

Flag-waver: Mikhail Saakashvili says he wants only "clean money."

# Reform, Caucasus-Style

## A year ago the great new democratic hope in the former Soviet Union was Georgia. Today a young president pursues a revival but the deep pockets belong to operator Badri Patarkatsishvili | By Matthew Swibel

BEFORE YOU GET TOO EXCITED over the democracy-seeking throngs in the streets of Kiev, look around. A year earlier a similar-seeming popular movement took place a thousand miles away in the Republic of Georgia. The results there should give pause to anyone who expects the former Soviet empire to be awakening to an era of prosperity and transparency.

Georgia's so-called Rose Revolution, a bloodless coup, was the toast of the West: A handsome, American-schooled young leader named Mikhail Saakashvili, supported by an international democracy lobby and undergirded by the second-biggest per capita U.S. foreign aid program in the world, would shine freedom's light on a benighted piece of the globe, the Caucasus region. To help, a wealthy maverick jetted in from Russia intent on cutting Georgia's economic shackles with a bold round of privatizations.

The story was too good to be true. At the first Rose anniversary, Georgia knows mostly thorns. Rusty old Russian Ladas swerve around gaping potholes on the main airport road to Tbilisi, the capital, while city dwellers grasp for every extra hour of heat, power and running water. Privatization has amounted to attempts to resettle existing accounts among powerful insiders. If the door to prosperity has swung open in this country of 5 million, so far only one opportunist is venturing in: Badri Patarkatsishvili.

At age 51, Badri (as he is widely known) is a bushy-moustached operator with a reputation for getting things done. He had success late in the former regime of Eduard Shevardnadze, during a time when Saakashvili, then justice minister, raised

MISHA JAPARIDZE / AP PHOTO

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concerns about the influence of "gangster, oligarch capital." It was the beginning of an extended dance between Georgia's young democratic hope and its tainted Daddy Warbucks. Badri, while proud of his humble Jewish roots in Tbilisi—he got into auto repair as a teen in Soviet times—has leveraged ties to Russian oligarchs to amass a fortune that speaks loudly even under a reformist government.

Those Russian ties were cemented in the 1990s after he became the business partner of auto tycoon Boris Berezovsky and then Roman Abramovich, by helping handle the 1997 privatization of Sibneft oil company (sold to Berezovsky for an estimated $100 million, but later found to be worth billions). Abramovich had Badri manage a $3 billion investment in Russian Aluminum soon after.

Badri had landed in Tbilisi from Moscow in 2000—on the run. Around that time Russian President Vladimir Putin cut off the special access Badri and Berezovsky had exploited in Boris Yeltsin's Kremlin. Berezovsky fled to London. Badri "had run out of places to go," explains Richard Miles, U.S. ambassador to Georgia. Months after settling in Tbilisi, Badri was charged in absentia along with Berezovsky by the Russian prosecutor general's office with committing fraud and embezzlement totaling $13 million at Russia's largest car manufacturer, Avtovaz. Both dispute the charges.

Berezovsky is never far behind: Georgian border guards looked the other way last December when Berezovsky flew under an alias on a U.K. passport to visit Badri and his wife in Tbilisi.

Badri in 2002 managed to buy a famed public building, the Wedding Palace, a state-owned Soviet secular cathedral for marriage ceremonies, and make it one of his homes. Tbilisi's new tycoon also got a foothold in Georgian media by acquiring a company that carried a TV broadcasting license—which could have been revoked according to Georgian law because the company hadn't broadcast in more than a year, says Genadi Uchumbegashvili, director of Internews Georgia, an organization that pushes for broader media ownership.

For decades it has been easy to finger powerful business operators cutting corners in this backward region, but such shenanigans are not supposed to be part of Saakashvili's Georgia. The 36-year-old president had studied at Columbia University and practiced law in Manhattan. He spent a stretch under the tutelage of busybody billionaire George Soros, who bankrolled a Saakashvili presidential campaign and subsequent popular putsch with a reported $42 million. (Enough $20s and $50s will get lots of Georgians marching and waving flags in the streets). Indeed, Saakashvili and his kindergarten cabinet—one-third are under 35—have projected a fresh face of government, drawing headlines for prosecuting a handful of crooked officials and tackling the bribe-laden police force.

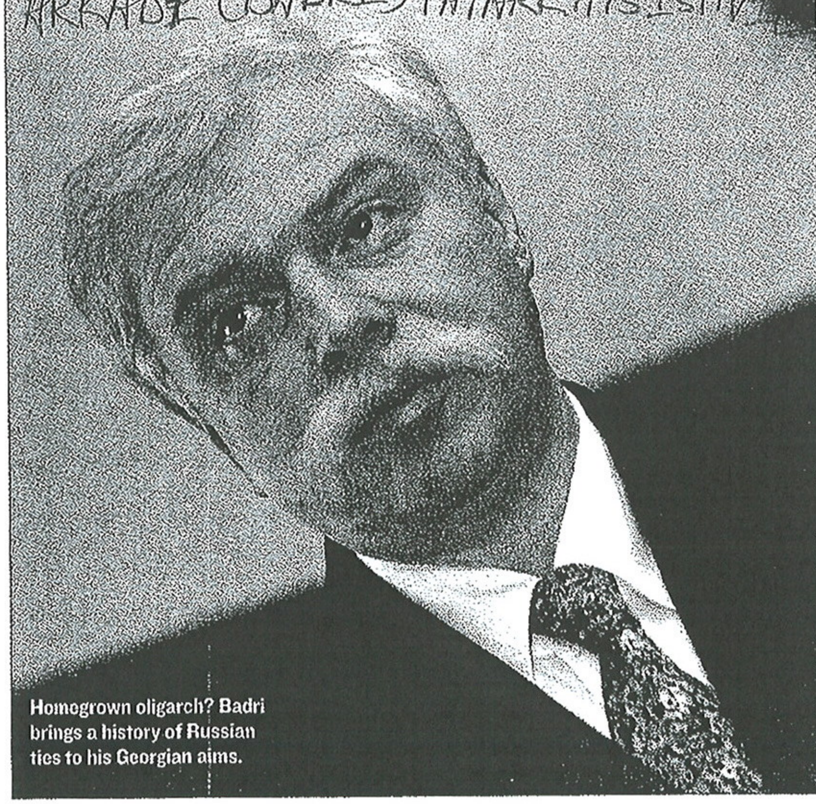
"We not only had high-profile cases but we changed the role of [corruption] in society," says Saakashvili in an interview. "And now the focus is on the economy."

The clock is ticking on his promise of 11% real economic growth by 2007 (2004 is projected at 6%). Georgia's inflation rate of 10% has offset pension increases of $8 per month. Yes, nearly 400 companies are on the block, including ports and electric generating plants. But proceeds to the government are expected to total only $500 million, and even then offers have been scarce.

The Western press has reported on take-charge Kakha Bendukidze, who ran Russia's largest heavy machinery company before trying his hand as Georgia's privatization czar (he still carries a Russian passport). Since his arrival in June Bendukidze, a portly and pensive man who closes his eyes for long periods when he speaks, has told foreign investors, "Everything can be sold, except conscience." He might want to work on the rest of his pitch. He recently advised potential U.S. and British bidders that most of the country's assets aren't worth much.

And in reality it's an economy replete with the kind of dodgy arrangements better suited to a character like Badri. Georgian officials extract 3% of corporate revenue in bribes, nearly twice as much as in Russia, says a 2004 report by the International Monetary Fund. Georgia ranks 128 out of 133 countries surveyed for corruption by Transparency International. Half of Georgia lives at or below the poverty level. Justice-starved courts hew to a political agenda. Kidnappings

ARKADI (BADRI) PATARKATSISHVI



Homegrown oligarch? Badri brings a history of Russian ties to his Georgian aims.

VASILY SHAPOSHNIKOV / ZUMA PRESS

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for ransom also occur. After spending $275 million over four years on modernizing Tbilisi's electricity distribution plant, AES Corp. pulled out of Georgia in 2003 after its financial manager there was slain following electricity tariff increases. "The conditions here make [potential] Western investors think twice, with long pauses in between," says S. Enders Wimbush, chairman of the America-Georgia Business Council and formerly director of Radio Liberty in Munich.

**Imports: Privatizer Bendukidze, Badri partner Berezovsky.**

Yet Badri is at home. Between 2000 and 2003, before Saakashvili's rise, he spent tens of millions of dollars amalgamating widely divergent Georgian assets that included a professional soccer club, a shopping center, a controlling stake in the Borjomi mineral water company, a Black Sea resort and at least one casino. In 2002, as Georgia's politics heated up, Badri's roll-up of newspapers and TV stations into his Imedi media umbrella harked back to the days when, as chairman of Berezovsky's TV6 station in Moscow, he helped exert political pressure on adversaries.

Imedi's TV and radio transmitters are powerful enough to interfere with rivals' broadcasts on neighboring frequencies. "Competitors think the powerful transmitters were installed deliberately to create technical problems for them. The aggrieved regularly appeal to the National Regulatory Commission for Communications, but so far they have failed to succeed," says a European Commission-funded study. Now Badri is angling for deals in soon-to-be-privatized telecom.

But Badri plays public benefactor. He kicked in $2.25 million to cover 80% of the costs of Georgia's Olympics squad in Athens and gave gold medalists a $100,000 purse (Georgia won two). And he made a $1 million three-year loan to Tbilisi's city council (with interest of 5%) in frigid January 2004 to cover natural gas bills from Russia.

Badri's latest deal: a $1 billion investment over six years to develop Georgia's largest oil port, in the Black Sea coastal town of Qulevi. Building a new oil port in such a disadvantaged country might seem heroic. "Everything possible will be done for its construction to finish successfully," gushed the president at a ceremony marking the first $150 million investment in the Qulevi terminal. He vowed later to keep close watch so that Badri doesn't get harassed by tax collectors.

Badri and Saakashvili share a displeasure with the Kremlin, which has refused to close its army bases in Georgia, the birthplace of Josef Stalin but a sovereign state since 1991.

Russia also provides protection for two secessionist regions on Georgia's northern border—Abkhazia and South Ossetia—where smuggling and armed conflict persist. A 2004 study by the Transnational Crime & Corruption Center in Georgia found that at the Abkhazia border in 2002 some 800 detained illegals carried with them 55,000 ammunition cartridges, 19 kilos of explosives and 10 kilos of drugs. Russian "peacekeeping" forces in South Ossetia (close by the mass slaying of Beslan schoolchildren last fall) take $10 bribes to let an estimated 150 light trucks a day move into Tbilisi carrying contraband cigarettes, wheat and fuel, together worth $100 million annually.

Despite, or because of, the trouble spots, the U.S. has lavished foreign aid on tiny Georgia, spending $1.3 billion over the last decade. The U.S. government is also spending $64 million to train and equip 2,000 Georgian border guards to establish an antiterrorism force (some of whom have cut their teeth in postwar Iraq). U.S. military equipment bound for Afghanistan is sent via Georgia's ports.

Georgia is key to the Bush Adminis-

YURI KADOBNOV / AFP PHOTO; CARL DE SOZA / AFP PHOTO

## The Bribe Buster

GENUINELY UPSTANDING GOVERNMENT MINISTERS ARE ABOUT AS COMMON IN GEORGIA AS honest tax returns. Which makes cherubic, dashing Roman Bokeria, 31, all the more conspicuous. As deputy chairman of Georgia's Chamber of Control, the equivalent of the Government Accountability Office in the U.S., Bokeria regularly flags wrongdoing at state-owned businesses and in the offices of fellow bureaucrats. His phone messages often contain loosely veiled threats about his career and life.

Some of the governmental departments his agency audits: state bureaucracies overseeing seaports, TV, telecommunications. So far Bokeria has squealed on government managers taking kickbacks from private gold mines and railcar construction firms—embarrassing wealthy executives along the way. "No one should think they're above getting caught," he says defiantly.

The odds are stacked against him. Until recently auditors on his staff of 600 got paid $50 per month—just below the country's living wage. "Such a system pushes them to take a bribe," says Bokeria. Confidential Chamber of Control documents obtained by FORBES show hush money starts at $1,000 and can exceed $100,000. These documents allege that before Bokeria's arrival the auditors kept 30% themselves, 25% went to their direct bosses and the remainder was split evenly among the brass. Today some 70% of audits reveal fishy bookkeeping and missing funds—so the dirty-money spigot flows often.

Bokeria, who used a USAID grant to spend seven months training at the GAO in Washington in 2002, also cut his teeth at an Internal Revenue Service field office in Atlanta. He thinks adopting U.S. auditing standards will "dramatically decrease the level of corruption." It may also help him become president one day, which, much to the chagrin of Georgia's old guard, ranks high on his to-do list. —*M.S.*

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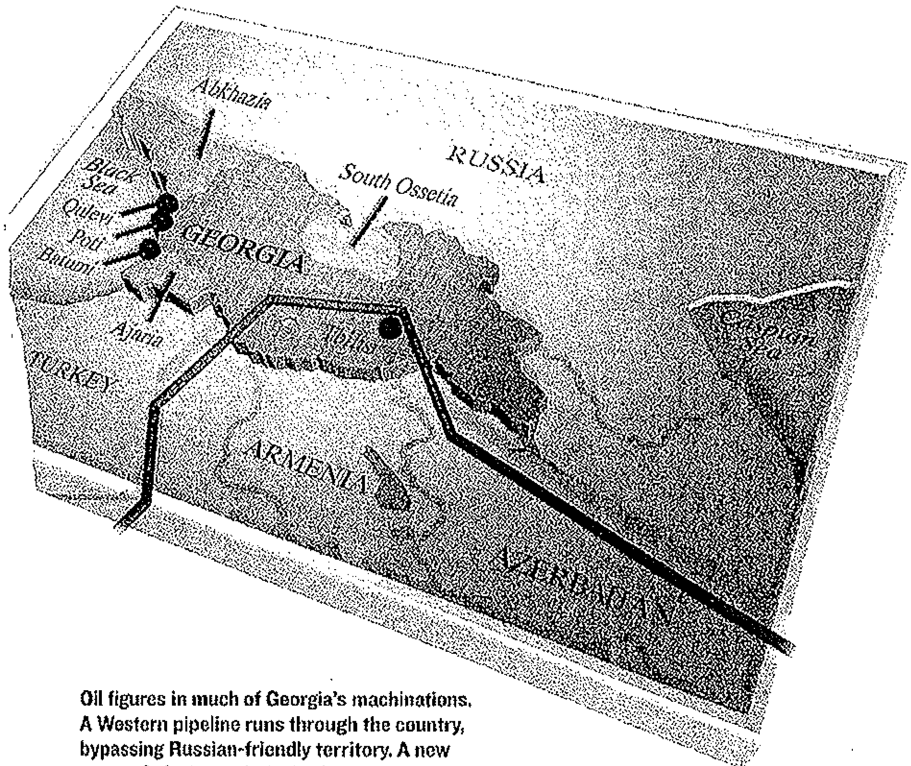


**Oil figures in much of Georgia's machinations. A Western pipeline runs through the country, bypassing Russian-friendly territory. A new port at Qulevi, sought by Badri, may be a bid to control other shipments of the stuff.**

SLIMFILMS FOR FORBES

tration's emphasis on diversifying energy supplies away from the Middle East. Beginning in 2005 Caspian Sea oil from Azerbaijan will snake westward through Georgia (bypassing Russia) to a Turkish port on the Mediterranean. By 2007 a consortium led by BP (and including Unocal and ConocoPhillips as partners) should have fully running the $3.2 billion, 1,100-mile pipeline (the world's longest) taking 1 million barrels a day. Big plus: The pipeline will also generate about $50 million in transit fees annually, or 6% of Georgia's current GDP, during its projected 40-year life span.

Small problem: The pipeline design runs through Georgia's pristine Borjomi mountain gorge, where an oil spill could pollute the quality and damage the reputation of Georgia's third-largest export—Borjomi mineral water, adored in Tbilisi and Moscow the way Parisians cherish Evian, the same Borjomi water now controlled by Badri Patarkatsishvili. In 2003 he took his stake in the Georgian Glass & Mineral Water Co. through his London-based Salford investment arm (a piece of which is owned by Berezovsky). Internal Salford paperwork estimates the stigma from the pipeline's location could amount to $50 million in lost sales.

BP was on site for just one week in Borjomi before Saakashvili's environment minister ordered construction to stop. In October the two parties agreed to concessions from BP totaling—surprise!—at least $50 million. "There were contentious issues, and ultimately much more funds were provided," says Saakashvili, who denies any special handling to suit Badri. On the record BP says the money will go to extra maintenance, security and the funding of social and economic programs. It is unclear what role the Borjomi water company, which extracts water from the land, will have in the programs.

Badri's Qulevi port, meantime, is another reach into the Caspian oil riches. The first stage is set to be completed by the end of 2005, with a goal of handling 200,000 barrels of fuel and crude oil a day with shipments delivered to the port by rail from the Caspian. If Qulevi can crank it up to 300,000 barrels, it would overtake the country's two biggest oil ports, Batumi and Poti.

"The new pipeline will take much of the crude, and our existing port capacity already exceeds demand," says Jemal Inaishvili, a former director of Poti port. "I don't know the real motivation."

For Saakashvili one factor is that Batumi, Georgia's largest oil terminal, is situated in a formerly secessionist territory where rebels blew up bridges and cut off oil exports for a week earlier in 2004. A more competitive Qulevi terminal would also exert pressure on Batumi's private owners, a British consortium that paid an estimated $14 million for the terminal in 1995 and now faces criticism from Tbilisi that the bid—supposedly at one-eighth of fair value—did not follow current Georgian laws. Batumi officials say they followed the law at the time.

Badri's endgame? At least partly to make it harder for Russia to wield its main weapon, energy, in regions of economic competition. In some ways Georgians are still under the thumb of Russian energy: In 2003 the Kremlin-controlled electricity monopoly, Unified Energy Systems, bought a controlling stake in the utility in Tbilisi. The Qulevi terminal, at least, could provide Romania, Bulgaria and Belarus a welcome alternative to the tightfisted pricing of Russian fuel, says Mamuka Tsereteli, a professor of international relations at American University in Washington, D.C. who has consulted with companies in the Georgian transport sectors. (Governments that rile Putin usually risk steep price increases or having the tap turned off entirely, as happened in Belarus and Lithuania.) "At $45, $50 a barrel it could work, but what about at $20?" asks Tsereteli.

"I must admit the investment carries a certain risk," Badri told a journalist on his payroll at Georgian Imedi TV in mid-October 2004. "However, my position is that if we do not do it, who will?"

Much the same line came from his Salford men when asked about Badri's curious welcome amid the new president's anticorruption drive. "What matters is that he's the biggest investor in Georgia," demurs an associate in Tbilisi. (Badri himself didn't grant an interview despite repeated requests.)

Alternatively it might be asked: If one man—indeed, if this man—has such an in on the spoils of the new Georgia, who else would want to be part of the mix? For his part, Saakashvili acknowledges he's aware of appearances in seeking investment in Georgia. He tells us, "We want to make sure any money is clean money." F

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IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE
IN AND FOR NEW CASTLE COUNTY

| | |
|---|---|
| ESOPUS CREEK VALUE LP,<br><br>Plaintiff,<br><br>v<br><br>METROMEDIA INTERNATIONAL GROUP, INC., a Delaware corporation,<br><br>Defendant. | Civil Action No. 2484-N |
| ESOPUS CREEK VALUE LP, BLACK HORSE CAPITAL, LP, BLACK HORSE CAPITAL (QP) LP, and BLACK HORSE CAPITAL OFFSHORE LTD.,<br><br>Plaintiffs,<br><br>v<br><br>MARK S. HAUF, JOHN CHALSTY, ALAN K. GREENE, LEONARD WHITE, CLARK A. JOHNSON, DAVID GALE, WAYNE HENDERSON, STUART SUBOTNICK, I. MARTIN POMPADUR, HAROLD F. PYLE, III, BRYCE D. ELLEDGE, NATALIA ALEXEEVA, and METROMEDIA INTERNATIONAL GROUP, INC., a Delaware corporation,<br><br>Defendants. | Civil Action No. 2487-N |

ORAL ARGUMENT ON PLAINTIFFS' MOTION FOR A PRELIMINARY INJUNCTION and RULING OF THE COURT

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CHANCERY COURT REPORTERS
New Castle County Courthouse
500 North King Street - Suite 11400
Wilmington, Delaware 19801-3759
(302) 255-0524

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Chancery Courtroom No. 12B
New Castle County Courthouse
500 North King Street
Wilmington, Delaware
Wednesday, November 22, 2006
9:35 a.m.

- - -

BEFORE: HON. STEPHEN P. LAMB, Vice Chancellor.

- - -

APPEARANCES:

PAUL A. FIORAVANTI, JR., ESQ.
ELIZABETH M. McGEEVER, ESQ.
BRUCE E. JAMESON, ESQ.
LAINA M. HERBERT, ESQ.
Prickett, Jones & Elliott, P.A.
for Plaintiffs

DANIEL A. DREISBACH, ESQ.
STEVEN J. FINEMAN, ESQ.
DANIEL M. SILVER, ESQ.
GEOFFREY G. GRIVNER, ESQ.
Richards, Layton & Finger, P.A.
-and-
MARTIN FLUMENBAUM, ESQ.
DANIEL J. LEFFELL, ESQ.
of the New York Bar
Paul, Weiss, Rifkind, Wharton & Garrison LLP
for Defendant Metromedia International Group, Inc.

TODD C. SCHILTZ, ESQ.
Wolf, Block, Schorr and Solis-Cohen LLP
for Defendants Mark S. Hauf, John Chalsty, Alan K. Greene, Leonard White, Clark A. Johnson, David Gale, Wayne Henderson, Stuart Subotnick, I. Martin Pompadur, Harold F. Pyle, III, Bryce D. Elledge, and Natalia Alexeeva

- - -

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THE COURT: Good morning.

MR. DREISBACH: Good morning, Your Honor. I rise just to introduce those at the front counsel table. Todd Schiltz, Wolf Block, representing the individual defendants. And from Paul Weiss,

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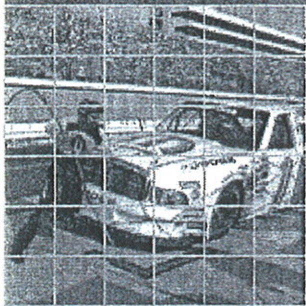
# News Corporation

Filmed Entertainment | Television • Cable | Direct Broadcast Satellite Television | Magazines & Inserts | Newspapers | Books | Other Assets



- Corporate Governance
- Press Releases
- Investor & Financials
- Executives & Contacts

SEARCH

GO

## cable

A crucial and increasingly profitable element of News Corporation's television strategy is its cable and satellite network programming. The Company's celebrated news, sports, general entertainment, natural history and multicultural program services attract nearly 300 million subscribers and are among the fastest-growing channels in the industry.

FOX NEWS channel

- Fox Movie Channel
- Fox News Channel
- Fox College Sports
- Fox Sports Enterprises
- Fox Sports En Español
- Fox Sports Net
- Fox Soccer Channel
- FUEL
- FX
- National Geographic Channel
  - United States
  - Worldwide
- SPEED Channel
- Stats, Inc.

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QUESTION: WHY IS THERE NO EVIDENCE NEWS CORP. EVER ENTERED A BID FOR ANY OF METROMEDIA'S CABLE TV ASSETS?

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# Some Comparisons and Additional Questions

**Comparison of Vimpel Communciations, Russia's largest mobile phone company, to Metromedia with a considerable array of media and communications assets spread across the emerging markets of Eastern Europe.**

**According to Standard & Poor's, $10,000 invested just five years ago would have been worth $198,529.00 at the time their report was published.**

**Metromedia's shareholders have to ask how such seasoned managers as Kluge and News Corp. missed so many opportunities in the emerging markets, by comparison?**

**And what about the SEC?**

**Metromedia had violations of the Foreign Corrupt Practices Act and nothing happened.**

**Metromedia had a Sarbanes-Oxley violation, and again, nothing happened.**

**In 2005, I was instructed by Special Counsel Steven G Johnston to report on the progress of my books and records lawsuit. In March of 2006 Mr. Johnston wrote to me saying that the SEC took my concerns seriously. But again, nothing happened.**

**Finally, in April of 2007, Metromedia received a letter form the SEC stating that they were not in compliance with the reporting requirements of Section 13(a) of the Securities Exchange Act of 1934, and that under Section 12(j) they might be subject to an administrative proceeding to revoke its registration if all the delinquent filings were not made current within 15 days of the date of the SEC's letter.**

**Guess what? Nothing happened. So do we now have to be suspicious of the SEC?**

**Actually, a lot did happen. Metromedia was sold to Salford-Georgia for an amount that many considered inadequate and our CEO, Mark Hauf, got a bonus valued at as much as $16 million in spite of not producing audited financials for years.**

**What would happen if Rupert Murdoch told his shareholders at News Corp.'s annual meeting that there was more than a year's revenues missing; that KPMG LLP had resigned the audit and that he was going to bonus the CEO and the CFO anyway? How do John Kluge, Stuart Subotnick and News Corp. explain their silence compared to other investors in light of all this?**

**Many Iowans invested in good faith. If our positions were reversed, would Kluge, Subotnick and News Corp. want answers to the same questions?**

EXAMPLE OF SUCCESS IN RUSSIAN TELEPHONY vs. METROMEDIA

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STANDARD &POOR'S

# Open Joint Stock Company "Vimpel-Communications"

**S&P Recommendation** HOLD ★★★

**Price** $42.43 (as of Dec 28, 2007)

**12-Mo. Target Price** $35.00

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION

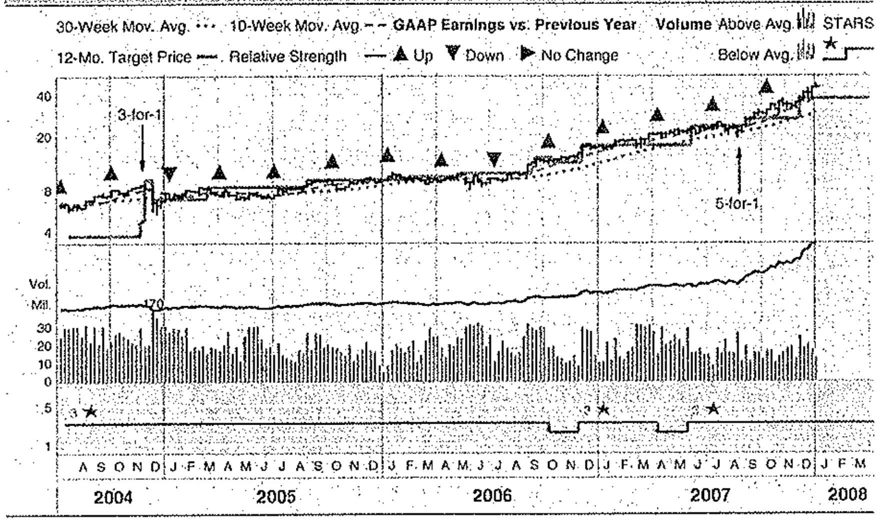
**GICS Sector** Telecommunication Services
**Sub-Industry** Wireless Telecommunication Services

**Summary** This company is the largest provider of cellular telephone services in Russia, including the city of Moscow and the surrounding area.

## Key Stock Statistics (Source S&P, Vickers, company reports)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 52-Wk Range | $45.48–14.60 | S&P Oper. EPS 2007E | 1.35 | Market Capitalization(B) | $43.517 | Beta | 1.77 |
| Trailing 12-Month EPS | $1.28 | S&P Oper. EPS 2008E | 1.75 | Yield (%) | 0.65 | S&P 3-Yr. Proj. EPS CAGR(%) | 25.00 |
| Trailing 12-Month P/E | 33.2 | P/E on S&P Oper. EPS 2007E | 31.4 | Dividend Rate/Share | $0.28 | S&P Credit Rating | NA |
| $10K Invested 5 Yrs Ago | $198,529 | Common Shares Outstg. (M) | 51.3 | Institutional Ownership (%) | 18 | | |

## Price Performance




Options: CBOE

Analysis prepared by **Ari Bensinger** on November 27, 2007, when the stock traded at **$ 34.50**.

## Highlights

- Following an estimated 40% sales increase in 2007, we forecast an advance of 23% in 2008, fueled by strong subscriber growth in Russia and new markets such as the Ukraine and Kazakhstan. The company has been able to maintain or increase its average revenue per subscriber, despite new subscriber additions coming from lower income households outside of Moscow. We expect handset and accessory sales to account for less than 5% of total revenue.
- With stable pricing and lower customer churn along with improved cost controls, we look for 2008 EBITDA margins to expand to 52% to 53%, from the 51% that we estimate for 2007. We expect SG&A expenses to decline as a percentage of sales, while depreciation remains flat.
- After factoring a 5-for-1 ADS to common share ratio change effective August 2007, we project 2008 earnings per ADS of $1.75, up from the $1.35 that we estimate for 2007. We believe that foreign exchange gains or losses, which are not included in our financial model, could materially affect earnings.

## Investment Rationale/Risk

- We see strong industry trends in the Russian mobile market, with higher average revenue per subscriber and increasing minutes of use, outweighing recent weakness in the Ukraine on heavy price discounting amid increased competition. In our opinion, the company will be exposed to more volatility, with new growth coming from other emerging countries, where conditions are less predictable.
- Risks to our recommendation and target price include higher tax liabilities related to the deductibility of expenses incurred by VIP's KB Impuls subsidiary, political risks, and unfavorable trends in foreign currency exchange.
- Our 12-month target price of $35 is based largely on an enterprise value to estimated 2008 EBITDA ratio of about 10X, in line with peers. Our peer group of telecom companies in emerging markets includes Mobile TeleSystems (MBT: hold, $88), a Russian wireless carrier. The target price also represents a P/E of 20X our 2008 EPS estimate of $1.75, a premium to peers warranted, we think, by VIP's faster growth profile.

## Qualitative Risk Assessment

LOW | MEDIUM | **HIGH**

Economic and political instability in Russia may cause large price fluctuations in emerging market securities, such as VIP, compared to other foreign or U.S.-based equities in the telecom sector. With VIP servicing six countries in central Asia and eastern Europe, we believe emerging market risk warrants a high risk assessment.

## Quantitative Evaluations

**S&P Quality Ranking** NR

D | C | B- | B | B+ | A- | A | A+

**Relative Strength Rank** STRONG 99

LOWEST = 1 HIGHEST = 99

## Revenue/Earnings Data

**Revenue (Million $)**

| | 1Q | 2Q | 3Q | 4Q | Year |
|---|---|---|---|---|---|
| 2007 | 1,488 | 1,717 | 1,956 | -- | -- |
| 2006 | 936.5 | 1,122 | 1,360 | 1,452 | 4,870 |
| 2005 | 640.6 | 769.8 | 890.3 | 910.4 | 3,211 |
| 2004 | 635.7 | 490.9 | 602.4 | 624.9 | 2,147 |
| 2003 | 244.4 | 304.4 | 379.0 | 407.7 | 1,336 |
| 2002 | 145.1 | 173.4 | 221.1 | 229.0 | 768.5 |

**Earnings Per ADS ($)**

| | | | | | |
|---|---|---|---|---|---|
| 2007 | 0.27 | 0.35 | 0.45 | E0.38 | E1.35 |
| 2006 | 0.15 | 0.19 | 0.26 | 0.19 | 0.80 |
| 2005 | 0.11 | 0.62 | 0.19 | 0.15 | 0.60 |
| 2004 | 0.08 | 0.10 | 0.11 | 0.08 | 0.37 |
| 2003 | 0.05 | 0.09 | 0.03 | 0.09 | 0.26 |
| 2002 | 0.03 | 0.02 | 0.05 | 0.04 | 0.15 |

Fiscal year ended Dec. 31. Next earnings report expected: Mid April. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

## Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

| Amount ($) | Date Decl. | Ex-Div. Date | Stk. of Record | Payment Date |
|---|---|---|---|---|
| 1.375 | -- | 05/10 | 05/14 | 07/30/07 |
| 5-for-1 | -- | 08/22 | 08/17 | 08/21/07 |

Dividends have been paid since 2007. Source: Company reports.

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**All News Services , ING-US** »

| | | |
|---|---|---|
| **04/30/08 EDT** | | |
| **FC** | 12:03 PM | R0 San Francisco 49ers Manny Lawson Prepares to 'Run For Something Better' and |
| **PRN** | 12:00 PM | San Francisco 49ers Manny Lawson Prepares to 'Run For Something Better' and Promote ING Bay to Breakers |
| **PR** | 12:00 PM | San Francisco 49ers Manny Lawson Prepares to 'Run For Something Better' and Promote ING Bay to Breakers |
| **FC** | 10:31 AM | R0 ING Strengthens Commitment to Educators Around the U.S. by Sponsoring the |
| **DJ** | 8:36 AM | PRESS RELEASE: ING Strengthens Commitment to Educators Around the U.S. by Sponsoring the National Teacher of the Year Program |
| **DJ** | 7:35 AM | =DJ TIP SHEET: ING Bond Fund Sees Value In Weak Developed Econs |
| **04/29/08 EDT** | | |
| **DJ** | 11:14 PM | WSJ(4/30) CD Investors Start To See Higher Rates |
| **DJ** | 3:00 PM | =DJ TIP SHEET: ING Bond Fund Sees Value In Weak Developed Econs |
| **04/24/08 EDT** | | |
| **DJ** | 12:15 PM | DJ Vimpelcom Prices $2B Two-Part Bond Offer |
| **DJ** | 11:48 AM | *DJ Vimpelcom Prices $1B 9.125% 2018 Bond At Par |
| **DJ** | 11:48 AM | *DJ Vimpelcom Prices $1B 8.375% 2013 Bond At Par |
| **DJ** | 11:47 AM | *DJ Vimpelcom Prices Two-Part $2B Bond Issue |
| **04/23/08 EDT** | | |
| **WI** | 1:06 PM | INGENICO : Robust revenue growth in Q1 2008, up 11.2%* to EUR |
| **DJ** | 7:44 AM | =DJ DEBTWATCH: Recent Sovereign Deals Well Received By Investors |
| **04/22/08 EDT** | | |
| **DJ** | 11:32 AM | =DJ ING Group Shareholders Adopt 2007 Annual Accounts |
| **DJ** | 10:43 AM | DJ Quebec Prices EUR1.25B 4.75% 2018 Bond At 99.922 |
| **DJ** | 10:32 AM | *DJ Quebec Prices EUR1.25B 4.75% 2018 Bond At 99.922 |
| **DJ** | 9:03 AM | DJ Government Of Quebec Launches EUR1.25B 2018 Bond |
| **DJ** | 8:53 AM | *DJ Government Of Quebec Launches EUR1.25B 2018 Bond |
| **DJ** | 6:40 AM | DJ MARKET TALK: ING Denies EUR2.3B Contract Losses In Turkey |
| **DJ** | 3:56 AM | =DJ MARKET COMMENT: European Shares Lower, Banks Under Pressure |
| **04/18/08 EDT** | | |
| **DJ** | 11:52 AM | DJ ING Investment Mgmt To Sell Ghent Unit To Rogge Global >ING |
| **DJ** | 11:37 AM | *DJ ING Groep Sees Deal Closing Around About May 31 >ING |
| **PRN** | 11:36 AM | ING Investment Management Americas Announces Sale of Ghent High Yield Unit to Rogge Global Partners |
| **DJ** | 11:36 AM | *DJ ING Investment Mgt Amer Sells ING Ghent To Rogge Global >ING |

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METROMEDIA INTERNATIONAL GROUP

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**Investors**

## Stock Chart

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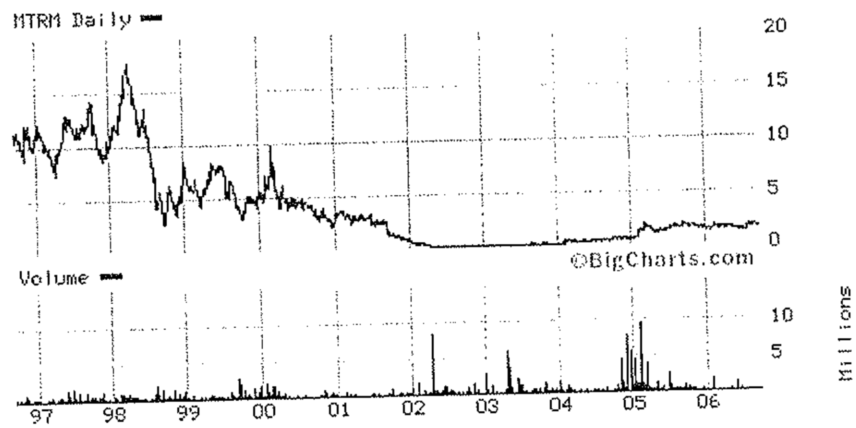
Financial Reports | SEC Filings | Event Calendar
E-mail Alerts | Information Request




| | |
|---|---|
| **Symbol** | MTRM.OB (Common Stock) |
| **Ticker Comparison** | Separate multiple tickers with commas(,) |
| **Time Frame** | 10 years |
| **Frequency** | Daily |
| **Index Comparison** | None |
| **Chart Type** | Close |
| **Events** | None |
| | Submit |

*This is an EDGAR HTML document rendered as filed. [ Alternative Formats ]*

QuickLinks -- Click here to rapidly navigate through this document

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Exhibit 21

LIST OF SUBSIDIARIES OF
METROMEDIA INTERNATIONAL GROUP, INC.
(f/k/a The Actava Group, Inc.)

| *Name of Company* | *Jurisdiction of Incorporation* |
|---|---|
| Turtle Shell, Inc. (f/k/a Snapper, Inc.) | Georgia, USA |
| Actava Financial Ltd. | Delaware |
| Actava SHL, Inc. | Delaware |
| Aliso Management Co., Inc. | Delaware |
| Metromedia International Telecommunications, Inc. (f/k/a MITI Merger Corp.) | Delaware |
| Digital Dubbing Services, Inc. | Delaware |
| International Telcell, Inc. | Delaware |
| Kamalak TV | Uzbekistan |
| Kosmos TV | Russia |
| Viginta UAB | Lithuania |
| Sun TV SRL | Moldova |
| Romsat Cable TV & Radio, SA | Romania |
| International Telcell Telephony, Inc. | Delaware |
| International Telcell Paging, Inc. | Delaware |
| Eurodevelopment OOO | Ukraine |
| Metromedia International Telecommunications Services, Inc. | Delaware |
| International Telcell Services, GmbH | Austria |
| Paging One Services, GmbH | Austria |
| International Telcell SPS, Inc. | Delaware |
| Arkhangelskaya Televizionnaya Kompaniya OOO | Russia |
| Ayety | Georgia, CIS |
| Balticom TV | Latvia |
| Metromedia International Programming Services, Inc. | Delaware |
| International Telcell Telephony, Inc. | Delaware |
| International Telcell Cellular, Inc. | Delaware |
| Magticom Ltd. | Georgia, CIS |
| Metromedia International Inc. | Delaware |
| MII Praha S.R.O. | Czech Republic |
| Country Radio | Czech Republic |
| Radio One | Czech Republic |
| As Trio LSL | Estonia |
| Katusha ZAO | Russia |
| Radio Georgia | Georgia, CIS |
| SAC ZAO | Russia |
| Radio Skonto | Latvia |
| Oy Metroradio Finland Ab | Finland |
| Metroradio EOOD | Bulgaria |
| Metromedia International Marketing, Inc. | Delaware |
| MII Services, Inc. | Delaware |
| Metromedia Katusha, Inc. | Delaware |
| Metromedia International Consulting Services, Inc. | Delaware |
| Juventus KFT | Hungary |
| Metromedia Internet Licensing Limited | British Virgin Islands |
| Dotcom Communications, AS | Estonia |
| Comstar ZAO | Russia |
| PLD Telekom, Inc. | Delaware |
| Peterstar ZAO | Russia |
| Baltic Communications Limited ZAO | Russia |
| Cardlink Holdings, Inc. | Delaware |
| Cardlink Holdings Limited | Scotland |
| Technocom Ltd. | Ireland |
| Teleport TP ZAO | Russia |
| Metromedia China Corporation | Delaware |
| Twin Poplars LLC | Delaware |
| Beijing 66cities.com | Peoples Republic of China |
| Metromedia China Services, Inc. | Delaware |
| Metromedia China Paging Limited | Cayman Islands |
| Metromedia China Telephony Limited | Cayman Islands |
| Clarity Data Systems Co., Ltd. | Peoples Republic of China |
| Metromedia Health Information Systems Co., Ltd. | Peoples Republic of China |
| Asian American Telecommunications Corporation | Cayman Islands |
| Huaxia Metromedia Technology Co., Ltd. | Peoples Republic of China |

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
100 F STREET, NE
WASHINGTON, D.C. 20549-0213

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March 16, 2006

Office Of Investor
Education
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Fax (202) 942-9634
E-Mail help@sec.gov
www.sec.gov

HO-1138174

Mr. Matthew Kevin McLaughlin
4244 Foster Drive
Des Moines, IA 50312

Dear Mr. McLaughlin:

We are taking your complaint very seriously, and have referred it to the appropriate people within the SEC.

Please understand that the SEC generally conducts its investigations on a confidential basis and neither confirms nor denies the existence of an investigation unless we bring charges against someone involved. We do this to protect the integrity and effectiveness of our investigative process and to preserve the privacy of the individuals and entities involved. As a result, we will not be able to provide you with any future updates on the status of your complaint or of any pending SEC investigation.

I've attached a flyer that describes our policy as it will apply to your complaint. Please contact me if you have other questions.

Sincerely,

Steven G. Johnston
Special Counsel

Enclosure: Information About SEC Investigations

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# THE WALL STREE

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DOWJONES WSJ.com THURSDAY, JULY 6, 2006 - VOL. CCXLVIII N


## *After the Revolution*

# In Russia's Shadow, Georgia's Leader Remakes Nation

### Mikheil Saakashvili Overhauls Economy and Judiciary; Concerns About Rights

### 'We're in a Rush Against Time'

By MARC CHAMPION

TBILISI, Georgia—Georgian President Mikheil Saakashvili stood 200 feet above this capital city one recent afternoon, pointing out pet projects from the rotating deck of an observation tower his nation had just purchased in France.

Along the river, he said, ground was about to be broken for his "personal favorite," a ballet center. At the foot of the tower, a planned $250 million shopping complex and park was the subject of a competition between architects from Japan, Britain and Denmark. Hyatt and Hilton had just agreed to build hotels. A new teaching hospital was to open this fall.

Below him, in all directions, lay the medieval churches and public buildings he ordered lit to brighten the city, which until recently lacked regular electricity and "was so depressing," he said. "Maybe we're overplaying it. We're putting lights everywhere."

The so-called orange and yellow revolutions that brought Western-leaning governments to Ukraine and Kyrgyzstan have bogged down in political feuding. But Georgia's three-year-old "rose revolution" has started to deliver dramatic change, driven by its energetic 38-year-old president.

Mr. Saakashvili, who has strong backing from the U.S., is trying to transform Georgia's economy in a hurry. His aim is to end centuries of Russian domination and to forge new ties with the West. Corruption is down, and tax revenues have at least doubled since 2003, due in part to a new flat tax and improved collection, helping to pay for the government's many projects. The nation's gross domestic product rose 8.5% during the first quarter. Mr. Saakashvili recently hired Mart Laar, the former Estonian prime minister responsible for Eastern Europe's most radical free-market economic makeover, to advise his government on how to follow Estonia's path.

*Mikheil Saakashvili*

Mr. Saakashvili faces enormous challenges. Georgia sits at the center of an unstable region and shares borders with both Russia and Iran. If he succeeds, Western nations stand to benefit.

New pipelines that pass through Georgia are coming on line this year, giving Western nations access to oil and gas from the Caspian Sea area, one of the

# What's News—

## *Business and Finance*

KENNETH LAY DIED of a heart attack, just weeks after the former Enron chairman was convicted of conspiracy and fraud stemming from the company's collapse. Lay was celebrated for creating a firm lauded for its innovation and profits before being castigated for Enron's downfall. His death may erase his convictions, though civil suits against his estate will likely continue.

(Article in Column 5)

* * *

■ **AOL is considering** offering its services free to users with high-speed Internet connections, gambling that ad revenue will offset the loss of subscription fees.

(Article on Page B1)

* * *

■ **GM's management plans** to air arguments against a proposed alliance with Nissan and Renault at a board meeting tomorrow.

(Article on Page A3)

* * *

■ **The Dow industrials fell** 76.20 points to 11151.82, knocked down by interest-rate concerns and news of North Korea's missile launch.

■ **Oil prices** set a Nymex record of $75.19 amid supply concerns, though prices have been much higher in inflation-adjusted terms.

(Articles on Pages C1 and C3)

* * *

■ **Wisconsin utility WPS** is in advanced talks to purchase Chicago gas utility Peoples Energy in a deal valued at about $1.5 billion.

(Article on Page A2)

* * *

■ **Intel is investing** $600 million in Clearwire, part of a $900 million sum that could help spur adoption of WiMAX wireless technology.

(Article on Page A2)

* * *

■ **Valassis is in talks** to buy Advo for at least $1.1 billion, a deal that would unite two direct-marketing and advertising stalwarts.

(Article on Page A2)

* * *

■ **Peabody agreed** to acquire Australia's Excel Coal for $1.34 billion. Peabody is the world's largest private-sector coal company.

(Article on Page A12)

* * *

■ **Duquesne Light Holdings** is set to be taken private for $1.6 billion by a group led by a New York arm of Australia's Macquarie.

(Article on Page C4)

* * *

■ **Televisa** said it is willing to sell its Univision stake, but analysts say the Mexican company remains

## *World-Wide*

■ **THE U.S. VOWS North Korea will not benefit from missile intimidation.** Pyongyang test-fired a seventh weapon into the Sea of Japan after a startling July Fourth series of shots, and South Korean newspapers said more short- or medium-range missiles are being prepared for launch. Washington was clearly relieved that the showstopper, an ICBM capable of hitting the U.S., blew up seconds after liftoff. That outcome also gives the national missile shield more time to try to hone its capabilities. The U.S. was trying to round up U.N. votes for a "strong and unanimous signal" that such provocations are unacceptable, but Russia and China are balking at talk of sanctions. (Pages A3, A4, A6)

*Events refocused attention on North Korea's suspected delivery to Iran in 2005 of intermediate-range missiles based on a Soviet design for launch of atomic warheads from submarines.*

* * *

■ **Mexico's recount** had López Obrador with a slight lead over Calderón with 83% of ballots tallied. Calderón allies say their candidate will eke out a victory even so, because the areas remaining to be counted are ones in which he ran well. But the variance from the figures announced Sunday added to a sense of foreboding about the election being accepted. (Page A2)

* * *

■ **A House panel subpoenaed** Rumsfeld, ordering him to give it an investigation report on Abu Ghraib it accuses him of withholding. The kidnappers of a female Sunni lawmaker in Iraq demand U.S. pullout as ransom.

* * *

■ **Israeli troops** were sent into populated areas in northern Gaza, taking over former settlements, amid an evident acute concern over the lengthening range of the rockets fired almost continuously by Palestinian militants.

* * *

■ **Bush reiterated** his support for a guest-worker program as House Republicans rallied for an enforcement-only immigration stance. New York's mayor said mass deportations would wreck his city's economy. (Page A4)

* * *

■ **Three bombs** targeted government workers and police in the Afghan capital, killing one man and injuring 47. A Taliban raid killed a British soldier.

* * *

■ **Italy arrested** two of its intelligence agents in a probe of an alleged CIA abduction of a Muslim cleric, indicating complicity in such "renditions."

* * *

■ **Iran postponed** for a day talks on U.S.-EU atomic proposals, complaining of exile groups' activities in Europe. Rice implied Tehran is stalling.

* * *

■ **Bush backed** Georgia's bid to join NATO at a White House meeting with Saakashvili, a snub to Russia before next week's G-8 summit. (Column 1)

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*David Choquehuanc*

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THE WALL STREET JOURNAL



TUESDAY, OCTOBER 17, 2006 ~ VOL. CCXLVIII NO. 91 ~ ★★★★ $1.00

62-B

*Russian Connection*

# Why Putin's Telecom Minister Is in Investigators' Sights Abroad

## German and Swiss Probes Tag Leonid Reiman as Owner Of Businesses He Oversees

## Commerzbank's Unusual Role

Russian President Vladimir Putin said last month that the inability to root out corruption has been a chief failing of his six-year administration.

One of the most serious allegations

*By Gregory L. White, David Crawford and Glenn R. Simpson*

about corruption in Russia hits close to home. It is that Mr. Putin's longtime friend and minister of telecommunications owns chunks of the industry he oversees, having surreptitiously converted telecom businesses from state ownership years ago.

No Russian investigators say this. The allegation comes from German prosecutors and a Swiss commercial tribunal, both of which say that a vast international money-laundering scheme has been used to conceal a diversion of state assets by the Russian minister, Leonid Reiman. A close examination of the allegations shows what investigators are working from: a trail of documents and witnesses unearthed in court cases and police inquiries ranging over four European jurisdictions and the British Virgin Islands.

*Leonid Reiman*

Mr. Reiman was an executive of a state-controlled telephone company when communism collapsed in Russia 15 years ago. In the new climate, he helped set up a number of private telecom businesses. The German prosecutors and Swiss tribunal say he then used his position to shift control of the businesses to foreign holding companies he owned. The Swiss tribunal further alleges that later, after becoming telecom minister, he made decisions that yielded millions of dollars in profits for these businesses. German prosecutors are also looking into that.

Mr. Reiman, in an interview, says he has never owned the telecom businesses at issue. He says they are instead owned by a Danish lawyer friend with whom he worked closely in setting them up in the early 1990s. Mr. Reiman blames the allegations on a smear campaign by a wealthy Russian oligarch with whom one of the businesses is in a dispute.

In Germany, the probe has also raised serious questions about the role of a

*Please Turn to Page A13, Column 1*

**Under the Microscope**

Russian Telecom Minister Leonid Reiman is being investigated abroad for allegedly owning telecom businesses he oversees and helping them profit, which he denies. One episode being looked at took place from late 1999 to early 2001:

- Companies allegedly controlled by Reiman buy control of small firm called Telecom XXI for $3 million.
- Big Russian cellphone company MTS seeks license to operate in St. Petersburg.
- Reiman's ministry denies MTS the license but grants one to Telecom XXI.
- MTS buys Telecom XXI for 10 times its sale price from a year earlier.
- Seller puts proceeds in a Bermuda fund alleged to be owned by Reiman.

Source: Ruling of ad hoc Zurich commercial arbitral tribunal

# Putin's Telecom Chief Is Under Investigation Abroad

*Continued From First Page*

large bank, Commerzbank AG. It provided loans to the Russian businesses and helped them find outside investors. The bank has acknowledged that for five years it helped to conceal the Russian businesses' true ownership, by claiming to be the owner itself.

Commerzbank, which held the assets in trust, maintains it did nothing wrong under German trust laws. Yet employees in Moscow warned management of the bank five years ago that it was helping Mr. Reiman conceal his ownership of illegally obtained state assets, according to a German police official and others with knowledge of the matter. Commerzbank says it considered and dismissed the employees' complaint.

The tangled affair offers a view inside a shadowy world of offshore accounts, oligarch deal-making, a Bermuda mutual fund with only one real shareholder and more than a dozen apparent shell companies, with U.S. addresses in locations such as Kentucky and Delaware. Those companies list their managers as being in remote spots such as Niue, a tiny Pacific coral atoll that U.S. officials suspect as a center of Russian money laundering. Among the authorities looking at aspects of the matter is the U.S. Federal Bureau of Investigation.

Russian prosecutors have shown scant interest. After the Swiss tribunal concluded in May that Mr. Reiman owned telecom businesses and had taken official actions that helped them, Russian legislators asked Russian prosecutors to respond. A senior official at Russia's Prosecutor General office sent a letter saying his agency saw no evidence Mr. Reiman had abused his office.

Russian business has long been afflicted by corruption. But as the Kremlin during the Putin years has tightened its grip over economic and political life, problems have worsened, say some officials and business leaders.

They say a drive by Mr. Putin to increase state control in critical sectors like oil and gas—squeezing out private investors and multinational companies—has strengthened powerful Kremlin factions, which compete to expand further. Several such groups are headed by longtime Putin friends, such as the chairman of the state oil company—which has rocketed to the top ranks among oil producers in the past two years—and the head of the state arms exporter, which is expanding its reach into autos and metals.

Some who have pushed for change in Russia have left the country in the face of growing pressure. Some who stayed to fight have paid a heavy price. Last month, a central-bank official who led a drive to clean up the banking system was gunned down in an apparent contract hit. Even as Russian companies invite Western investors in as shareholders, business disputes in Russia continue to be fought at times with rough tactics.

In the case of the telecom businesses Mr. Reiman helped set up in the early 1990s, much less might be known about their trail were it not for a bitter commercial fight. It concerns a roughly $1 billion stake in a large Russian mobile-phone company, OAO Megafon.

A Bermuda entity to which the bulk of the telecom empire was transferred a few years ago claims that it has the right to purchase that Megafon stake, through option agreements. So when Mikhail Fridman, one of Russia's richest men, announced in 2003 that his business had acquired it, the Bermuda entity filed a slew of lawsuits to challenge him.

Mr. Fridman, whose $20 billion Alfa Group is legendary in Russia for bare-knuckle business tactics, fought back. One of its strategies was to argue that the Bermuda entity couldn't make valid contracts—because it was a money-laundering vehicle for Mr. Reiman.

Alfa set out to prove that, in conjunction with the seller of the Megafon stake. They deployed phalanxes of lawyers and private investigators. They paid millions of dollars to witnesses who testified and, in one case, who secretly videotaped a conversation. The Bermuda entity fought back. The result has been far-flung legal proceedings that have opened a window on the convoluted maneuvering.

*Mikhail Fridman*

The story goes back to the early 1990s, when Mr. Reiman, in his mid-30s, was an executive at Leningrad City Telephone Network. He was in position to help remake the city's antiquated telephone services for the modern age. He met Jeffrey Galmond, a Danish lawyer then about 40, who was in town to help a client. Soon the two were close friends—vacationing together, babysitting each other's children and doing business together.

As telecommunications blossomed in the post-Soviet era, Mr. Reiman put together a network of companies for his state employer, offering a wide range of services from billing to paging. Mr. Galmond pitched in with legal help and introductions to potential foreign partners.

Mr. Reiman's employer was saddled with old technology and low regulated rates but held one trump card: Anyone seeking to provide modern phone services to the growing ranks of private businesses had to connect to its equipment. In return for its cooperation, the state company got stakes in many telecom ventures blossoming in the city, which reverted to its old name of St. Petersburg.

Mr. Reiman "was the most active person in setting up the ventures. He was a workaholic," Mr. Galmond says.

Mr. Reiman "seemed an expert in 'oiling the wheels' and had no compunction about doing it," said Anthony Georgiou, a British businessman who owned a share in one of the ventures and claims he was cheated out of it. Mr. Georgiou's statement was part of a sworn affidavit filed in court in British Virgin Islands. Along with it, he provided a 1992 receipt for a $1.04 million "bonus" transferred to Mr. Reiman's Swiss bank account. Mr. Reiman denies that such a transfer ever took place and says the receipt is a fake.

In late 1994, Mr. Reiman gathered his state-controlled employer's interests in the growing ventures into a firm called Telecominvest. His employer owned 95% of it. Mr. Galmond, the Danish lawyer, says that he indirectly owned the rest.

## Telecom Takeoff

Landmarks in the career of Russian Telecom Minister Leonid Reiman and his connection to President Vladimir Putin:

**1986:** Reiman becomes deputy chief of Leningrad City Telephone Network.

**1991:** Putin becomes head of foreign affairs committee of city of Leningrad, by then known as St. Petersburg.

**1994:** Reiman forms Telecominvest with businesses part-owned by his employer.

**1998-99:** Telecominvest employs Putin's wife.

**August 1999:** Reiman becomes chairman of Russian state telecom committee; Putin is named Russia's prime minister.

**November:** Reiman is named Russia's telecom minister.

**2000:** Putin is elected Russian president.

**2004:** Putin reappoints Reiman as telecom minister.

But just over a year later, the interest held by Mr. Reiman's employer and another state company had shrunk to 49%. Now, 51% was in the hands of an obscure Luxembourg company called First National Holding.

What had happened was that Telecominvest issued new shares. Though the state-controlled companies, represented by Mr. Reiman, had a right to invest in these shares and maintain their dominant stake, they didn't. Instead, First National Holding put up a modest $1.8 million for the new shares and wound up with the majority stake. Later its stake rose to 85% through the same process.

Who was this First National Holding? The question intrigued Russia's then-telecom minister, who says he learned about the new ownership in the local press and called state telecom executives for an explanation. They told him First National Holding was just a vehicle for the actual owner—Commerzbank—says the former minister, Vladimir Bulgak. So "we didn't make a scandal. We thought the Petersburgers found a good partner who would invest," he says.

Telecominvest also portrayed Commerzbank as the owner. It said in regulatory filings that the bank owned First National Holding. And the German bank itself said the same. Commerzbank—in a 2000 European Union regulatory filing, in annual reports and in letters to business partners—said it owned First National. Now it admits that wasn't the case.

Mr. Reiman says the real owner was his Danish friend Mr. Galmond, who wanted to keep his privacy in Russia's sometimes-violent business world. Mr. Reiman adds that his state-controlled employer didn't actually suffer when its interest in the businesses was drastically diluted, because they later grew so much in value. Independent analysts estimate the businesses' value at more than $1 billion.

German police found a long internal report from Commerzbank's Moscow office warning that the bank was improperly helping Mr. Reiman conceal ownership of state assets, says a senior German police official. According to the official and to others with knowledge of the case, the employee who wrote the internal report told investigators that in 2001 he tried to give it to Commerzbank Chief Executive Klaus-Peter Müller at bank headquarters in Frankfurt, but Mr. Müller turned his back and wouldn't acknowledge it.

Commerzbank denies that happened. It confirms that an official in Moscow raised concerns. But "Mr. Müller isn't somebody who turns his back on problems," said a spokesman for the bank, which wouldn't make Mr. Müller available for an interview. This spring German prosecutors, not finding any documentary evidence to implicate Mr. Müller, said they had removed him from a list of suspects in the money-laundering investigation. The bank acknowledges several of its executives did read the report, and according to a person familiar with the continuing investigation, some remain on the list of suspects.

The bank's Frankfurt-based head of East European operations, Andreas De Maiziere, told the complaining Moscow employees to stay out of Frankfurt's business, according to people with knowledge of the matter. Through a lawyer, Mr. De Maiziere declined to comment.

Commerzbank reassigned one of the Moscow employees to an office building in Frankfurt that was otherwise empty. Another quit and wrote in a resignation letter that the bank's business with Mr. Reiman made him "sick to my stomach," says someone who has seen the letter. Commerzbank says assignments weren't retribution but just temporary jobs until suitable new posts could be found.

In 2001 Commerzbank ended its trust arrangement with the telecom businesses. As a new repository for them, Mr. Galmond, the Danish lawyer, set up several Bermuda entities, including one called IPOC International Growth Fund Ltd., which he registered as a mutual fund. Several bank executives who had worked on the telecom businesses quit and moved to a firm Mr. Galmond set up in Frankfurt to manage IPOC.

By this time, Mr. Reiman had risen to the post of telecom minister in President Putin's government, with broad authority over one of the fastest-growing parts of Russia's economy. He also retained his close ties to Mr. Putin, whose wife got a job at Telecominvest after Mr. Putin moved to Moscow but before Mr. Putin made his ascent to the pinnacle of power.

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IPOC

IPOC's fortunes also took off. Several companies it owned benefited from regulatory decisions by Mr. Reiman's ministry or from rich contracts with the state-controlled companies his ministry oversaw, according to a ruling of the Swiss commercial tribunal, which sits in Zurich. (The tribunal got involved because of IPOC's fight with Mr. Fridman and Alfa; one of IPOC's option agreements called for arbitration of any dispute in Zurich.)

Consider the case of Telecom XXI, a small Russian company. Control of Telecom XXI was acquired in late 1999 by businesses Mr. Galmond says he owned. The price was about $3 million. Just over a year later, the businesses sold Telecom XXI for $30 million—money that they promptly invested in IPOC.

Why this leap in value? In the short time the businesses controlled Telecom XXI, it won—from a branch of Mr. Reiman's ministry—a much-sought-after license to offer cellular service in and around St. Petersburg.

At the time, Russia's biggest mobile-phone company, OAO Mobile TeleSystems, or MTS, wanted to expand into that city, but its license applications were repeatedly rejected by the branch of Mr. Reiman's ministry. Ultimately, to get a license, MTS agreed to the pricey purchase of Telecom XXI.

The Zurich tribunal, although it admitted it didn't have direct evidence, concluded that Mr. Reiman had blocked MTS's applications in order to force MTS to buy a company he owned. Thus, the panel concluded, much of the huge profit on the transaction was the fruit of "abuse of official powers" by Mr. Reiman.

A spokesman for Mr. Reiman rejected this idea. He said Russian prosecutors and government auditors who looked into the granting of the license found no violations, and moreover the purchase price for Telecom XXI was in line with similar transactions. A spokesman for MTS said it hadn't overpaid.

Some other IPOC money flows are harder to fathom. In an effort to defeat the allegation it was a money-laundering vehicle for Mr. Reiman, IPOC provided financial records to several courts. But the records raised still more questions.

*Jeffrey Galmond*

IPOC says it doesn't get the money that it invests from shareholders, like an ordinary mutual fund, but from a group of subsidiary companies it owns. It says these earn income by lending to, or consulting for, a second set of companies.

Euro Resources LLC is an example of companies in the second group. It has paid at least $24 million to IPOC subsidiaries for real-estate and consulting services since 2000, IPOC records say.

Yet the payments, many from a St. Petersburg bank, began even before Euro Resources was incorporated—and even before any consulting contracts were signed—IPOC documents show. IPOC provided no proof its subsidiaries did work for Euro Resources in return for the $24 million.

IPOC gives Euro Resources' address as Lexington, Ky. Phone directories in Lexington list no such company. In Kentucky state registration filings, Euro Resources says that its head office is at an address in Salem, Ore. But there doesn't seem to be any listing for the company in Salem, either.

Other Kentucky filings say Euro Resources' managers are still farther away: one in a small town in the Central American country of Belize and one in the Pacific island of Niue, population 800.

Wire-transfer records show Euro Resources' payments passing through various conduits, from Cyprus to Nevada, before reaching IPOC. Along the way, they passed through the New York offices of Barclays PLC and J.P. Morgan Chase & Co. The banks say they complied with all money-laundering laws.

IPOC records list at least 14 such apparent shell companies that have U.S. addresses and pay money to IPOC. Most have bank accounts in Latvia—a former Soviet republic where, the U.S. Treasury stated last year in the Federal Register, rampant official corruption impedes enforcement of money-laundering laws.

Regulators in Bermuda are investigating IPOC, looking at whether it committed regulatory infractions that could result in the seizure of its assets.

IPOC lists several companies as shareholders; all of which Mr. Galmond says belong to him. He says he's also the owner of other companies that hold the rest of the Russian telecom empire.

But various documents emerging in the investigation and court proceedings point to Mr. Reiman as the owner.

For instance, a 2002 letter to a Liechtenstein bank said the telecom empire belonged to Mr. Reiman. The letter bears Mr. Galmond's signature, according to an affidavit filed in a British Virgin Islands court. Mr. Galmond said the statement that the businesses belonged to Mr. Reiman was made by his staff in error.

Another document shows that Mr. Reiman was the beneficiary of a trust that controlled First National Holding, the main holder of the telecom businesses after 1996. And he had authority to order this trust to make payouts to its beneficiary—himself. Mr. Galmond says nothing has been disbursed from the trust. The document was described in an affidavit filed in Britain's Privy Council appellate court.

Commerzbank executives considered Mr. Reiman to be the bank's client, said a person familiar with its handling of the matter. The bank did due diligence on him as "the economic beneficiary" of the assets, said an affidavit filed in the Privy Council, quoting a Galmond adviser. Mr. Reiman's explanation is that the bank's lawyers looked into whether it would be legal for him to get a stake in some of the companies in the late 1990s as part of a deal Mr. Galmond proposed but that such a transaction never happened.

German prosecutors and regulators unearthed some of these documents. Germany's financial regulator, known as Bafin, knew of the concerns raised by Commerzbank's Moscow employees in 2001, but Bafin investigated no further than Commerzbank's compliance with banking regulations. Bafin closed its inquiry in 2005, without imposing any sanctions.

By then, prosecutors in the German state of Hesse had taken an interest and police raided offices and homes of several top Commerzbank executives. Soon after, Mr. De Maiziere resigned from the bank's executive board, accepting responsibility for its failures in the Russian region. An annual report shows he left with a €2.14 million severance payment, quadruple his annual salary, which the bank says stemmed from his contract. Prosecutors in Hesse say he remains a suspect in their money-laundering investigation.

The documents unearthed by German investigators and by litigation in the various courts played a role in the May ruling by the Zurich commercial tribunal. After it heard more than two weeks of testimony from four dozen witnesses, and had reviewed reams of bank records and other documents, it declared Telecom Minister Reiman to be the owner of the Russian telecom businesses. The tribunal concluded he had misused his position to build the business empire from assets that once belonged to the Russian state, and expanded it by abusing his office as minister. IPOC says it has appealed the ruling to the Swiss Supreme Court.

In the spat with the oligarch Mr. Fridman's Alfa Group that set off all this probing of IPOC, the Bermuda fund has scored a round within Russia. There, prosecutors recently ordered the arrest of the man who sold the stake in the Megafon cellphone company to IPOC's nemesis, Alfa. Mr. Reiman is preparing libel lawsuits against several witnesses who testified against him, a spokesman for the telecom minister says.

German prosecutors say their money-laundering investigation is complicated by the need to establish that a crime occurred at the beginning of the chain in Russia. They would need to show that the money that coursed through Commerzbank was dirty to begin with.

In Russia, authorities have shown little interest beyond a 1997 investigation by prosecutors in St. Petersburg, which found no significant violations in the 1994 formation of Telecominvest. No senior Russian official other than Mr. Reiman has publicly commented on the allegations against him. Russian prosecutors, when asked by legislators to respond to the Zurich tribunal's ruling, said they saw no evidence that IPOC had engaged in suspicious financial operations.

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International

# The Incredible Shrinking Metromedia

Heidi Brown 10.10.06, 6:00 AM ET

The word that **Metromedia International Group** is prepared to file for Chapter 11 as part of an asset sale to a group of offshore buyers for $480 million has raised more questions than it resolved. The deal follows years of acrimony and lawsuits among its 20% owner, **John Kluge**, and minority investors, many of them hedge funds, over the company's failure to hold annual shareholders' meetings or file income statements with the U.S. Securities and Exchange Commission.

The issue of what's happened to Metromedia (otcbb: MTRM - news - people ) has become an extraordinary saga that hopscotches across a host of companies and nations--many of them in Eastern Europe, where the company and its successors sought to insert themselves into the telecom networks of the former Soviet Union. It appears to involve some of the most powerful officials in Russia, including close aides and advisers to Russian President Vladimir Putin--and court-supported allegations of money-laundering networks involving one of the president's closest friends and confidants. At the same time, it involved investors from Zürich, Switzerland, to Dubai.

Metromedia was once a fabled name--at its peak a media colossus that owned independent TV stations, music publishing, paging businesses and billboards. During his 40-year tenure, founder and longtime chairman Kluge managed to break into the TV network business and the cellular business by buying early and on the cheap.



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In the late 1980s, he started selling off his collection of properties to buyers like **Rupert Murdoch**, who used the TV stations to start Fox. By 1995, Kluge had liquidated the bulk of his U.S. media investments and had a net worth of $9 billion, mostly from selling his licenses to the country's biggest telephone companies. What's left is a mishmash of separate companies, some private and some publicly traded, including a once-bankrupt fiber-optics outfit (**Abovenet** (otcbb: ABVT - news - people )), a peanut processor (Morven Partners), a distributor of DVDs (**Image Entertainment** (nasdaq: DISK - news - people )) and restaurants (Steak & Ale, Bennigan's, Ponderosa and Sizzler).

Metromedia is an entirely separate company, based in Charlotte, N.C. Kluge started building it in 1990 with a brash foray into East European cellphone and radio businesses. Offering local officials a share in the licensing, it eventually had investments in 12 cities in the former Soviet Union, plus Orion Pictures' film library and a garden supply firm. Today, its principal holding is Magticom, a mobile-phone company with operations in the former Soviet republic of Georgia.

Metromedia hasn't filed a quarterly earnings report or an annual report, paid dividends or held a shareholders' meeting for two years. In 2003, the last year it reported full-year numbers, it had sales of just $70 million and a net loss of $10 million. It is listed on the pink sheets at a recent $1.50 a share (it was delisted from the American Stock Exchange in 2003), and its total market cap is $140 million.

For four years it's been shedding its cable and telephone assets throughout Eastern Europe, Russia and Kazakhstan. In 2003, it dumped the lawn mower maker, Snapper, to privately held **Simplicity Manufacturing**, based in Wisconsin, for $22 million in cash.

But the strangest transaction has involved the sale of Peterstar, a Russian fixed-line telecom outfit based in St. Petersburg. In January 2005, Metromedia announced it had granted exclusive rights to a group of Russian companies to buy all of Metromedia's assets for $300 million in cash. An SEC filing also noted that top Metromedia management, including Chief Executive **Mark Hauf**, would receive millions of dollars in "transaction bonuses" for completing the deal before a certain date.

Investors weren't pleased. Hedge fund Mellon HBV Alternative Strategies, which owns 7.7% of Metromedia shares, started firing off letters to the company, demanding a shareholders' meeting and complaining that, among other things, the price undervalued the company (it estimated total worth closer to $500 million) and that the bonuses were outrageous.

The plea fell on deaf ears. A month later, Hauf announced that the same group of Russian companies had offered $215 million, but only for Peterstar, which at the time represented just a portion of Metromedia's sales. The sale, Hauf explained, was to be contingent on a majority shareholder vote.

But that never happened. Six months later, Metromedia apparently changed its mind, announcing that a vote of common shareholders was not required and that Peterstar had been sold to the Russian group for $215 million. The executives still pocketed the fees they would have received if the deal had been priced at $300 million.

Esopus Capital, a New York hedge fund with 1% of common shares, filed suit in August demanding a shareholders' meeting. "My clients feel they've been shut out of the company," said lawyer Martin Sklar. Metromedia agreed to a meeting to be held in December; Esopus also assented, apparently unaware that a sale was afoot.

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But who bought Peterstar? Three shadowy companies with strange connections.

Chief among them: **First National Holdings** (other-otc: FXNC - news - people ), whose parent company, Ipoc, has been embroiled in a brutal legal battle with oligarch-controlled **Alfa Group** over a disputed stake in Russia's third largest mobile carrier, Megafon.

Ipoc, a company based in Bermuda, claims it paid for--and owns--an option to buy a company that holds 25% of Megafon. Alfa, which has other Russian telecom holdings, claims Ipoc's option agreement expired because it was never exercised.

The two companies have argued their case before courts across Europe. This summer Ipoc filed a RICO suit against Alfa in U.S. federal court; it has accused Alfa investigators of following witnesses and even allegedly threatening a judge. In a Zürich tribunal earlier this year, it was alleged by the defendants that First National and Ipoc were set up by Leonid Reiman, Russia's powerful telecom minister and a friend of Vladimir Putin's, as general cover for a money-laundering network.

In May, the Zürich arbitration panel, which has no legal authority to enforce its finding, determined that the individual referred to as "proposed Witness No. 7," described as "a high-ranking officer of the Russian Federation with the function of coordination and regulation of activity in the sphere of communication of Russia," and widely assumed to be Reiman, did in fact fund and benefit from First National and Ipoc.

Rubbish, says Reiman. In an exclusive interview with Forbes, the minister denied being a shareholder or beneficiary of Ipoc or First National, and said he owns only a few shares of a Russian telecom called Northwest, held in a blind trust, dating back to the early 1990s, when the Russian telecom sector was being restructured.

"All these allegations, they don't have anything behind them," the minister calmly stated in fluent English during a conversation in a Washington, D.C., hotel. "I'm not an investor in FNH, or Ipoc." **Rupert Murdoch**'s **News Corp.** (nyse: NWS - news - people ), which also is a shareholder in Metromedia International, says it knows nothing about First National or accusations surrounding the company or against Reiman.

Other odd stuff: Three years ago, Metromedia unloaded another Russian holding, a satellite company called Technocom, on a mysterious offshore buyer. The buyer was a Cypriot company called Grosco. Forbes has seen documents that indicate Grosco is also an Ipoc holding.

Another consortium member is Emergent Telecom Holdings, which is described in SEC documents as a "communications merchant bank." It's controlled by **Juan Villalonga**, the former head of Spanish phone giant **Telefonica** (nyse: TEF - news - people ), and a mysterious figure named Mohamed Amersi. Amersi is a lawyer who co-founded a private equity fund in New York that is now closed; today he has various Russian telecom investments. He is on the board of Megafon. Neither Amersi nor Villalonga could be reached for comment.

This summer a court in Bermuda recognized the findings of the Zürich judges.

The early-October announcement of an upcoming Chapter 11 filing for Metromedia International has done little to calm shareholders. The proposed purchasers of Metromedia International include Emergent; Salford Georgia, of which strongman Badri Patarkatsishvili, wanted in

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Russia, is a major client; and Istithmar, described in the company's press release as a "leading alternative investment house in Dubai, United Arab Emirates."

Patarkatsishvili is a longtime Georgian oligarch and an early partner of **Boris Berezovsky**, the exiled Russian media tycoon. The Georgian became a Murdoch partner in the spring when the News Corp. chairman bought a stake in his Imedi cable and media company.

Istithmar, which has been on a buying spree for New York City real estate, is one of a network of holding companies ultimately controlled by the ruler of Dubai and some of the same individuals who sought to buy American ports earlier this year.

The Metromedia buyout calls for preferred stockholders to receive $71 per share, with holders of the common stock picking up the crumbs at $1.60 a share--the approximate closing price of the shares on Oct. 3. Preferred shareholders would receive a 15% premium over the price of their shares. In addition, Metromedia International's management will receive 5%, or $24 million, in "bonuses" on completion of the sale.

Black Horse Capital, a hedge fund controlling 6.2% of Metromedia's common stock, wrote a seething letter to protest the proposed sale and Chapter 11 filing and to call for an auction of the assets. "Given the total lack of financial transparency and complete loss of credibility due to multiple disappointments regarding the release of current financial statements, the common equity trading price could not possibly reflect the full value of the Magticom asset," wrote Dale Chappell, a Black Horse partner, in the letter, referring to one of the Georgian investments.

Martin Sklar, the lawyer for Esopus Partners, which had sued Metromedia only weeks before and settled, agreeing to a shareholders' meeting in December, said Esopus would be "taking action" within days.

As for John Kluge, the 92-year-old Metromedia founder, his role now is unclear. The billions he made came early on--before Russia, before Dubai, before the whole string of recent bankruptcies and buyouts.

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# Metromedia International Group, Inc. Discloses Receipt of Letter from SEC Regarding Potential Deregistration of Securities.

Publication: Business Wire
Date: Thursday, April 26 2007
Subject: Regulatory compliance, Securities industry

CHARLOTTE, N.C. -- Metromedia International Group, Inc. (the "Company") (currently traded as: (PINK SHEETS: MTRM) - Common Stock and (PINK SHEETS: MTRMP) - Preferred Stock), the owner of interests in communications businesses in the country of Georgia, announced today that it has recently received a letter (the "SEC Letter") from the United States Securities and Exchange Commission (the "SEC") stating that the Company was not in compliance with its reporting requirements under Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The SEC Letter stated that the Company may be subject, without further notice, to an administrative proceeding pursuant to Section 12(j) of the Exchange Act to revoke its registration under the Exchange Act if all required reports were not filed within fifteen days of the date of the SEC Letter. The SEC Letter also stated that the Company's stock may be subject to a trading suspension by the SEC pursuant to Section 12(k) of the Exchange Act. The Company is in the process of preparing all required reports to comply with its reporting requirements under Section 13(a) of the Exchange Act; however, the Company does not presently expect to get current in such filings in the immediate future and can not accurately predict when it will be able to do so. The Company has commenced discussions with the SEC in an attempt to avoid the revocation of its registration pursuant to Section 12 (j) of the Exchange Act, although there can be no assurance that such registration will be maintained.

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About Metromedia International Group

Through its wholly owned subsidiaries, the Company owns interests in communications businesses in the country of Georgia. The Company's core businesses include Magticom, Ltd., the leading mobile telephony operator in Tbilisi, Georgia, Telecom Georgia, a well-positioned Georgian long distance telephony operator, and Telenet, a Georgian company providing internet access, data communications, voice telephony and international access services.

This news release contains certain forward-looking statements made as of the date hereof based only on current information and expectations that are inherently subject to change and involve a number of risks and uncertainties, including in particular those regarding the timing of completing and filing with the SEC its outstanding Quarterly Reports on Form 10-Q for the fiscal periods ended March 31, June 30 and September 30, 2005 and 2006 and its outstanding Annual Reports on Form 10-K for the fiscal years ended December 31, 2005 and 2006. Various factors beyond the Company's control could cause or contribute to such risks and uncertainties. This also includes such factors as are described from time to time in the SEC reports filed by the Company, including the Current Annual Report on Form 10-K for the year ended December 31, 2004, and its most recently filed Form 8-K reports (dated January 6, 2005, February 9, 2005, February 17, 2005, March 9, 2005, March 23, 2005, April 19, 2005, April 20, 2005, June 7, 2005, June 17, 2005, July 12, 2005, July 18, 2005, July 25, 2005, July 28, 2005, August 3, 2005, August 10, 2005, September 8, 2005, September 19, 2005, January 31, 2006, March 8, 2006, March 15, 2006, March 17, 2006, May 11, 2006, May 18, 2006, June 26, 2006, July 14, 2006, August 8, 2006, August 15, 2006, August 22, 2006, September 27, 2006, October 2, 2006, October 10, 2006, October 24, 2006, October 25, 2006, October 30, 2006, November 16, 2006, November 17, 2006, November 20, 2006, November 30, 2006, December 5, 2006, December 13, 2006, December 15, 2006, December 18, 2006 and March 1, 2007). The Company is not under, and expressly disclaims any, obligation to update the information in this news release for any future events