METROMEDIA INTERNATIONAL GROUP INC
Form SC 14D9
July 18, 2007

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14D-9
SOLICITATION/RECOMMENDATION STATEMENT UNDER
SECTION 14(D)(4) OF THE SECURITIES EXCHANGE ACT OF 1934
METROMEDIA INTERNATIONAL GROUP, INC.
(Name of Subject Company)
METROMEDIA INTERNATIONAL GROUP, INC.
(Name of Person Filing Statement)
Common Stock, par value $0.01 per share
(Title of Class of Securities)
591695101
(CUSIP Number of Class of Securities)
Natalia Alexeeva, Esq.
Vice President and General Counsel
Metromedia International Group, Inc.
8000 Tower Point Drive
Charlotte, North Carolina 28227
(704) 321-7380
(Name, Address and Telephone Number of Person
Authorized to Receive Notice and Communications
on Behalf of the Person(s) Filing Statement)
Copy to:
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o Check this box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

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SIGNATURE
ANNEX I Opinion of Evercore Group L.L.C.
Letter to Stockholders
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Item 1. Subject Company Information.

Name and Address

The name of the subject company is Metromedia International Group, Inc., a Delaware corporation (*Metromedia* or the *Company*). The address of Metromedia s principal executive office is 8000 Tower Point Drive, Charlotte, North Carolina 28227, and the telephone number of Metromedia at that address is (704) 321-7380.

Securities

This solicitation/recommendation statement on Schedule 14D-9 relates to the shares of Metromedia s common stock, par value $0.01 per share (the *Common Stock* and the holders thereof, *Common Stockholders*). As of July 13, 2007, there were 103,254,947 shares of Common Stock issued and outstanding (which includes 9,110,000 shares of restricted Common Stock granted under the Metromedia International Group, Inc. 2007 Stock Incentive Plan (the *Stock Incentive Plan*), and there were 240,000 shares of Common Stock issuable upon or otherwise deliverable in connection with the exercise of outstanding options and warrants.

Item 2. Identity and Background of Filing Person.

Name and Address

The name, business address and business telephone number of Metromedia, which is the subject company and the entity filing this statement, are set forth under Item 1. Metromedia s Internet address is www.metromedia-group.com. Information contained on Metromedia s website does not constitute a part of this statement. The website address is an inactive text reference and is not intended to be an actual link to the website.

Tender Offer

This statement relates to the tender offer (the *Offer*) by CaucusCom Mergerco Corp., a Delaware corporation (*Purchaser*) and a wholly-owned subsidiary of CaucusCom Ventures L.P., a British Virgin Islands limited partnership (*Parent*), to purchase any and all of the outstanding shares of Common Stock at a price of $1.80 per share, net to the sellers in cash without interest, on the terms and subject to the conditions set forth in Purchaser s offer to purchase, dated July 18, 2007, and the related letter of transmittal. Parent is jointly owned by certain affiliates of Salford Capital Partners Inc., an international private equity and investment management firm based in the British Virgin Islands (*Salford*), and Compound Capital Limited, an international private investment firm based in Bermuda (*Compound*). Compound is a subsidiary of Sun Capital Partners Ltd., a U.K.-based private investment firm (*Sun Capital*). (Compound has advised the Company that Sun Capital is not affiliated with, and has no relationship to, the U.S.-based private investment firm Sun Capital Partners, Inc.)

The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of July 17, 2007 (the *Merger Agreement*), by and among Metromedia, Purchaser and Parent. Pursuant to the Merger Agreement, Purchaser has agreed to make an offer to purchase any and all of the outstanding shares of Common Stock at a price of $1.80 per share, net to the sellers in cash without interest, on the terms and subject to the conditions set forth in the Merger Agreement. Purchaser s obligation to purchase shares tendered in the Offer is subject to certain conditions, including that there shall have been validly tendered and not withdrawn prior to the expiration date of the Offer, as it may be extended in accordance with the terms and conditions of the Merger Agreement, a number of shares of Common Stock equal to not less than the *sum* of (x) 63,300,000 shares of Common Stock (which equals approximately 61.3% of the issued and outstanding Common Stock as of the date hereof) *plus* (y) the total number of shares of Common Stock, if any, issued or issuable (but not yet issued) in response to any notice of election, duly and validly given to the Company (and not subsequently withdrawn) on or prior to the expiration date of the Offer, to exercise an option or warrant or to convert shares of Metromedia s 7.25% cumulative convertible preferred stock, par value $1.00 per share (the *Preferred Stock* and the holders thereof, the *Preferred Stockholders*)) after the date of the Merger Agreement and prior to the expiration date of the Offer (such number, the *Original Minimum Condition*). Pursuant to the Merger Agreement, Purchaser is permitted on a single occasion to lower the Original Minimum Condition to a level not less than (x) 56,182,474 shares of Common Stock (which equals approximately 54.43% of the issued and outstanding Common Stock as of the date hereof) *plus* (y) 50% of the total number of shares of Common Stock, if any, issued or issuable (solely in the case of shares of Common Stock issuable, such shares of Common Stock issuable but not yet issued in response to any notice, duly and validly given (and not subsequently withdrawn) by a holder to the Company on or prior to the expiration date of the Offer, of election to exercise a Company stock option or warrant or to convert shares of preferred stock) after the date of the Merger Agreement and prior to the expiration date of the Offer (the *Lowered Minimum Condition*). The Lowered Minimum Condition represents the number of shares of Common Stock constituting a majority of the issued and outstanding Common Stock, excluding the shares of restricted Common Stock granted to Mark S. Hauf, the Company s Chairman, President and Chief Executive Officer, pursuant to the restricted stock award agreement described in the notes to the beneficial ownership charts included in the section in Item 3 entitled, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters .

If the Offer is completed and, as applicable, the top-up option (as described below) is exercised or the Company obtains the requisite stockholder approval, the Merger Agreement provides that, subject to the terms and conditions set forth therein, Purchaser will merge with and into Metromedia, with Metromedia continuing as the surviving corporation (the *Merger*). In the Merger, all remaining outstanding shares of Common Stock will be cancelled and converted into the right to receive the offer price of $1.80 per share in cash. The Preferred Stock will remain outstanding following the Merger.

The initial expiration date for the Offer is August 14, 2007, subject to extension in certain circumstances as required or permitted by the Merger Agreement and applicable law. The Merger Agreement also provides that, if the Original Minimum Condition is reduced by Purchaser as described above and the Offer is completed, but the total number of shares of Common Stock acquired by Purchaser is less than the Original Minimum Condition, then Purchaser will commence a subsequent offering period to acquire additional Common Stock, for a period of not less than ten or more than twenty business days. During the subsequent offering period, if any, shares of Common Stock not tendered and purchased in the Offer during the original offering period may be tendered to Purchaser for the same consideration paid for shares tendered during the initial offering period of the Offer.

Pursuant to the Merger Agreement, Metromedia granted Purchaser an option (the *top-up option*) to purchase such additional shares of Common Stock as are authorized for issuance but not issued and outstanding following the completion of the Offer. The top-up option may be exercised if, and for a number of shares such that, after the exercise of the top-up option, Purchaser will own at least one share in excess of 90% of the then issued and outstanding shares of Common Stock (after giving effect to the exercise of the top-up option).

In the event following consummation of the Offer, Purchaser is not able to exercise the aforementioned top-up option and therefore does not own at least 90% of the outstanding shares of Common Stock, then as promptly as reasonably practicable following the Company becoming current with respect to the filing of all outstanding periodic reports required to be filed with the U.S. Securities and Exchange Commission, or having received a waiver from the SEC with respect thereto, the Company shall prepare and file with the SEC a proxy or information statement and shall duly convene and hold a meeting of its stockholders for the purpose of obtaining approval of the Merger Agreement, the Merger and the other transactions contemplated thereby.

Additional information about the Offer can be found in Item 3 and Item 8 of this document, and in the offer to purchase.

Parent and Purchaser were formed by affiliates of Salford and Compound for the purposes of the transactions contemplated by the Merger Agreement, including the Offer and the Merger. The addresses and telephone numbers of the principal executive offices of Purchaser are c/o Salford, 7th Floor, Norfolk House, 31 St. James Square, London SW1Y 4JJ, United Kingdom and the telephone number of Purchaser at that address is +44 20 7004 7900.

A copy of the Merger Agreement is attached to this document as Exhibit (e)(1) and is incorporated herein by reference in its entirety. A copy of the offer to purchase is attached to this document as Exhibit (a)(2). The terms and conditions of the Offer, related procedures and withdrawal rights, and the description of the Merger Agreement and related documents described and contained in Sections 1, 2, 3, 4, 5, 7, 13 and 17 of the offer to purchase are incorporated by reference herein. A form of the letter

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of transmittal is attached to this document as Exhibit (a)(3) and is incorporated herein by reference in its entirety.

Item 3. Past Contacts, Transactions, Negotiations and Agreements.

Except as described below or incorporated by reference into this document, to the knowledge of Metromedia, as of the date of this document, with respect to the Offer, the Merger and the Merger Agreement, there are no material agreements, arrangements or understandings, and no actual or potential conflicts of interest, between Metromedia and its affiliates, on the one hand, and (1) Metromedia s executive officers, directors or affiliates or (2) Purchaser or its executive officers, directors or affiliates, on the other hand.

Agreements with Purchaser

The Merger Agreement. The summary and description of the Merger Agreement contained in Section 13 of the offer to purchase, and the description of the conditions of the Offer contained in Section 15 of the offer to purchase, are incorporated into this document by reference. These summaries and descriptions are qualified in their entirety by reference to the Merger Agreement, which has been filed as Exhibit (e)(1) to this document and is incorporated herein by reference.

The Merger Agreement has been filed to provide investors with information regarding its terms. It is not intended to provide any other factual information about Metromedia, Parent or Purchaser. In particular, the assertions embodied in the representations and warranties contained in the Merger Agreement are qualified by information in confidential disclosure schedules provided by Metromedia to Parent and Purchaser in connection with the signing of the Merger Agreement. These disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Merger Agreement. Moreover, certain representations and warranties in the Merger Agreement were used for the purpose of allocating risk between Metromedia, Parent and Purchaser, rather than establishing matters as facts. Accordingly, you should not rely on the representations and warranties in the Merger Agreement as characterizations of the actual state of facts about Metromedia, Parent or Purchaser.

Tender and Support Agreement. In connection with the execution of the Merger Agreement, Metromedia Company, News America Incorporated and Mr. Hauf have entered into a tender and support agreement with Parent and Purchaser (the *Support Agreement*), pursuant to which such stockholders have agreed to tender their shares of Common Stock in the Offer and vote any shares of Common Stock owned by such stockholders in favor of the Merger and against any proposal inconsistent with the Merger. The Support Agreement also includes a covenant by these stockholders not to transfer or otherwise dispose of any Company capital stock prior to completion of the Merger (or termination of the Support Agreement) and non-solicitation covenants consistent with those granted by the Company pursuant to the Merger Agreement. The Support Agreement does not impose obligations on directors or officers of the Company

acting in such capacity. The Support Agreement terminates upon the earlier of (i) consummation of the Offer and (ii) termination of the Merger Agreement.

Confidentiality Agreements. In connection with its exploration of strategic alternatives, Metromedia entered into confidentiality agreements with Salford and Sun Capital, dated April 10, 2007 and May 10, 2007, respectively. Under these confidentiality agreements, Salford and Sun Capital (and its affiliate, Compound) each agreed, subject to certain exceptions, to keep confidential any non-public information concerning Metromedia.

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of June 30, 2007, certain information regarding each person, including any group as that term is used in Section 13(d)(3) of the Exchange Act, known to own beneficially , as such term is defined in Rule 13d-3 under the Exchange Act, more than 5% of the Company s outstanding Common Stock. In accordance with the rules promulgated by the SEC, such ownership includes shares currently owned as well as shares which the named person has the right to acquire beneficial ownership of within 60 days, including shares which the named person has the right to acquire through the exercise of any option, warrant or right, or through the conversion of a security. Accordingly, more than one person may be deemed to be a beneficial owner of the same securities.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned(1)	Percentage of Outstanding Common Stock
Metromedia Company One Meadowlands Plaza East Rutherford, NJ 07073	12,415,455	12.0%
John W. Kluge 810 Seventh Avenue New York, New York 10019	17,686,669(2)(8)	17.0%
Stuart Subotnick 810 Seventh Avenue New York, New York 10019	18,000,994(2)(8)	17.3%
Black Horse Group of Companies 45 Rockefeller Plaza, 20(th) Floor New York, NY 10011	9,947,670(3)(8)	9.6%
News PLD LLC 1211 Avenue of the Americas New York, New York 10036	9,136,744(4)	8.8%
Mark Hauf 8000 Tower Point Drive Charlotte, North Carolina 28227	9,110,000(5)	8.8%

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned(1)	Percentage of Outstanding Common Stock
FURSA Alternative Strategies LLC 444 Merrick Road, 1st Floor Lynbrook, New York 11563	7,907,610(6)	7.7%
D.E. Shaw Group of Companies 120 West 45(th) Street, Tower 45, 39th Floor New York, NY 10036	6,813,000(7)	6.6%

(1) Unless otherwise indicated by footnote, the named persons have sole voting and investment power with respect to the shares of Common Stock beneficially owned.

(2) The amounts set forth in the table above include 12,415,455 shares of Common Stock beneficially owned by Messrs. Kluge and Subotnick through Metromedia Company, a Delaware general partnership

owned and controlled by John W. Kluge and Stuart Subotnick. In addition, the amounts set forth for Mr. Kluge and Mr. Subotnick include shares owned directly by a trust affiliated with Mr. Kluge (the *Kluge Trust*) of which Mr. Subotnick is a trustee. The Kluge Trust directly owns 5,271,214 shares of Common Stock (which includes, on an as converted basis, 200,000 shares of 7.25% cumulative convertible Preferred Stock, that are currently convertible into 666,666 shares of Common Stock). Mr. Subotnick disclaims beneficial ownership of the shares owned by the Kluge Trust. The amount set forth above for Mr. Subotnick also includes 314,325 shares of Common

Stock owned directly by Mr. Subotnick.

(3) Pursuant to a report on Form 4 filed with the SEC on June 26, 2007. The amount set forth in the table includes (i) 5,972,468 shares of Common Stock owned by Black Horse Capital LP (the *BH Domestic Fund*), (ii) 1,927,833 shares of Common Stock beneficially owned by Black Horse Capital (QP) LP (the *BH QP Fund*) and (iii) 1,331,695 shares of Common Stock beneficially owned by Black Horse Capital Offshore, Ltd. (the *BH Offshore Fund*). In addition, the amounts set forth in the table also includes shares of Common Stock, on an converted basis, 196,282 shares of 7.25% cumulative convertible Preferred Stock, that are

currently convertible into 654,274 shares of Common Stock) and held by the following funds: (i) 419,900 shares of Common Stock owned by the BH Domestic Fund, (ii) 139,807 shares of Common Stock beneficially owned by the BH QP Fund and (iii) 94,567 shares of Common Stock beneficially owned by the BH Offshore Fund. Black Horse Capital Management LLC (*BH Management*) beneficially owns the shares held by the BH Domestic Fund and the BH QP Fund. Black Horse Capital Advisors LLC (*BH Advisors*) beneficially owns the shares held by the BH Offshore Fund. Mr. Dale Chappell and Mr. Brian Sheehy, controlling persons of each of BH Management

and BH Advisors, are each deemed to beneficially own the 9,886,270 shares of Common Stock owned by BH Management and BH Advisors. The amount set forth in the table also includes 61,400 shares of Common Stock beneficially owned by Mr. Sheehy personally (which includes, on an as converted basis, 840 shares of 7.25% cumulative convertible Preferred Stock, that are currently convertible into 2,800 shares of Common Stock).

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(4) Pursuant to a report on Schedule 13D filed with the SEC on October 8, 1999 by (i) The News Corporation Limited, a South Australia, Australia corporation, with its principal executive office located at 2 Holt Street, Sydney, New South Wales 2010, Australia, (ii) News America Incorporated, a Delaware corporation, with its principal executive office located at 1211 Avenue of the Americas, New York, New York 10036, (iii) News PLD LLC, a Delaware limited liability company, with its principal executive office located at 1211 Avenue of the Americas, New York, New York 10036, and (iv) K. Rupert Murdoch, a United States citizen, with his business address

at 10201 West Pico Boulevard, Los Angeles, CA 90035. News PLD LLC primarily holds, manages and otherwise deals with The News Corporation affiliates investment in the Company.

(5) An award of up to 9,110,000 shares of restricted Common Stock was granted by the Company to Mr. Hauf on May 25, 2007 pursuant to the Stock Incentive Plan. These shares of restricted Common Stock are subject to transfer and forfeiture conditions outlined in a restricted stock award agreement and in the Stock Incentive Plan. Of the total number of shares of Common Stock subject to the restricted stock award, 2,610,000 were granted in order to make Mr. Hauf whole, on a net after-tax basis, for potential golden

parachute excise taxes in the event of a change in control of the Company in which shareholders of the Company receive cash consideration. These shares vest only to the extent necessary to cover such excise taxes and will be forfeited to the extent not necessary for that purpose. The Company has also agreed to pay Mr. Hauf any additional cash payments necessary to keep him whole in respect of such taxes to the extent not covered by the vesting of these restricted shares. If a change in control occurs in which the Company s shareholders do not receive cash consideration, the Company will pay Mr. Hauf in cash to keep him whole for the golden parachute excise taxes. The remainder of the award, 6,500,000 shares, will vest according to the following

schedule: 50% vest on the first anniversary of the date the award was granted (which anniversary will first occur on May 25, 2008) and 25% vest on each of the second and third anniversaries of the date of grant, subject to Mr. Hauf s continued employment with the Company on each such vesting date. In addition, any unvested portion of the award will fully vest immediately (i) upon a change in control of the Company, (ii) upon termination of Mr. Hauf s employment by the Company without cause, (iii) if Mr. Hauf resigns for good reason, (iv) upon Mr. Hauf s death or (v) upon the termination of Mr. Hauf s employment by the Company due to Mr. Hauf s disability. (Change in control has the same meaning as in the Stock

Incentive Plan; cause, good reason and disability are defined in the restricted stock award agreement.)

(6) Pursuant to a report on Schedule 13D/A filed with the SEC on July 3, 2007 by FURSA Alternative Strategies LLC, a Delaware limited liability company, with principal executive offices at 444 Merrick Road, 1st Floor, Lynbrook, New York 11563.

(7) Pursuant to a report of Schedule 13D/A filed with the SEC on December 19, 2006 by (i) D.E. Shaw Laminar Portfolio, L.L.C., a Delaware limited liability company, (ii) D.E. Shaw & Co., L.P., a Delaware limited partnership, (iii) David E. Shaw & Co., L.L.C., a Delaware limited liability company and (iv) David E. Shaw, a United

States

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citizen, all of which have a business address at 120 West 45th Street, Tower 45, 39th Floor, New York, New York 10036.

(8) Upon a holder s decision to convert shares of Preferred Stock to shares of Common Stock, all accrued and/or accumulated dividends are immediately due and payable and may be paid, at the Company s option, either in cash, in shares of Common Stock or by a combination of cash and Common Stock. By way of example only, based on the June 30, 2007, conversion value of currently accrued and/or accumulated dividends, if the Kluge Trust on that date had elected to convert its shares of Preferred Stock

and upon such election the Company decided to pay the outstanding dividends with Common Stock, then the Kluge Trust would have received an additional 379,971 shares of Common Stock, which would be in addition to those beneficially owned shares of Common Stock reported for Mr. Kluge and Mr. Subotnick.

Securities Beneficially Owned by Directors and Executive Officers

The following table sets forth the beneficial ownership of Common Stock as of June 30, 2007 with respect to (i) each director, (ii) each current and former executive officer of the Company named in the Summary Compensation Table under Executive Compensation and (iii) all directors and executive officers as a group.

Name of Beneficial Owner	**Number of Shares of Common Stock Beneficially Owned (1)(8)**	**Percentage of Outstanding Common Stock**
Mark S. Hauf	9,110,000(2)	8.7%
Harold F. Pyle, III	100,000	*
Natalia Alexeeva	-0-	*
B. Dean Elledge	635	*
David Lee	-0-	*
John S. Chalsty	60,000(3)	*
David Gale	81,833(4)(9)	*
Alan K. Greene	-0-	*
Wayne Henderson	-0-	*
Clark A. Johnson	284,500(5)	*
I. Martin Pompadur	110,000(6)	*
Stuart Subotnick	18,000,994(7)(9)	17.3%
All Directors and Executive Officers as a group (12 persons)	27,749,962	26.6%

* Holdings do not exceed one percent of the total outstanding shares of

Common Stock.

(1) Unless otherwise indicated by footnote, the named individuals have sole voting and investment power with respect to the shares of Common Stock beneficially owned.

(2) An award of up to 9,110,000 shares of restricted Common Stock was granted by the Company to Mr. Hauf on May 25, 2007 pursuant to the Stock Incentive Plan. The shares of restricted Common Stock are subject to transfer and forfeiture conditions outlined in the restricted stock award agreement and the Stock Incentive Plan. Of the total number of shares of Common Stock subject to the restricted stock award, 2,610,000 were granted in order to make

Mr. Hauf whole,
on a net
after-tax basis,
for potential

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golden parachute excise taxes in the event of a change in control of the Company in which shareholders of the Company receive cash consideration. These shares vest only to the extent necessary to cover such excise taxes and will be forfeited to the extent not necessary for that purpose. The Company has also agreed to pay Mr. Hauf any additional cash payments necessary to keep him whole in respect of such taxes to the extent not covered by the vesting of these restricted shares. If a change in control occurs in which the Company s shareholders do not receive cash consideration, the Company will pay Mr. Hauf in cash to keep him whole for

the golden parachute excise taxes. The remainder of the award, 6,500,000 shares, will vest according to the following schedule: 50% vest on the first anniversary of the date the award was granted (which anniversary will first occur on May 25, 2008) and 25% vest on each of the second and third anniversaries of the date of grant, subject to Mr. Hauf s continued employment with the Company on each such vesting date. In addition, any unvested portion of the award will fully vest immediately (i) upon a change in control of the Company, (ii) upon termination of Mr. Hauf s employment by the Company without cause, (iii) if Mr. Hauf resigns for good reason, (iv) upon Mr. Hauf s death

or (v) upon the termination of Mr. Hauf s employment by the Company due to Mr. Hauf s disability. (Change in control has the same meaning as in the Stock Incentive Plan; cause, good reason and disability are defined in the restricted stock award agreement.)

(3) Includes currently exercisable options to acquire 50,000 shares and 10,000 shares of Common Stock at exercise prices of $0.36 and $0.50 per share, respectively, under the 1996 Stock Incentive Plan.

(4) Includes 21,000 shares of Common Stock beneficially owned through Delta Dividend Group, Inc., of which Mr. Gale is President and majority (55%) owner. In addition, includes on an

as converted basis 18,250 shares of Preferred Stock, beneficially owned through Delta Dividend Group, Inc., which shares are currently convertible into 60,773 shares of Common Stock.

(5) Includes currently exercisable options to acquire 50,000 and 5,000 shares of Common Stock at exercise prices of $2.80 and $11.875 per share, respectively, under the 1996 Stock Incentive Plan.

(6) Includes currently exercisable options to acquire 50,000; 50,000; and 10,000 shares of Common Stock at exercise prices of $4.50; $2.80; and $0.50 per share, respectively, under the 1996 Stock Incentive Plan.

(7) Includes 12,415,455 shares of

Common Stock beneficially owned by Mr. Kluge and Mr. Subotnick through Metromedia Company, a Delaware general partnership owned and controlled by Messrs. Kluge and Subotnick. In addition, the amounts set forth for Mr. Subotnick include shares directly owned by the Kluge Trust. The Kluge Trust directly owns 5,271,214 shares of Common Stock (which includes, on an as converted basis, 200,000 shares of Preferred Stock, which are currently convertible into 666,666 shares of Common Stock). Mr. Subotnick disclaims beneficial ownership of the shares owned by the Kluge Trust. The amount set forth for Mr. Subotnick also includes 314,325 shares

of Common
Stock owned
directly by
Mr. Subotnick.

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(8) Includes currently exercisable options to acquire shares of Common Stock in the amounts and at the exercise prices set forth in the footnotes above, and also includes, on an as converted basis, 218,250 shares of Preferred Stock, which are currently convertible into 727,499 shares of Common Stock.

(9) Upon a holder s decision to convert shares of Preferred Stock to shares of Common Stock, all accrued and/or accumulated dividends are immediately due and payable and may be paid, at the Company s option, either in cash, in shares of Common Stock or by a combination of cash and Common Stock. By way of example only,

based on the June 30, 2007, conversion value of currently accrued and/or accumulated dividends, if the Kluge Trust on that date had elected to convert its shares of Preferred Stock and upon such election the Company decided to pay the outstanding dividends with Common Stock, then the Kluge Trust would have received an additional 379,971 shares of Common Stock, which would be in addition to those beneficially owned shares of Common Stock reported for Mr. Subotnick. Were Mr. Gale to have elected to convert his Preferred Stock under the same conditions, then Mr. Gale would have received an additional 34,672 shares of Common Stock, which would be in addition to those beneficially owned shares of

Common Stock
reported for
Mr. Gale.

Effects of the Offer and the Merger on Metromedia s Equity Compensation Plans and Agreements and Arrangements between Metromedia and its Executive Officers and Directors

Certain members of Metromedia s management and board of directors (the *Board*) may be deemed to have interests in the transactions contemplated by the Merger Agreement that are in addition to or different from their interests as Metromedia stockholders generally. The Board was aware of these interests, and considered them, among other matters, in approving (with Mr. Gale dissenting) the Merger Agreement and the transactions contemplated thereby. As described below, the consummation of the Offer will constitute a change in control of Metromedia for the purpose of determining whether Metromedia directors and executive officers are entitled to certain benefits.

Restricted Stock Award

As of the date hereof, the Company s Chairman, President and Chief Executive Officer, Mark S. Hauf, holds 9,110,000 shares of restricted Common Stock, which were granted to him by the Company on May 25, 2007, pursuant to the Stock Incentive Plan. None of these shares are currently vested.

Of the total number of shares subject to this restricted stock award, 6,500,000 shares will fully vest immediately prior to the consummation of a change in control of the Company. The consummation of the Offer will constitute a change in control for these purposes. As such, the total value of these shares will equal $11,700,000, based on the $1.80 per share price in the Offer.

The remaining 2,610,000 shares subject to the restricted stock award were granted in order to make Mr. Hauf whole, on a net after-tax basis, for potential golden

parachute excise taxes in the event of a change in control of the Company in which stockholders of the Company receive cash consideration. These shares vest only to the extent necessary to cover such excise taxes and will be forfeited to the extent not necessary for that purpose. If all of these shares vest, the total value of the shares will equal $4,698,000, based on the $1.80 per share price in the Offer. The Company has also agreed to pay Mr. Hauf any additional cash payments necessary to keep him whole in respect of such taxes to the extent not covered by the vesting of these restricted shares. If a change in control occurs in which the Company s stockholders do not receive cash consideration, the Company will pay Mr. Hauf in cash to keep him whole for the golden parachute excise taxes.

Stock Options

Pursuant to the Merger Agreement, all unexercised options to purchase shares of Common Stock that were issued under the Metromedia International Group, Inc. 1996 Incentive Stock Plan, as amended and restated effective November 12, 1997 (the *1996 Plan*), all of which are vested as of the date hereof, will be cancelled in the Merger in exchange for the right of each option holder to receive a cash payment equal to the excess, if any, of the $1.80 per share merger consideration over the exercise price per share of such holder s options. As of the date hereof, certain directors of the Company hold unexercised options granted under the 1996 Plan; no executive officers of the Company hold any such options.

The following table sets forth the total number of vested stock options held as of the date hereof by each director, the exercise price per option and the cash payment that each director will be entitled to receive in connection with the Merger Agreement, based on a $1.80 per share price. To the extent any director holds options with an exercise price that is equal to or greater than $1.80 per share, he will not receive any cash in connection with the Merger Agreement, and his options will be cancelled.

	Exercise Price	**Options Outstanding**	**Value Realized from Cancellation of Options for Consideration**(1)
John Chalsty	$0.3600	50,000	$ 72,000
	$0.5000	10,000	$ 13,000
I. Martin Pompadur	$0.5000	10,000	$ 13,000

(1) The dollar amount for each director in the Value Realized from Cancellation of Options for Consideration column is equal to the difference between $1.80 and the exercise price of the relevant options multiplied by

the number of shares of Common Stock underlying the vested options held immediately prior to the Merger.

CEO Severance Pay

Mr. Hauf has entered into an employment agreement with the Company, which provides for certain severance payments and benefits if Mr. Hauf is terminated by

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the Company without cause or by Mr. Hauf with good reason (as cause and good reason are defined in the employment agreement), subject to Mr. Hauf s execution of a release of claims and continued compliance with certain restrictive covenants. The severance payments consist of continued payment of Mr. Hauf s base salary for (i) 18 months, if his termination of employment does not occur within the one-year period following a change in control, or (ii) 36 months, if his termination occurs within the one-year period following a change in control. The consummation of the Offer will be a change in control for purposes of the employment agreement. The employment agreement also provides that, if necessary to avoid the application of Section 409A of the U.S. Internal Revenue Code, Mr. Hauf will not receive any of the above amounts until six months after his termination of employment or his death. If Mr. Hauf receives severance pursuant to clause (i) above, it will equal $825,000; if he receives severance pursuant to clause (ii) above, it will equal $1,650,000. The other severance benefit consists of continued medical and dental insurance for the applicable period of salary continuation described above.

Stay Bonus Award for Mr. Elledge

On May 25, 2007, the Company entered into a stay bonus agreement with B. Dean Elledge, the Company s Vice President of Finance and Chief Accounting Officer, to pay Mr. Elledge a $50,000 stay bonus if Mr. Elledge remains employed with the Company for nine months after such date. If Mr. Elledge s employment is terminated before the expiration of nine months, either (i) by the Company without cause, or (ii) following a change in control, by Mr. Elledge for good reason (as cause and good reason are defined in the stay bonus agreement), he will receive the stay bonus on the date of termination. The consummation of the Offer will constitute a change in control for purposes of Mr. Elledge s stay bonus agreement.

Transaction Bonus Awards

On July 13, 2007, Metromedia entered into Transaction Bonus and Severance Agreements (the Transaction Bonus and Severance Agreements) with each of Harold F. Pyle, III, the Company s Chief Financial Officer, Mr. Elledge and Natalia Alexeeva, the Company s Vice President, General Counsel and Secretary.

Pursuant to the Transaction Bonus and Severance Agreements, each officer party thereto is entitled to receive the following payments and benefits:

Transaction Bonus. Each officer will receive a cash bonus, paid in a single lump sum (the Transaction Bonus), upon the consummation, prior to December 31, 2007, of the transactions contemplated by the Merger Agreement, or any other transaction involving a sale by the Company of its securities or assets entered into in lieu of such transactions (an Alternative Transaction). If a change in control occurs in connection with the cash tender offer component of the transactions contemplated by the Merger Agreement or an Alternative Transaction, and, following such change in control but prior to the payment of the Transaction Bonus, the officer s employment is terminated by the Company without cause or the officer resigns with good reason, then

such officer will receive the Transaction Bonus on the date of his or her termination of employment. (Change in control , cause and good reason are all defined in the Transaction Bonus and Severance Agreements.) The Transaction Bonus that Messrs. Pyle and Elledge may become entitled to is, for each officer, $175,000. The Transaction Bonus that Ms. Alexeeva may become entitled to is $100,000.

Severance. The Company will provide each officer with severance in the form of salary continuation for the periods specified below. The severance will be payable upon termination of the employment of any such officer by the Company other than for cause or due to his or her disability, or if such officer resigns with good reason. Each such officer will also continue to receive, during such salary continuation period, medical and dental benefits at the same level of benefit in effect immediately prior to the date of termination, at the Company s expense. For Messrs. Pyle and Elledge, any severance that the officer may become entitled to under the Transaction Bonus and Severance Agreements upon a termination of employment by the Company without cause will be offset by the officer s right to severance in such circumstance pursuant to bonus letters entered into between the officer and the Company on August 4, 2005.

Severance Benefits Salary and Benefits Continuation Period

Name	Involuntary Termination Before a Change in Control	Involuntary Termination Within One Year After a Change in Control
Mr. Pyle	6 months	12 months
Mr. Elledge	3 months	6 months
Ms. Alexeeva	3 months	6 months

Other Executive Severance Pay

Under the terms of bonus letters entered into between the Company and each of Messrs. Pyle and Elledge, such executives are entitled to one-time cash bonuses if certain performance requirements are met. The Offer and the other transactions contemplated by the Merger Agreement will not trigger the payment of these bonuses. However, the bonus letters do provide that, if either Mr. Pyle or Mr. Elledge is terminated at any time by the Company without cause (as defined in the bonus agreements), then the executives are each entitled to a one-time, lump-sum cash bonus equal to $416,500 for Mr. Pyle and $233,000 for Mr. Elledge (*Bonus Severance*). However, if as a result of the termination of the employment of Mr. Pyle or Mr. Elledge, such executive becomes entitled to receive the Bonus Severance, then there will be a dollar for dollar offset from the severance Mr. Pyle or Mr. Elledge (as applicable) would otherwise be eligible to receive under the Transaction Bonus and Severance Agreements described above.

Best Price Rule Approval

In connection with the approval by a majority of the Board (with Mr. Gale dissenting) of the Merger Agreement, the Compensation Committee of the Company

Board (composed solely of independent directors in accordance with the requirements of Rule 14d-10(d)(2) under the Exchange Act and the instructions thereto) unanimously approved, in accordance with the non-exclusive safe harbor provisions contained in Rule 14d-10 under the Exchange Act, applicable aspects of the foregoing compensation arrangements as employment compensation, severance or other employee benefit arrangements within the meaning of Rule 14d-10(d)(2) under the Exchange Act.

Director and Officer Indemnification and Insurance.

The Merger Agreement provides that, from and after the effective time of the Merger, Parent will, and will cause the surviving corporation in the Merger to, cause the Certificate of Incorporation and Bylaws or similar organizational documents of the surviving corporation and its subsidiaries to contain provisions no less favorable with respect to indemnification than are set forth in the Certificate of Incorporation and Bylaws, respectively, or similar organizational documents of the Company and its subsidiaries as of the date of execution of the Merger Agreement for a period of six years. The Merger Agreement also provides that, from and after the effective time, Parent will, and will cause the surviving corporation to, fulfill and honor in all respects, to the fullest extent permitted under applicable law, the obligations of the Company pursuant to any indemnification, exculpation and advancement of expenses provisions in favor of each present or former director or officer of the Company or any of its Subsidiaries (collectively, the *Indemnified Parties*) contained in the Certificate of Incorporation or Bylaws of the Company or similar organizational documents of its subsidiaries, or in any agreement between an Indemnified Party and the Company in effect as of the date of the Merger Agreement, with respect to any costs and expenses (including reasonable attorneys fees), judgments, fines, losses, claims, damages, liabilities and settlement amounts paid in connection with any claim, action, suit, proceeding or investigation (whether arising before or after the effective time of the Merger), whether civil, criminal, administrative or investigative, arising out of or pertaining to any action or omission, in his or her capacity as a director or officer of the Company or any of its subsidiaries, occurring at or before the effective time of the Merger. In the event of any such claim, action, suit, proceeding or investigation, the Merger Agreement provides that (i) the surviving corporation will pay the reasonable fees and expenses of counsel selected by the Indemnified Parties, which counsel will be reasonably satisfactory to the surviving corporation, promptly after statements therefor are received (provided the applicable Indemnified Party provides an undertaking, to the extent required by applicable law, the Certificate of Incorporation or Bylaws of the Company or similar organizational documents of its subsidiaries, or by the applicable agreement between an Indemnified Party and the Company, to repay all advanced expenses if it is finally judicially determined that such Indemnified Party is not entitled to indemnification), and (ii) the surviving corporation will cooperate in the defense of any such matter; provided, however, that the surviving corporation will not be liable for any settlement effected without the surviving corporation s prior written consent; and provided, further, that the surviving corporation will not be obligated to pay the fees and expenses of more than one counsel (selected by a plurality of the applicable Indemnified Parties) for all Indemnified Parties in any jurisdiction with respect to any single action, except to the extent that two

or more of such Indemnified Parties will have conflicting interests in the outcome of such action. If any claim for indemnification is asserted or made within such six-year period, all rights to indemnification in respect of such claim will continue until the disposition of such claim.

The Merger Agreement further provides that, at or prior to the date that tendered shares are accepted and paid for by Purchaser (the *Acceptance Date*), the Company will purchase, at the Company s expense and subject to the prior approval of Parent (such approval not to be unreasonably withheld), an extended tail reporting period for the Company s directors and officers liability insurance in effect as of the date of the Merger Agreement (the *Current D&O Policy*). The extended tail reporting period will (i) be for an effective period of six years after the Acceptance Date, (ii) be for the benefit of persons who are covered by the Current D&O Policy, (iii) be purchased at a premium not in excess of $1.7 million and (iv) contain terms with respect to coverage and amount no less favorable than those contained in the Current D&O Policy. Notwithstanding the foregoing, if such extended tail reporting period cannot be obtained, or can only be obtained by the payment of a premium in excess of $1.7 million, then the Company will only be required to purchase such extended period, if any, as may be available for such length of time as can be obtained by the payment of a premium not in excess of such amount. The Merger Agreement provides that if such tail policy has been obtained by the Company prior to the Acceptance Date, Parent and the Company will maintain such tail policy in full force and effect for its full term and will continue to honor the Company s obligations thereunder.

Item 4. The Solicitation or Recommendation.

Background

From time to time over the course of the past several years, the Board and the Company s senior management, with their legal and financial advisors, reviewed and evaluated strategic opportunities and alternatives with a view toward enhancing stockholder value. The following describes this process and the events leading up to the Offer and the Merger, as contemplated by the Merger Agreement.

Information set forth below regarding Purchaser, Parent or their affiliates was provided by such parties. In preparing the following disclosure, the Company has relied on, and disclaims any responsibility for, the accuracy or completeness of such information, which without limiting the foregoing includes any information regarding meetings or discussions in which the Company did not participate.

On April 23, 2004, Metromedia entered into a binding memorandum of understanding (the *Magticom MOU*) with Dr. George Jokhtaberidze, co-founder of and strategic partner in Metromedia s Georgian mobile telephony business venture Magticom Ltd. (*Magticom*), providing for Dr. Jokhtaberidze to convey his 51% interest in Magticom to a wholly owned subsidiary of the Company, ITC Cellular, LLC (formerly International Telcell Cellular, Inc.) (*ITC Cellular*), in exchange for a 49.9% interest in ITC Cellular plus certain cash consideration. The Company was to retain the remaining

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50.1% majority ownership of ITC Cellular, giving the Company an indirect 42.8% ownership interest in Magticom upon completion of all transactions contemplated by the Magticom MOU.

Around the time of the Magticom MOU, ITC Cellular entered into a memorandum of understanding with the Office of the Economic Advisor to the President of Georgia (the *Option MOU*) providing for ITC Cellular to issue an assignable option to purchase a 20% ownership interest in Magticom after completion of the transactions contemplated by the Magticom MOU. The option contemplated by the Option MOU was exercisable at a valuation of two-and-one-half (2.5) times the trailing twelve month EBITDA of Magticom. Upon exercise of the option contemplated by the Option MOU, the Company s interest in Magticom would have been reduced to 32.8%.

At a meeting of the Board held on July 29, 2004, the Company s senior management informed the Board of a number of unsolicited expressions of interest received from third parties interested in acquiring the Company s core assets in Russia, a 71% interest in ZAO PeterStar (*PeterStar*), and the country of Georgia, an effective 34.5% interest in Magticom at the time (subject to later change in consideration based on ability to exercise the Company s rights and obligations under the Magticom MOU and the Option MOU). At its meeting, the Board conducted a review of the Company s business plans, the potential value which might in the future be realized in connection with pursuing these business plans, the risks associated with pursuit of these business plans, the potential monetized values of its core assets which might be realized in the short run, and the risks involved in seeking to realize those values in various transactions. Senior management also provided an overview of the range of companies that might be interested in pursuing an acquisition of Company assets or other strategic transaction with the Company, the types of transactions that might be pursued, and the values that might be achievable. The Company s legal advisors reviewed with the Board the various structures any acquisition or other strategic transaction might take and the legal standards applicable to the Board s decision-making process. Following further discussion and deliberation, the Board concluded that it would be in the best interest of the Company and its stockholders to further explore specific strategic alternatives available to the Company.

At the July 29, 2004 meeting, the Board formed a Special Committee (the *Special Committee*) of independent directors in order to implement the review of strategic alternatives and make recommendations to the Board. The Board directed the Special Committee to work with senior management and the Company s legal advisors to analyze actions the Company could take to maximize value for its stockholders, including actions not involving a sale of the Company or its assets as well as the solicitation of proposals from third parties interested in purchasing the Company or all or certain of its assets (a *Potential Transaction*).

At a meeting of the Special Committee on July 29, 2004, the Special Committee authorized Mark Hauf, the Company s President and Chief Executive Officer, to contact interested third parties, including the parties with whom senior management

had prior contact as well as other prospective third parties, and to conduct exploratory discussions regarding pursuing a Potential Transaction. Throughout the months of August and September 2004, Mr. Hauf and other members of the Company s senior management held discussions with several interested third parties, executed a number of confidentiality agreements and provided preliminary due diligence materials to Potential Transaction partners.

On September 7 and 14, 2004, the Special Committee met to establish a timetable and set of procedures to govern the process by which the Special Committee would accept specific proposals from third parties interested in pursuing a Potential Transaction. The Special Committee also discussed the retention of a financial advisor for the Company and received a status update from Mr. Hauf on discussions between members of senior management and parties interested in pursuing a Potential Transaction.

During the weeks of September 13 and 20, 2004, the Special Committee, along with senior management and the Special Committee s legal advisors, met with several investment banking firms. After deliberation, the Special Committee retained Evercore Group L.L.C. (*Evercore*) to assist it and the Board in evaluating actions the Company could take to maximize value for its stockholders, including action with respect to proposals received from third parties interested in pursuing a Potential Transaction.

On September 27 and 28, 2004, the Special Committee received proposals from a number of third parties interested in pursuing a Potential Transaction. The proposals received included bids to purchase the Company as a whole and bids to purchase the Company s core assets in Russia and the country of Georgia.

Over the course of the next two days the Special Committee met with its legal and financial advisors in order to review, analyze and evaluate each of the proposals received. The Special Committee also sent a reply communication to each of the prospective bidders seeking additional information and certain clarifications with respect to their proposals in an effort to refine and standardize the proposals.

On October 1, 2004, the Special Committee received responses from certain of the prospective bidders. During the weekend of October 2 and 3, 2004, Company senior management engaged in informal exploratory discussions with representatives of two prospective bidder groups who submitted proposals for the acquisition of only certain of the Company s assets in order to determine whether they would be interested in submitting a joint proposal for the acquisition of the Company as a whole. The prospective bidders (collectively, the *2004 Group*) included First National Holding S.A. (*First National*) and Emergent Telecom Ventures S.A. (*Emergent*), who were interested in the acquisition of the Company s core assets in Russia, and Baring Vostok Capital Partners (Cyprus) Limited (*Baring Vostok*) and Capital International Private Equity Fund IV, L.P. (*Capital International*), who were interested in the acquisition of the Company s core assets in the country of Georgia.

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On October 4, 2004, the Special Committee received a joint proposal from the 2004 Group for the acquisition of the Company as a whole. Later that day, the Special Committee met again with its legal and financial advisors in order to review, analyze and evaluate the responses received from certain of the prospective bidders to its reply communication and the joint proposal received from the 2004 Group. The Special Committee and its advisors also discussed the structure and mechanics of a Potential Transaction, including the tax treatment of the proposed Potential Transactions and a financial analysis prepared by Evercore of each of the proposals received. In addition, the Special Committee reviewed Evercore s analysis of the Company s stand-alone business plans, the potential values that the Company might achieve on a stand-alone basis, and the risks involved in seeking to achieve those values. Following these reviews and further discussion, the Special Committee determined to meet with each of the bidding parties in an effort to ensure that each party had made its best offer.

On October 5 and 6, 2004, the Special Committee, along with its legal and financial advisors, met in person with each of the prospective bidders who submitted proposals to the Special Committee, and who had responded to the Special Committee s reply communication seeking additional information and clarification with respect to such proposals or otherwise remained in continued correspondence with the Special Committee and its legal and financial advisors. Over the course of the following two weeks, senior management continued to have exploratory discussions with other third parties who executed confidentiality agreements with respect to a Potential Transaction, but these discussions did not result in any formal proposal for a Potential Transaction.

On October 7, 2004, the Special Committee and its advisors updated the Board on the processes and procedures the Special Committee followed in exploring a Potential Transaction. The Board received and discussed a financial analysis prepared by Evercore of each of the proposals received. In addition, the Board received and discussed Evercore s analysis of the Company s stand-alone business plans, the potential values that the Company might achieve on a stand-alone basis, and the risks involved in seeking to achieve those values. The Board and its legal and financial advisors discussed the anticipated process and timing to complete a Potential Transaction. The Board instructed Evercore to contact certain additional third parties who had not submitted proposals to the Special Committee with respect to a Potential Transaction to date to assess their interest in making a proposal.

On October 14, 2004, the Special Committee and its legal and financial advisors met with the 2004 Group to discuss the proposal they submitted jointly on October 4. In particular, the Special Committee and the 2004 Group discussed the structuring, financing and conditions of the 2004 Group s proposal.

On October 15, 2004, the Special Committee met with its legal and financial advisors to discuss the advisability of delaying the sale process in light of economic and political conditions and future prospects in eastern Europe. After deliberations and further discussion it was agreed that it was in the best interest of the

Company and its stockholders for the Special Committee to continue to actively explore the possibility of a Potential Transaction.

At a meeting on October 24, 2004, the Board reviewed all the proposals received with respect to a Potential Transaction. At this meeting, senior management and the Company s legal and financial advisors reviewed with the Board the legal and financial aspects of the various proposals received to date, including the significant issues and risks of each proposal, the structure, mechanics and form of each proposal, the related tax treatment of each proposal and a financial analysis prepared by Evercore of each of the proposals received. The Board then commenced deliberations with respect to each of the proposals received. The two proposals that implied the highest enterprise value of the Company, including one submitted by the 2004 Group, were almost equal in terms of the value to be achieved by the Company s stakeholders. Accordingly, the Board s deliberations focused on the timing, financing risks and closing certainty related to these two proposals as well as the risks to the Company s business between the signing and consummation of any transaction contingent on the identity of the purchaser selected by the Company. After receiving advice from its legal and financial advisors, the Board determined that, subject to resolution of remaining issues, it would be in the Company s best interest and the best interests of the Company s stockholders to continue to try to resolve the remaining issues with the 2004 Group pertaining to the 2004 Group s proposal submitted on October 4, 2004. The Board instructed the Special Committee, senior management and the Company s legal and financial advisors to negotiate with the 2004 Group to try to resolve the remaining issues and enter into a non-binding letter of intent.

On November 2, 2004, the Special Committee met with its legal and financial advisors to discuss the terms and conditions set forth in the draft term sheet proposed by the 2004 Group and delivered to the Special Committee. At that meeting the Special Committee also retained the services of Houlihan Lokey Howard & Zukin Financial Advisors, Inc. (*Houlihan Lokey*) to assist it and the Board in evaluating the fairness of a Potential Transaction, from a financial point of view, to the Preferred Stockholders if any such transaction were to be consummated. During this time, the Company s senior management continued discussions with other third parties who had submitted proposals to the Special Committee. However, these discussions did not result in the submission of any new or revised proposals. Accordingly, the Special Committee, after consultation with their legal and financial advisors and members of senior management, decided to agree to the 2004 Group s request for the Company to enter into a non-binding letter of intent with the 2004 Group containing a customary non-solicitation agreement until January 17, 2005, and therefore cease discussions regarding a Potential Transaction with parties other than the 2004 Group during that time.

On November 3, 2004, the Company entered into a non-binding letter of intent with the 2004 Group, which provided for a merger of the Company with and into a special purpose vehicle to be formed by the 2004 Group. The letter of intent assigned an aggregate enterprise value to the Company of US $300 million (taking into account the Company s obligations under the Magticom MOU and the Option MOU), of which

approximately US $152 million was to be used to retire the Company s outstanding 10 1/2 % Senior Discount Notes Due 2007, and the remaining US $148 million, after reduction for certain transaction related expenses, was to be allocated between the Preferred Stockholders and the Common Stockholders in a manner to be determined by the Board prior to the execution of any definitive merger agreement. The 2004 Group s letter of intent contained a number of conditions, including, without limitation, the 2004 Group s successful completion of due diligence during a limited exclusivity period, the receipt of commitments for all financing contemplated in the 2004 Group s acquisition proposal, the attainment of projected corporate cash balance and liability levels of the Company, and negotiation and execution of definitive transaction agreements. The letter of intent also contained a customary non-solicitation agreement whereby the Company and its advisors were prevented from continuing discussions regarding a Potential Transaction with parties other than the 2004 Group. The Company initially granted the 2004 Group exclusivity until January 17, 2005 to pursue a due diligence review of the Company and negotiate a definitive merger agreement (subject to earlier termination under certain circumstances). However, the Company was permitted to terminate the letter of intent, including the exclusivity provisions, at any time upon payment of the expenses incurred by the 2004 Group in connection with its proposal, subject to a cap. The Company also authorized its legal advisors to prepare and negotiate the terms of definitive transaction documents.

On November 9, 2004, the Company s legal advisors sent a draft merger agreement to the legal advisors for the 2004 Group. At the same time, advisors for the 2004 Group began conducting substantial business, legal and tax due diligence on the Company and its subsidiaries. Commencing during the week of November 15, 2004, and continuing through December 15, 2004, senior management and the Company s legal and financial advisors engaged in discussions and meetings with advisors for the 2004 Group for the purpose of facilitating business, legal and tax due diligence on the Company and its subsidiaries, negotiating the merger agreement and certain ancillary agreements, and seeking to verify that the 2004 Group s financing contemplated in its acquisition proposal was satisfactorily committed and available.

Beginning on November 18, 2004, and continuing through February 1, 2005, senior management and the Company s legal and financial advisors engaged in discussions and meetings with representatives of an ad hoc group of Preferred Stockholders (the *2004 Preferred Group*) and certain significant Common Stockholders with respect to Company s strategic alternatives and the allocation of any merger consideration received upon consummation of the proposed merger with the 2004 Group. On December 2, 2004, the Company agreed to reimburse the 2004 Preferred Group for its reasonable out-of-pocket fees and expenses of counsel, up to a cap, incurred in connection with such discussions and meetings.

On November 23, 2004, the Board held a meeting to discuss the developments between senior management and the Company s legal and financial advisors, on the one hand, and representatives of the 2004 Group, on the other hand, with respect to the 2004 Group s proposal to acquire the Company. At this meeting,

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Metromedia s senior management and its legal and financial advisors apprised the Board of discussions and negotiations with representatives of the 2004 Group. Evercore and Houlihan Lokey presented a preliminary valuation of the Company and its subsidiaries. Following the presentation by Evercore and Houlihan Lokey, the Board discussed the factors it would consider in allocating the merger consideration received in a transaction with the 2004 Group among the Company s stakeholders. The Board directed senior management and the Company s legal and financial advisors to continue to negotiate definitive agreements with the 2004 Group so that the 2004 Group would be in a position to reaffirm its preliminary proposal to acquire the Company.

Commencing on December 13, 2004, and continuing through January 6, 2005, the Company s legal and financial advisors engaged in discussions and negotiations with representatives of the 2004 Group and its advisors regarding the 2004 Group s ongoing business, legal and tax due diligence on the Company and its subsidiaries, the merger agreement and certain ancillary agreements to the merger agreement, and commitments for the 2004 Group s financing contemplated by its acquisition proposal. During this period, Capital International notified the Company that it was no longer part of the 2004 Group, and Baring Vostok informed the Company that it would fund the entire portion of the purchase price that was previously expected to be funded by Capital International.

On December 10 and 27, 2004, the Special Committee was briefed by its legal and financial advisors on the discussions and negotiations between senior management and the Company s legal and financial advisors, on the one hand, and advisors to the 2004 Group, on the other hand, with respect to the 2004 Group s proposal to acquire the Company by merger. The Special Committee reviewed the 2004 Group s progress in performing its business, legal and tax due diligence on the Company and its subsidiaries and considered the terms and conditions being negotiated in the definitive merger agreement and related ancillary documents with the representatives of the 2004 Group.

On January 5, 2005, the 2004 Group, without Capital International, confirmed to the Company that it had completed its due diligence investigation of the Company s core telephony businesses in Russia and the country of Georgia, and that its remaining due diligence work would focus principally on the Company itself. In addition, the 2004 Group confirmed that it continued to assign an aggregate enterprise value to the Company of $300 million in respect of the proposed merger. The 2004 Group notified the Company that it expected to need more time than it initially anticipated to complete its due diligence review of the Company and therefore requested that the Company extend the exclusivity period from January 17, 2005 to February 14, 2005. The Company agreed to the 2004 Group s request and granted the 2004 Group an extension of its exclusivity period to February 14, 2005.

On January 14, 2005, Esopus Creek Capital LLC (including its affiliates, *Esopus*) filed a complaint in the Delaware Court of Chancery, Civil Action No. 1006-N, requesting an order summarily requiring that the Company hold an annual

meeting of stockholders for the election of directors. On February 9, 2005, the Company announced that it would hold an annual meeting allowing for the election of directors simultaneously with any meeting called seeking a stockholder vote to approve a Potential Transaction and, if no such Potential Transaction was to arise prior to March 7, 2005, it would hold an annual meeting shortly thereafter. The Company later announced that it planned to hold a meeting of stockholders shortly following such time that the Company becomes current with its periodic filings with the United States Securities and Exchange Commission (the *SEC*). On March 29, 2005, Esopus filed a stipulation requesting that this case be dismissed and a dismissal was granted by the Delaware Court of Chancery on April 13, 2005.

On January 17, 2005, the Company received a letter dated January 14, 2005, on behalf of Esopus demanding the right to examine, inspect and copy certain books and records of the Company. By letter dated January 24, 2005, the Company rejected the request as premature and because the demand failed to comply with the requirements of Delaware Law.

On each of January 23 and February 1 and 2, 2005, the Board held a meeting to discuss, among other things, developments in the negotiations with the 2004 Group concerning the proposed merger. At the February 1 and February 2 meetings, senior management reported to the Board that the unaudited financial performance of Magticom for the fiscal year ended December 31, 2004 was unexpectedly higher than forecast. This improved performance was partially attributable to a favorable change in the currency exchange rate of Georgian lari to U.S. dollars. Senior management advised the Board that revised projections for Magticom were being prepared based on these most recent financial results. The Board directed senior management and Evercore to prepare a revised analysis and valuation of the Company and of its interest in Magticom in light of Magticom s most recent financial performance.

On February 8, 2005, the Board met with senior management and the Company s legal and financial advisors. Evercore presented the Board with a revised analysis and valuation of the Company and of its interest in Magticom. The Board determined that the price offered by the 2004 Group for the Company was too low in light of the most recent financial performance of Magticom. Accordingly, the Board instructed senior management and its legal and financial advisors to seek a purchase price increase from the 2004 Group to adequately reflect the increased value attributable to the Company s assets in the country of Georgia.

On February 11, 2005, the Special Committee met with senior management and its legal and financial advisors and conducted a review of the terms and conditions of the proposed transaction with the 2004 Group and considered the financial attributes of the proposed transaction and the Company s prospects if it were to sell only its interest in PeterStar and continue operating its business in the country of Georgia. Senior management also reported on phone calls and letters recently received from two separate third parties interested in exploring a Potential Transaction with the Company, one of which previously bid for the Company and its assets and one of which was

previously contacted, but was only now expressing its interest in exploring a Potential Transaction. Senior management advised the Special Committee that, in light of the exclusivity arrangement in place with the 2004 Group through February 14, the Company had not yet responded to either party, other than to inform each of them of the Company s obligations under its exclusivity arrangement with the 2004 Group.

Also on February 11, 2005, the Company purchased an additional 51% ownership interest in Telecom Georgia from the Georgian government for a cash purchase price of $5.0 million, thereby increasing its ownership interest in Telecom Georgia to 81%.

On February 14, 2005, the Company completed a restructuring of its interest in Magticom on terms reflecting those contained in the Magticom MOU. As part of the restructuring, the Company purchased an additional 8.3% interest in Magticom from Dr. Jokhtaberidze, thereby increasing the Company s ownership interest in Magticom to 42.8%. A wholly owned subsidiary of the Company issued a promissory note in the amount of $23,085,896 to Dr. Jokhtaberidze in payment of the additional 8.3% Magticom interest the Company obtained. Following the restructuring, the entity created to hold the Company s and Dr. Jokhtaberidze s interest in Magticom paid $15 million to the Georgian government to cancel all of the Georgian government s rights under the Option MOU. The $15 million payment was fully funded with cash contributions made by the Company and Dr. Jokhtaberidze in proportion to their respective 50.1% and 49.9% ownership interest in the entity that holds the Company s and Dr. Jokhtaberidze s interest in Magticom. With the consummation of these transactions, the Company became the owner of an effective 42.8% interest in Magticom with rights to exercise substantial oversight with respect to Magticom s continuing business operations.

Also on February 14, 2005, senior management and the Company s legal and financial advisors met in person with representatives of the 2004 Group and its advisors. The Company s legal and financial advisors informed the 2004 Group and its advisors that the Company would not proceed with the proposed transaction unless the 2004 Group increased the purchase price. Representatives of the 2004 Group responded that they would be willing to increase the purchase price from an enterprise value of $300 million to an enterprise value of approximately $317 million plus the assumption of the Company s obligations under the $23,085,896 promissory note issued to Dr. Jokhtaberidze in payment of the additional 8.3% interest in Magticom obtained by the Company.

Later on February 14, 2005, the Special Committee met with the senior management and its legal and financial advisors to discuss the increased enterprise value assigned to the Company by the 2004 Group. The Special Committee determined that the 2004 Group s revised proposal still did not adequately reflect sufficient value for the Company s increased ownership interest in Magticom based on reports of actual 2004 Magticom performance. As a result, the Special Committee decided that it could no longer recommend to the Board that the Company pursue the proposed merger with the

2004 Group. In light of its decision, the Special Committee decided that it would allow the 2004 Group s exclusivity arrangement to expire on February 14, 2005 and the Special Committee directed the Company s senior management and legal and financial advisors, following the expiration of the 2004 Group s exclusivity, to contact the two parties that had recently expressed interest in pursuing a Potential Transaction with the Company in order to gauge their interest in any such transaction. The Special Committee also directed senior management and the Company s legal and financial advisors to negotiate with First National and Emergent (together, the *PeterStar Buyers*) for the sale of the Company s interest in PeterStar for a cash purchase price of no less than $212 million.

On February 15, 2005, the Company announced that it reached a tentative agreement with the PeterStar Buyers, subject to agreement on final documentation and approval by the Company s Board of Directors, for a sale of the Company s entire interest in PeterStar for a purchase price of $212 million.

From February 15 through 17, 2005, senior management and the Company s legal and financial advisors engaged in discussions with other third parties who previously indicated an interest in pursuing a Potential Transaction in order to gauge their interest in acquiring the Company and/or certain of its assets at prices the Board would find acceptable. In connection with the foregoing, senior management and the Company s legal and financial advisors had numerous discussions with, and provided due diligence information and a draft transaction agreement to, a potential buyer of the Company s interest in PeterStar who had previously submitted a proposal to the Special Committee in September 2004 and was one of the parties that contacted the Company just prior to the expiration of the 2004 Group s exclusivity period. However, the discussions with such third parties and the potential buyer of the Company s interest in PeterStar did not result in the submission of any new or revised proposals. During this time period, senior management and the Company s legal and financial advisors continued to negotiate for the sale of the Company s interest in PeterStar to the PeterStar Buyers, including finalizing a share purchase agreement and certain ancillary agreements necessary to consummate the sale.

On February 17, 2005, senior management and the Company s legal advisors met with representatives of the PeterStar Buyers and their legal advisors to negotiate and finalize the terms of the share purchase agreement and certain ancillary agreements. As part of these negotiations, the PeterStar Buyers agreed to increase the purchase price for PeterStar from $212 million to $215 million.

In the evening on February 17, 2005, at a special meeting of the Board, senior management and the Company s legal and financial advisors provided the Board with an overview of their discussions with third parties over the course of the prior few days with respect to a Potential Transaction, and with the PeterStar Buyers with respect to a sale of the Company s interest in PeterStar. Evercore presented the Board with its financial analysis of the sale of PeterStar to the PeterStar Buyers and rendered its opinion that, as of that date, the consideration to be received by the Company in the sale of PeterStar to the PeterStar Buyers was fair, from a financial point of view, to the

Company. The Board also discussed the Company s prospects following the sale of PeterStar. The Board determined that it is expedient and in the best interests of the Company and its stockholders to enter into a share purchase agreement and, subject to the terms and conditions of such share purchase agreement, to sell all of its right, title and interest in and to PeterStar to the PeterStar Buyers. The Board also determined that it is in the best interests of the Company and its stockholders to continue the Company s operation and development of its business interests in the country of Georgia. Accordingly, the Board passed resolutions authorizing the execution and delivery of the share purchase agreement in the form negotiated with the PeterStar Buyers and presented to the Board. During the evening of February 17, 2005, representatives of the PeterStar Buyers executed the share purchase agreement and the other ancillary agreements on behalf of all parties other than the Company. Mr. Hauf then executed the share purchase agreement and the other ancillary agreements on behalf of the Company. The Company and the PeterStar Buyers announced the execution of the share purchase agreement on February 18, 2005. The Company consummated the sale of PeterStar pursuant to the share purchase agreement on August 1, 2005.

On August 8, 2005, using a portion of the cash proceeds from the sale of PeterStar, the Company completed the redemption of its outstanding $152.0 million 10 $^{1}/2$ % Senior Notes due 2007 for an aggregate redemption price, including accrued and unpaid interest, of $157.7 million.

On September 15, 2005, the Company and Dr. Jokhtaberidze, through the holding company International Telcell Cellular LLC (*International TC LLC*) (which is jointly owned by them), acquired the 14.5% economic interest in Magticom formerly owned by Western Wireless International (*Western Wireless*), for a cash price of $43.0 million (in proportion to their respective ownership interests in International TC LLC). As a result, the Company s economic interest in Magticom increased to 50.1% since International TC LLC in consequence of the Western Wireless transaction, directly and indirectly, became the owner of 100% of Magticom. Prior to the purchase, Magticom issued a dividend of $17.0 million, net of 10% Georgian dividend withholding taxes, of which $7.3 million was distributed to the Company. The Company used the net proceeds from this dividend distribution to partially fund the purchase and funded its remaining portion of the purchase using corporate cash of approximately $14.3 million. Concurrent with this transaction, the Company paid in full all principal and accrued and unpaid interest due to Dr. Jokhtaberidze under the promissory note it had issued to Dr. Jokhtaberidze in the amount of $23,085,896 on February 14, 2005.

In December 2005, Mohamed Amersi, a representative of Emergent, approached one of the Company s advisors with an expression of interest to acquire the Company s 50.1 % equity interest in Magticom. In early 2006, Mr. Hauf contacted Mr. Amersi to respond to his expression of interest and then met with Mr. Amersi in February of 2006 to discuss the matter in greater detail. Following this meeting, Mr. Hauf sent to Mr. Amersi s financial advisor, Rothschild, Inc., materials prepared by the Company providing general information about Magticom relevant to a financial valuation of the Company s interest in Magticom. Around the same time, Mr. Amersi told Mr. Hauf that

he deemed the Company s interest in Magticom to be worth approximately $350 million. After consideration, Mr. Hauf informed Mr. Amersi that such a valuation would be unlikely to lead to a transaction that could be realistically concluded, given the respective claims of the company s two classes of stockholders on the enterprise value of the Company.

On March 2, 2006, Mr. Hauf presented to the Board a report (previously circulated to the Board on February 1, 2006) on the status of the Company s affairs, which included a discussion of the Company s strategic options. Mr. Hauf noted that such options might include a Potential Transaction but that the Company might not be able to conduct a stockholder meeting to vote on any such Potential Transaction due to the Company s current inability to communicate required financial information to the Company s stockholders, such inability being caused by the Company s tardiness in completing its outstanding financial statements and related SEC reports. Mr. Hauf also reported on recent approaches from two mobile operators interested in extending their operations in the country of Georgia through an acquisition of Magticom, although neither expression of interest resulted in a proposal for a Potential Transaction. Mr. Hauf also advised the Board that, in response to such expressions of interest, the Company asked Evercore, who had advised the Company in connection with the sale of PeterStar, to provide additional advisory services regarding the potential valuation of the Company s interest in Magticom. At the time, the services provided by Evercore were limited to valuation advice and did not extend to conducting formal solicitations of interest in a Potential Transaction.

At a meeting on May 8, 2006, the Board discussed Mr. Amersi s initial expression of interest valuing the Company s interest in Magticom at $350 million. Mr. Hauf advised the Board of his understanding that Mr. Amersi was working on bringing together a group of investors to engage in a Potential Transaction.

Later that May, Mr. Hauf received a call from Mr. Amersi. Mr. Amersi informed Mr. Hauf that he had assembled a group of investors interested in pursuing a purchase of the Company s interest in Magticom at a price of approximately $440 million and that the potential investors Mr. Amersi represented were, in addition to Emergent, Istithmar PJSC, a privately incorporated investment company based in Dubai, United Arab Emirates (*Istithmar*), and another party with experience with mobile telecommunications operations.

On May 31, 2006, the Company s senior management prepared and circulated to the Board a memorandum advising the Board of, among other items, the developments with Mr. Amersi and his consortium with respect to a Potential Transaction to acquire the Company s Georgian interests.

On June 6, 2006, the Board met and discussed Mr. Amersi s proposal, agreeing that the Company should pursue this opportunity and authorizing senior management to discuss and negotiate a Potential Transaction with Mr. Amersi s investor group. In the weeks following this Board meeting, Mr. Hauf continued to negotiate with

Mr. Amersi s investor group regarding all aspects of the Potential Transaction, including the proposed price.

During the course of July 2006, the Company consummated a series of transactions associated with its then 81% ownership interest in Telecom Georgia. In summary, the Company acquired a controlling interest in Telenet, a Georgian company providing internet access, data communication, voice telephony and international access services, from a third party in exchange for cash and a minority interest shareholding in both Telenet and Telecom Georgia. Prior to entering into these agreements, Strikland Investments, Inc. (*Strikland*) and Greatbay Investments, Ltd. (*Greatbay*) directly owned between them 100% of Telecom Georgia Group Ltd, an international business company organized under the laws of British Virgin Islands (*TGG*) that was the sole owner of Telenet. Salford acted on behalf of Strikland and Greatbay in connection with these transactions. In addition, Dr. Jokhtaberidze, the Company s principal partner in Magticom, acquired from the Company a minority interest shareholding in the Company s ownership in Telenet and Telecom Georgia. As a result, the Company s interests in these two business ventures were held through U.S.-based holding companies in which the Company had the controlling interest, enabling the Company to exercise operational oversight over both Telenet and Telecom Georgia.

At a Board meeting on July 12, 2006, senior management reported on developments with respect to Mr. Amersi s investor group, noting that the group had toured the Magticom offices in the country of Georgia and appeared to be financially capable of engaging in a Potential Transaction. At the same meeting, the Board discussed the contents of a letter received from Esopus, a company stockholder, demanding that the Company hold an annual meeting of its stockholders and that, if the Company refused to do so, Esopus would bring legal action against the Company to compel it to hold such a meeting in accordance with Section 211 of the Delaware General Corporation Law.

At a Board meeting on July 28, 2006, Mr. Hauf advised the Board of his continuing meetings with Mr. Amersi s investor group. The Board discussed the Potential Transaction with Mr. Amersi s investor group in detail, including the methods by which such a transaction could be structured in light of the continuing delay experienced by the Company in finalizing its outstanding financial statements and the difficulties it therefore expected to experience with respect to its ability to arrange a meeting of stockholders in compliance with applicable rules and regulations of the SEC. At this meeting, Mr. Hauf also informed the Board that Mr. Amersi s investor group had proposed that Mr. Hauf continue with the company following the completion of the Potential Transaction.

In late July, Mr. Hauf traveled to Dubai in the United Arab Emirates to meet with Dr. Jokhtaberidze and representatives of Emergent and another potential participant (*Party A*) in Mr. Amersi s investor group. Following this meeting, Party A advised Mr. Hauf that in order for it to consider a Potential Transaction, it would need a local partner in Georgia other than Dr. Jokhtaberidze. In light of Party A s desire to find

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a Georgian partner, in August Mr. Hauf arranged for a meeting in London, England, between representatives of the Georgian office of Salford and representatives of Emergent and Party A to discuss Salford joining Mr. Amersi s investor group and participating in a Potential Transaction.

On August 18, 2006, Esopus filed a complaint in the Delaware Court of Chancery, Civil Action No. 2358-N, requesting an order of the Court pursuant to Section 211 of the Delaware General Corporation Law directing the Company to call and hold an annual meeting of its stockholders. By a Stipulation and Order, dated September 26, 2006, the Company agreed to hold an annual stockholders meeting on December 15, 2006. In connection with this Stipulation, the Company paid certain of plaintiffs fees and expenses in the amount of $15,000. The case was dismissed with prejudice on September 26, 2006.

At a Board meeting on September 25, 2006, senior management advised the Board that Party A had decided to withdraw from Mr. Amersi s investor group and not to participate in a bid for the Company s Georgian interests, largely due to the difficulties such member experienced with the Company s partner in its Georgian business ventures, Dr. Jokhtaberidze. Senior management further advised the Board that Istithmar would assume the stake in the proposed transaction held by the withdrawing member. The Board discussed the recent meetings between representatives of the Company and of Mr. Amersi s investor group and considered the principal terms and conditions of the Potential Transaction that were then being discussed. The Company s legal advisors provided the Board with an overview of Mr. Hauf s discussions with Mr. Amersi s investor group regarding his post-transaction employment with Magticom and discussed the potential conflicts of interest raised by such discussions and the protections therefrom that the Company s legal advisors were recommending that the Company take. At this meeting, the Board also discussed, among other things, the proposed form of the transaction, which would involve a liquidation of the Company via a court-supervised process, and recent discussions with several of the Preferred Stockholders regarding the allocation of the proceeds of the proposed transaction. The Board advised the Company s senior management and advisors to continue working towards finalizing the terms of a Potential Transaction with Mr. Amersi s investor group. The Board also authorized the Company to engage Evercore to act as financial advisor to the Company with respect to such Potential Transaction.

On September 26 through 28, 2006, Mr. Hauf and the Company s legal advisors met in London, England with Mr. Amersi and representatives of his investor group and their legal advisors to negotiate and finalize the terms of a preliminary agreement to govern a potential sale of the Company s Georgian business interests.

On October 2, 2006, the Company announced the execution of a letter of intent (the *2006 LOI*) in respect of an offer it received to acquire all of the Company s 100% ownership interest in Metromedia International Telecommunications, Inc. (*MITI*), which represented substantially all of the Company s assets, for a cash price of $480 million from Mr. Amersi s investor group (the *2006 Group*), which ultimately

included Salford, Istithmar and an affiliate of Emergent. The Company entered into the 2006 LOI with the 2006 Group on September 28, 2006, providing for exclusivity in negotiations during a sixty-day due diligence period and setting forth intended terms of a binding share purchase agreement, which the parties expected to execute within the exclusivity period and subject to the completion of the 2006 Group s due diligence. The 2006 LOI was executed on September 28, 2006 but did not become effective until October 1, 2006, the date on which the Company had entered into the separate Lock-Up and Voting Agreements, as defined below, with representatives of holders of approximately 80% of its 4.1 million outstanding shares of Preferred Stock.

In connection with the execution of the 2006 LOI, beginning on September 29, 2006 and finalizing on October 1, 2006, the Company entered into separate lock-up, support and voting agreements (the *Lock-Up and Voting Agreements*) with representatives of holders of approximately 80% of its outstanding Preferred Stock (the *2006 Preferred Group*). In connection with the 2006 LOI, the 2006 Preferred Group agreed to support a plan of reorganization under chapter 11 of the United States Bankruptcy Code, pursuant to which Preferred Stockholders would receive $68 per share from Net Distributable Cash (as defined in the Lock-Up and Voting Agreements) of $420 million or less and one-half of any Net Distributable Cash in excess of $420 million, allocated equally among the shares of Preferred Stock. The remaining Net Distributable Cash would be allocated equally among the outstanding shares of Common Stock. Because the 2006 Preferred Group represented holders of more than two-thirds of the presently outstanding Preferred Stock, if the chapter 11 plan were to have been approved by the Court, the plan would have been binding on all Preferred Stockholders.

At a meeting of the Board on October 4, 2006, the Board discussed, among other things, the recent execution of the 2006 LOI and the Lock-Up and Voting Agreements and senior management advised the Board of the 2006 Group s ongoing due diligence efforts.

On October 5, 2006, the Company received a letter from Esopus nominating five individuals to stand for election to the Board at the meeting of stockholders to take place on December 15, 2006.

On October 6, 2006, the Company received a letter from Esopus that proposed two stockholder resolutions to be voted on at the annual meeting of the Company s stockholders, scheduled to by held on December 15, 2006, one resolution proposing to amend the by-laws of the Company to require a majority stockholder vote with respect to certain merger and asset sales, and the other proposing specifically to require a majority stockholder vote with respect to the sale of MITI contemplated by the 2006 LOI.

On October 18, 2006, Esopus Creek Value LP, an affiliate of Esopus, filed a complaint against the Company in the Delaware Court of Chancery, Civil Action No. 2484-N, seeking to enjoin the Company, its directors and officers from entering into any agreement to sell all or substantially all of the Company s assets before the court-ordered December 15, 2006 annual stockholders meeting, as well as seeking to enjoin the

Company, its directors and officers from filing a bankruptcy petition before the court-ordered December 15, 2006 annual stockholders meeting, and seeking to compel the Company to hold the annual stockholders meeting on December 15, 2006.

On October 19, 2006, plaintiffs Esopus, Black Horse Capital, LP, Black Horse Capital (QP) LP, and Black Horse Capital Offshore Ltd. (collectively, *Esopus/Black Horse*) filed a complaint in the Delaware Court of Chancery, Civil Action No. 2487-N, against the Company, its directors and officers seeking to enjoin the Company, its officers and directors from entering into any agreement to sell all or substantially all of the Company s assets, including the Company s interest in MITI and/or the Company s direct or indirect interest in Magticom (an *Asset Sale Agreement*) before the court-ordered December 15, 2006 annual stockholders meeting, as well as seeking to enjoin the Company, its directors and officers from filing a bankruptcy petition before the court-ordered December 15, 2006 annual stockholders meeting, and seeking to compel the Company, its directors and officers to comply with 8 Del. C. 271, requiring stockholder approval for the sale of all or substantially all assets, before attempting enter into the asset sale transaction. On October 26, 2006, the Court consolidated Civil Action No. 2484-N into 2487-N, now Consolidated Civil Action No. 2487-N.

On October 20, 2006, the Company formally engaged Evercore to act as its financial advisor to render, if requested by the Board, an opinion as to whether or not the consideration to be received by the Company pursuant to such transactions is fair from a financial point of view to the Company.

On October 24, 2006, the Company indicated in a letter to the Court that it wished to resolve the Esopus/Black Horse claims as quickly as possible. Also that day, the Company received a letter from Istithmar, one of the members of the 2006 Group and a party to the 2006 LOI, in which Istithmar informed the Company that it was withdrawing from the 2006 Group and that its proposed stake in the transactions was being assigned to the other members of the 2006 Group on a pro rata basis. In light of the letter received from Istithmar, the Company determined to pursue discussions with the remaining members of the buying consortium, Salford and Emergent, regarding their interest and ability to assume Istithmar s stake in the transactions contemplated by the 2006 LOI.

On October 27, 2006, the Company, through International Telcell LLC, an intermediary holding company in which the Company at the time had a 25.6% economic ownership interest, acquired the 19% ownership interest held by Bulcom in Telecom Georgia for $0.7 million, thereby increasing the Company s economic interest in Telecom Georgia to 25.6%.

On October 28, 2006, in connection with Istithmar s withdrawal from the 2006 Group, the Company received a letter from Salford and Emergent confirming that each remaining party to the 2006 LOI was still interested in proceeding with the transactions contemplated by the 2006 LOI and indicating Salford s agreement to assume the stake of Istithmar in 2006 Group so that the proposed US $480 million purchase price

would be funded by equity commitments from Salford and Emergent, such equity commitments contemplated to be funded 90% by Salford and 10% by Emergent with the possibility of third parties being invited to join 2006 Group (subject to the Company s prior written consent). During the following weeks, the Company s senior management continued to assist Salford and Emergent with their due diligence investigations of the Company and to work towards the execution of definitive agreements with respect to the transactions contemplated by the 2006 LOI.

On November 3, 2006, the Company sent to the 2006 Group s legal advisors a draft stock purchase agreement and form of equity commitment letter that the Company proposed would govern the transactions contemplated by the 2006 LOI.

On November 7, 2006, the Company s legal advisors received a letter, dated November 2, 2006, addressed to a member of the Board from a third party purportedly interested in taking the place of Istithmar in the 2006 Group and requesting confidential financial and operating information about the Company. This letter was discussed at a November 8, 2006 meeting of the Board, and senior management advised the Board that prior contact with such third party had occurred to provide general guidance regarding the enterprise valuation for the Company as proposed in the 2006 LOI (to which such third party appeared to respond in a negative manner) and to advise such third party of the Company s then existing obligations under the 2006 LOI to refrain from responding to or engaging in discussions regarding proposals relating to a Potential Transaction. On November 8, 2006, the Company sent a letter to such third party advising that the Company was not able to respond to its request for information due to the Company s obligations under the 2006 LOI.

On November 16, 2006, the Company received a letter from Salford and Emergent informing the Company that (i) Emergent is not going to participate in the transactions contemplated by the 2006 Agreement and has assigned its proposed 10% equity stake to Salford, which it has agreed to assume, and (ii) Salford remains committed to proceeding with the proposed transaction on the terms contemplated by the 2006 LOI. The letter stated that proposed $480 million purchase price would be funded by an equity commitment from Salford with the possibility of third parties being invited to join Salford in making the purchase (subject to the prior written consent of the Company). During the following weeks, senior management of the Company and representatives of Salford continued to work toward the execution of definitive agreements in respect of the transactions contemplated by the 2006 LOI.

On November 18, 2006, the Company and the 2006 Preferred Group agreed to an amendment to the Lock-Up and Voting Agreements pursuant to which Preferred Stockholders will receive $68 per share from Net Distributable Consideration (as defined in such amendment to the Lock-Up and Voting Agreements) of $420 million or less, plus one-half of any Net Distributable Consideration in excess of $420 million and less than $465 million, and plus twenty percent of any remaining Net Distributable Consideration in excess of $465 million, allocated equally among the shares of Preferred

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Stock. The balance of Net Distributable Consideration would be allocated equally among the outstanding shares of Common Stock.

On November 22, 2006, following expedited discovery and briefing, a preliminary injunction hearing was held in the Delaware Court of Chancery in connection with the Esopus/Black Horse lawsuits. Following oral arguments at the November 22, 2006 hearing, the Court issued an order on November 29, 2006, pursuant to which it was ordered, among other things, that (i) the Company and its representatives, and those persons in active concert or participation with them, not enter into a definitive agreement providing for the sale of all or substantially all of the assets of the Company, including the Company s interest in MITI and/or the Company s direct or indirect interest in Magticom, unless the consummation of such agreement is subject to a vote of the Common Stockholders of the Company pursuant to Section 271 of the Delaware General Corporation Law, and (ii) if the Company enters into such an agreement, (a) the Company and its Board of Directors shall call a meeting of the Common Stockholders, consistent with the notice provision of Section 271 of the Delaware General Corporation Law, (b) the Company shall distribute to its stockholders, in advance of such meeting, a notice advising the Common Stockholders of the date, time and place of the meeting and their right to vote on the transactions contemplated by such agreement and all information required under Delaware law necessary to ensure an informed vote on such transactions, and (c) at such meeting the Common Stockholders shall have the opportunity to vote on such transactions. In addition, the Court order provided that the Company and its representatives shall take whatever steps they deem necessary, including the use of oral, written or electronic communications, to encourage stockholders to attend the meeting and cast a vote on such transactions.

The November 22, 2006 preliminary injunction hearing was discussed at a Board meeting later that day, during which Mr. Hauf advised the Board of his discussions with Salford following the hearing, in which Salford (x) reaffirmed its interest in pursuing the transactions contemplated by the 2006 LOI, subject to completion of its due diligence, and (y) indicated that it intended to have representatives travel to New York during the following week to negotiate definitive agreements for such transactions.

On November 29, 2006, following a preliminary discussion with representatives of the SEC, the Company s legal advisors wrote on the Company s behalf to representatives of the SEC s Division of Corporate Finance, Office of Mergers and Acquisitions, requesting assurance that the Division of Corporate Finance would not object nor recommend enforcement action against the Company if the Company were to hold a meeting of its stockholders to conduct a vote on a Potential Transaction pursuant to Section 271 of the Delaware General Corporation Law (as ordered by the Delaware Court of Chancery on November 29, 2006) without providing audited financial statements as part of a proxy or information statement sent to stockholder pursuant to Regulations 14A and 14C of the Securities Exchange Act of 1934, as amended (the *Exchange Act*) and requesting a meeting with representatives of the Division of Corporate Finance to discuss the basis for the Company s request for such relief.

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A Board meeting was held on December 1, 2006, during which Mr. Hauf advised the Board that, although Salford was continuing to conduct due diligence and appeared to be working toward executing definitive agreements for the transactions contemplated by the 2006 LOI, Salford s principal line of financing had thus far failed to be confirmed. Mr. Hauf advised the Board that Salford had initiated discussions with Dr. Jokhtaberidze about the possibility of using the assets of Magticom as security for a loan to assist with financing the transactions contemplated by the 2006 LOI, but that such discussions were unlikely to be fruitful given Dr. Jokhtaberidze s past reluctance to support any financing proposals involving the assets of Magticom. Mr. Hauf also noted that the Company had yet to receive a response to the Company s proposed draft stock purchase agreement and form of equity commitment letter, which the Company had sent to the 2006 Group s legal advisors on November 3, 2006, and that he expected Salford would request an extension of the date on which the Company s exclusivity obligations under the 2006 LOI will terminate, which if not extended would occur on December 5, 2006. At this meeting, the Board discussed whether the Company should continue with plans to sell its Georgian business ventures if Salford failed to make the offer for such assets contemplated by the 2006 LOI or, alternatively, if Salford made an offer but such offer were to differ materially from the terms contemplated by the 2006 LOI. The Board also discussed whether it would be possible to achieve a valuation for such assets higher than that contemplated by the 2006 LOI; the Board also considered that, since the time the Potential Transaction was announced, no other potential buyers had come forward, that members of the 2006 Group had already withdrawn from the process and that Salford itself may very well be unable to proceed with a transaction at the price contemplated by the 2006 LOI.

On December 5, 2006, the Company received a letter from Salford, then the sole remaining member of the 2006 Group and a party to the 2006 LOI, in which Salford (i) informed the Company that it had decided not to proceed with the proposed transaction outlined in the 2006 LOI and was terminating the exclusivity restrictions of the 2006 LOI for Cause (as defined in the 2006 LOI) as a result of an alleged breach of the access to information covenant contained therein, and (ii) requested that the Company reimburse Salford for the transaction expenses incurred by it to date in connection with the proposed transaction in the amount of US $1,010,000. Following receipt of Salford s letter, the Company informed representatives of the SEC of Salford s termination of the pending transactions contemplated by the 2006 LOI, in response to which the Company was informed that the SEC s Division of Corporate Finance would consider the Company s request for relief (as outlined in its November 29, 2006 letter) in due course but, in light of Salford s termination of the 2006 LOI, not on a priority basis. In addition, following a review of this letter, the Board advised Salford by letter dated December 14, 2007 that its claim for reimbursement of expenses under the 2006 LOI was without merit. The Company has not made any payment with respect to Salford s claim.

On or about December 5, 2006, the Company received an unsolicited proposal from a potential acquiror (*Party B*) proposing to conduct a tender offer for any and all of the Common Stock at a price of $2.00 per share on the condition that the proposed asset sale transaction with Salford contemplated by the 2006 LOI were

consummated first at a price of $480 million. The Board discussed this proposal at a meeting on December 5, 2006. The Board noted that the condition to this proposal could not be satisfied in light of Salford s termination of the 2006 LOI and accordingly such proposal did not appear to be likely to lead to a Potential Transaction. The Company s legal advisors later confirmed with Party B that its tender offer proposal was strictly conditioned on the consummation of the proposed asset sale transaction with Salford at a price of $480 million, and Party B confirmed that its proposal was withdrawn in light of Salford s termination of the 2006 LOI.

On December 8, 2006, the Company received an unsolicited revised proposal from Salford for the acquisition of substantially all of the Company s business interests in the country of Georgia for a cash price of $331 million. The revised Salford proposal was subject to a number of conditions, including a thirty day exclusivity period, the successful completion of due diligence, agreement on a transaction structure to effect the proposed transaction, the execution of definitive agreements in respect of the proposed transaction and the satisfaction of any required approvals of the Board and the Company s stockholders.

On December 11, 2006, the Board met to discuss, among other things, Salford s revised proposal made on December 8, 2006. The Board considered the revised Salford offer and, after extensive discussion, concluded that it did not adequately reflect an appropriate valuation of the Company s business interests and that acceptance of or further negotiation regarding the revised offer would not be in the best interests of the Company s stockholders. The Board considered making a counterproposal to Salford, but decided that the Company was not currently in a position to perform the type of analysis of its business assets that such a counterproposal would require, at least until the finalization of the Company s financial results for fiscal year 2006 and management s forecasts for fiscal years 2007 and 2008. The Board advised Mr. Hauf to inquire with Salford as to its intentions regarding a Potential Transaction with the Company in light of its termination of the 2006 LOI and its revised proposal to purchase the Company s business interests in the country of Georgia for a cash price of $331 million. The Board unanimously resolved to reject Salford s revised proposal unless Salford (i) significantly increased the proposed offer price and (ii) proposed a specific timeline for completion of its proposed transaction.

Also on December 11, 2006, the Company received a letter from Esopus withdrawing their prior nomination of five individuals to stand for election to the Board at the meeting of stockholders to take place on December 15, 2006.

Mr. Hauf then met with Irakli Rukhadze of Salford on December 12, 2006 to inquire into, first, the maximum amount Salford would be willing to pay to acquire such business interests assuming there were no procedural obstacles (relating to the delay in the Company s finalization of its outstanding financial statements or otherwise) to such a purchase and, second, whether Salford would consider acquiring the Company itself rather than its assets and on what terms, suggesting by way of example a tender offer for the Company s securities or undertaking a merger with the Company in which one or

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both classes of the Company s stock would be cashed out. Mr. Rukhadze requested time to consult with his partners and then, during a telephone conversation with Mr. Hauf on December 14, 2006, Mr. Rukhadze responded, first, that because of financing-related issues Salford was unwilling to make an offer to acquire the Company s business interests in the country of Georgia at any a price materially greater than $331 million and, second, that Salford was considering pursuing a tender for the Common Stock (at a price equivalent to what Common Stockholders would have received in the transactions contemplated by the 2006 LOI) followed by a merger in which the Preferred Stock would remain outstanding following the payment of all accrued and unpaid dividends.

On December 13, 2006, the Esopus/Black Horse group filed a motion for partial summary judgment. The motion sought a ruling on plaintiffs claims to invalidate a Lock-Up and Voting Agreements entered into by the Company and certain of its Preferred Stockholders, arguing that these agreements violated the Company s Certificate of Incorporation, and that the performance of any party s obligations under these agreements would be in violation of the Court s order issued pursuant to the Esopus/Black Horse group s earlier motion for a preliminary injunction against a Proposed Sale.

On December 14, 2006, having failed to receive from Salford any indication that Salford was prepared to increase the price offered in its revised proposal for the acquisition of the Company s business interests in the country of Georgia, the Company advised Salford of the Board s decision to reject its revised proposal.

Also on December 14, 2006, certain members of the 2006 Preferred Group advised the Company that, in light of the termination of the 2006 LOI, and so as to avoid further expenditures by all parties on the matter, such members had terminated the Lock-Up and Voting Agreements. As a result, such agreements were no longer effective to bind the remaining members of the 2006 Preferred Group.

On December 15, 2006, the Board met following the Company s 2006 annual meeting of stockholders and Mr. Hauf initiated a discussion of the strategic options available to the Company. After the discussion, the Board agreed that the Company should in the short term focus its attention on its Georgian operations rather than pursuing a Potential Transaction, but that the Company should continue to analyze all strategic options as they became available to the Company.

Later on December 15, 2006, one of the Preferred Stockholders contacted the Company s senior management to advise the Company of the willingness of such Preferred Stockholder to engage in discussions with Salford (or any other potential purchaser of the Company s securities and/or assets) regarding the purchase of the outstanding Preferred Stock at some discount to the aggregate of the face value plus accrued and unpaid dividends, whereupon senior management agreed to advise Salford (or such other potential purchaser) if the occasion arose.

On December 18, 2006, Mr. Hauf met with representatives of Party B in order to discuss Party B s intention and ability to conduct a tender offer for the Common

Stock if the Company were to arrange a sale of all or substantially all of the Company s assets; at this meeting it was agreed that the matter remained moot unless or until an asset sale transaction was likely to be consummated.

On December 21, 2006, Salford issued a press release stating that, based on a thorough review by Salford of the assets to be sold pursuant to the 2006 LOI and based on other associated events and issues over the prior two month period, Salford had made a revised offer to purchase Metromedia International Telecommunications, Inc., a subsidiary of the Company, for $331 million. In its press release, Salford referred to its letter to the Company dated December 8, 2006, the rejection by the Board of the proposal outlined in such letter, and advised those MIG constituents likely to be affected by the decision of the MIG Board of Directors to seek a further explanation from the MIG Board of Directors as to the reasons for their rejection of the Revised Offer in light of the detailed rationale provided by Salford in the Offer Letter.

On January 10, 2007, Mr. Hauf met with a representative of Salford at Salford s request to discuss Salford s further intentions, if any, regarding the Company s business interests in the country of Georgia. Such representative reported that Salford remained interested in acquiring the Company s interests in Georgia, but was now considering a strategy based on tendering for the Common Stock in an effort to gain Board-level control over the Company s Georgian operations. Such representative advised Mr. Hauf, in broad terms, of the steps it was considering for the execution of such strategy, but indicated that Salford would begin detailed planning of the necessary transactions with U.S. counsel in late January and would approach the Company with a formal proposal once such plans were fully developed.

On January 19, 2007, Mr. Hauf met with representatives of a private equity investment company who inquired as to the Company s readiness to sell its business interests in Georgia. Such representative indicated that his clients had a general interest in investing in Georgia and experience in managing cellular telephone operations. Mr. Hauf referred such representative to the Company s various public filings with the SEC for general guidance as to the Company s existing state of affairs, indicating that the Company did not expect to become current in such filings in the near term and that any transaction involving the Company would need to address the complexities caused by such delay, but that the Company would always give consideration to specific purchase proposals at a compelling price.

On January 22, 2007, the Company received a letter from a broker as a representative an undisclosed third party who might potentially be interested in acquiring some or all of the telecommunications assets currently owned by the Company, in particular its interest in Magticom. The letter inquired as to the Company s intentions to dispose of its business interests in Georgia and provided no indication of any assumed valuation of the Company s interests or the nature of transaction which might be pursued. No further contact was received from this broker.

On January 24, 2007, Mr. Hauf was contacted by Party B. Mr. Hauf advised such potential acquiror that there continued to be no potential asset sale

transaction, and Party B reaffirmed its interest in pursuing such a transaction, and requested that this be relayed to the Board.

On January 30, 2007, Mr. Subotnick met with representatives of Salford to discuss a Potential Transaction. No agreements or understandings were reached at this meeting.

On or around February 5, 2007, Mr. Subotnick, Mr. Hauf and the Company s legal advisors met with representatives of two private equity funds (each referred to individually as *Party C* and "*Party D*) that had expressed an interest in a Potential Transaction with the Company. Such representatives executed confidentiality agreements and were provided with a select amount of non-public preliminary financial information about the Company s businesses that had previously been provided to Salford.

On February 8, 2007, the Board met to discuss, among other things, the various unsolicited expressions of interest in a Potential Transaction with the Company that had been received since the termination of the 2006 LOI. The Company s senior management advised the Board of various contacts the Company had with such potential acquirors (as described in the foregoing paragraphs).

On February 12, 2007, Mr. Hauf spoke to a representative of Salford, who confirmed Salford s intention to propose a tender offer for the Common Stock and indicated that Salford intended to presently engage U.S. counsel to advise on the process and preparation of transaction documentation. This conversation was limited to a general discussion of Salford s interest in a tender offer, and Salford s representative offered no specific suggestions as to the price Salford was prepared to pay or any other material details. Also on February 12, 2007, Mr. Hauf met with and provided additional financial information to Party C and Party D.

On February 13, 2007, the Company s legal advisors sent a follow up letter to representatives of the SEC in which the Company recalled attention to its pending request for relief from the requirement to provide audited financial statements in a proxy or information statement to stockholders pursuant to Regulations 14A and 14C under the Exchange Act, as outlined in the prior letter dated November 29, 2006. In this follow up letter, the Company s legal advisors requested that the SEC s Division of Corporate Finance advise whether the relief requested in the November 29, 2006 letter would be available in the context of the second step of a two step tender offer and subsequent merger, in which, pursuant to such tender offer, an acquiring company acquired a sufficient number of shares of the voting stock of the Company sufficient to ensure that the subsequent merger would be approved by the Company s stockholders.

On February 14, 2007, Mr. Hauf spoke with Mr. Rukhadze of Salford about Salford s intentions to propose a tender offer for the Common Stock. Mr. Rukhadze proposed a meeting between representatives of the Company and of Salford for the following week to negotiate the terms of a Potential Transaction,

including the price to be offered to Common Stockholders in a tender offer and Salford s intentions for the Company after completion of such tender offer.

On February 16, 2007, the Board met to consider Salford s request for a meeting to negotiate the terms of a Potential Transaction, and agreed it would be in the best interests of the Company to meet with Salford. To this end, the Board appointed three of its members to meet with representatives of Salford at a meeting to take place, as proposed by Salford, during the week of February 19 23, 2007.

On February 22, 2007, representatives of the Board met with representatives of Salford to discuss the terms of a Potential Transaction between Salford and the Company. The negotiations led to a preliminary indication that Salford would be prepared to make a tender offer for any and all of the Common Stock at a price of $1.80 per share and with a minimum tender condition of a majority of the issued and outstanding shares of Common Stock, although Salford would not undertake such tender offer without the support and approval of the Board. The representatives of Salford also requested (i) that the Board agree to waive the provisions of Section 203 of the Delaware General Corporation Law that would otherwise restrict Salford from certain business combinations with the Company for three years following successful completion of a tender offer, (ii) proportionate representation on the Board immediately following the successful completion of such tender offer, (iii) a favorable recommendation of the Board to the Common Stockholders and (iv) the ability to conduct a due diligence investigation of the Company s businesses prior to launching such tender offer. These negotiations and Salford s proposals and requests were discussed at a Board meeting on the afternoon of February 23, 2007, at which the Board determined that discussions with Salford regarding their potential tender offer should be pursued further, subject to further review by the Board and its advisors of the proposed terms of the offer. During the following weeks, Company management and advisors continued to speak to representatives of Salford regarding their potential tender offer.

On February 27, 2007, the Company s legal advisors spoke with a representative of Party C. Such representative indicated that his principals were considering offering approximately $1.00 per share of Common Stock (subject to an increase in the per share amount offered if the Preferred Stockholders agree to take a discount from the aggregate amount of the face value of the Preferred Stock plus accrued and unpaid dividends).

On March 8, 2007, a representative of Party C contacted the Company s legal advisors to determine whether the Board had considered its proposal, and advising the Company that such offer price reflects a valuation for Magticom of approximately $475,000,000. The Company s legal advisors advised such representative that although the Board had not discussed this proposal in a meeting, the informal reaction of various members of the Board to the proposed price was not favorable.

On March 12, 2007, the Company received by letter an expression of interest in the Company s principal business venture, Magticom, from an international telecommunications company.

On March 14, 2007, the Company s legal advisors initiated discussions with Evercore as to whether there might be any other potential acquirors of the Company s assets and/or securities with the interest and capacity to make an offer to the Company for such assets and/or securities.

On March 16, 2007, the Company s legal advisors placed a telephone call to representatives of the SEC to advise them that the Board had recently received a number of unsolicited expressions of interest in acquiring the Company s assets and/or securities, including a preliminary non-binding proposal by a third party interested in seeking control of the Company by acquiring all or a significant portion of the Common Stock by means of a tender offer conditioned on the tender of a majority of the Company s issued and outstanding Common Stock, calculated on a fully-diluted basis. The Company s legal advisors were advised that the Division of Corporate Finance was continuing to review the Company s requests for relief and that a response could be expected in due course.

On March 19, 2007, the Board met to discuss, among other things, developments with respect to Salford s potential unsolicited tender offer proposal. Representatives of Evercore attended a portion of this Board meeting to present for the Board s consideration a proposed action plan for a market check exercise to be conducted by Evercore. The Board then authorized Company management to engage Evercore to solicit interest from third parties in an acquisition of the Company and/or its assets or securities and provide advisory services to the Board with respect to the possible tender offer by Salford for any and all of the Common Stock.

On March 20, 2007, the Company s legal advisors spoke with Salford s legal advisors regarding potential methods of structuring a tender offer transaction and other related issues.

On March 22, 2007, the Company s legal advisors sent a follow up letter to the SEC recalling attention to the Company s pending requests for relief and guidance in the letters from the Company s legal advisors dated November 29, 2006 and February 13, 2007. In this follow up letter, the Company s legal advisors noted that representatives of the SEC had, during the course of a meeting of the American Bar Association, Business Law Section, held on March 16, 2007, raised the possibility that the SEC would not object, in certain circumstances, if a public company did not include audited financial statements in a proxy or information statement sent to such company s stockholders in connection with a special meeting of such stockholders to vote on sale of assets of such company or a single step merger or two step tender offer and subsequent merger of such company with another company.

Beginning on March 23, 2007, Evercore made initial contact via telephone and/or email with 14 potential acquirors of the Company s assets and/or securities, other than Salford, including Party B and Party C. Through the end of March, Evercore worked with Company management and its legal advisors to prepare a confidential information memorandum about the Company and its Georgian business interests.

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Beginning in April 2007, Evercore provided a copy of the confidential information memorandum to a total of six potential acquirors who had elected to enter into confidentiality agreements with the Company, including Party B and one of the members of Party C. During the course of the following weeks, Evercore and representatives of the Company engaged in exploratory discussions with these parties regarding a Potential Transaction with the Company and provided additional information about the Company and its assets and operations.

On April 10, 2007, the Georgian office of Salford entered into a confidentiality agreement with the Company in connection with a Potential Transaction.

Also on April 10, 2007, the Company received a letter from Greatbay and Strikland, who held minority membership interests in the Company s indirect subsidiary, International Telcell LLC. The letter notified the Company of such parties exercise a put option in respect of their interests in International Telcell LLC, pursuant to which the Company would be obligated to purchase such interests for a purchase price of $7.5 million, subject to the terms and conditions of an option agreement entered into between an affiliate of Company, Greatbay and Strikland in May 2006. On April 16, 2007, at the request of the Company, Greatbay and Strikland revoked their exercise of this put option. Salford acted on behalf of Greatbay and Strikland in connection with the foregoing matters.

On April 17, 2007, the Company received a letter from the SEC s Division of Corporate Finance, Office of Enforcement Liaison, stating that the Company was not in compliance with its reporting requirements under Section 13(a) of the Exchange Act. The 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 letter. The 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 immediately commenced discussions with the SEC in an attempt to avoid the revocation of its registration pursuant to Section 12(j) of the Exchange Act and, on April 30, 2007, the Company s legal advisors wrote to the Division of Corporate Finance to report on the Company s delinquency in filing the periodic reports required to be filed with the SEC, providing reasons therefore, noting the Company s ongoing efforts to complete and file all such periodic reports and formally requesting that the SEC not proceed with an administrative proceeding pursuant to Section 12(j) of the Exchange Act to revoke its registration under the Exchange Act, despite the Company s expectation not to be able to file all such periodic reports within the period specified in the SEC s April 17, 2007 letter.

Beginning April 19, 2007 and continuing through the end of June 2007, Salford s advisors began conducting substantial business, legal and tax due diligence on the Company and its subsidiaries and the Company s senior management and legal and financial advisors engaged in discussions and meetings with Salford s advisors for the purpose of facilitating business, legal and tax due diligence on the Company and its

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subsidiaries and seeking to verify that Salford would have adequate financing to undertake its proposed tender offer.

On April 20, 2007, three of the potential acquirors to whom Evercore had sent copies of the confidential information memorandum (including Party C) submitted preliminary indications of interest in an acquisition of the Company s assets and/or securities reflecting initial valuations for the Company s Georgian business interests in the range of $400 $485 million. Representatives of Evercore presented the three preliminary indications of interest to the Board at a meeting on April 25, 2007, at which the Board instructed Evercore and Company management to proceed with discussions with one of these potential acquirors (*Party E*), who had provided a valuation of $485 million for the Company s Georgian business interests and to advise Party C and the other potential acquiror (*Party F*) that their valuations were insufficient as currently structured but that the Company would be willing to entertain revised indications of interest from such potential acquirors. The Board also authorized Evercore and Company management to explore the possibility of pairing one of these potential acquirors with Party B, whose proposal to make a tender offer for the Common Stock was contingent on the Company first arranging a sale of all or substantially all of the Company s assets. During the following weeks, Evercore and Company management continued to engage in discussions with these four potential acquirors in order to seek additional information and clarifications regarding their proposals in an effort to develop these proposals as directed by the Board.

On April 30, 2007, the Company announced that it had retained Kroll Zolfo Cooper, one of the world s pre-eminent advisory firms, to advise and assist the Company s corporate finance team in completing all outstanding periodic reports for fiscal years 2005, 2006 and 2007 required to be filed with the SEC pursuant to Section 13(a) of the Exchange Act.

On May 3, 2007, the Company s legal advisors sent a follow up letter to the SEC s Division of Corporate Finance, Office of Mergers and Acquisitions, in response to a request for additional guidance from the Company as to whether, in connection with the waiver request of the Company outlined in the letters to the SEC dated November 29, 2006, February 13, 2007 and March 22, 2007, (i) the Company would be able to provide to its stockholders all material information necessary for investors to make an informed voting decision on any strategic transaction (where audited financials would be required pursuant to Sections 14(a) and 14(c) of the Exchange Act and Regulations 14A and 14C adopted thereunder) in advance of any stockholder vote on such transaction and (ii) there would be any asymmetry of financial information provided to prospective acquirors of the Company, on one hand, and investors requested to vote on such a transaction, on the other hand. In this follow up letter, the Company s legal advisors advised the SEC that the Board believes that the Company s stockholders would be provided with all material information necessary to make an informed voting decision, including preliminary unaudited financial results for the fiscal year ended December 31, 2006 for Magticom and might also be provided with preliminary unaudited financial results for the first few months of fiscal year 2007 derived from the books and records

kept by Magticom in accordance with Georgian accounting principles and, if available, preliminary unaudited GAAP financial results for Magticom for the same period. The Company s legal advisors also advised the SEC that the Board believed there would be no asymmetries in the disclosure of financial information between the prospective acquirors of the Company, on one hand, and investors requested to vote on such a transaction, on the other hand.

On May 10, 2007, the Company again received a letter from Greatbay and Strikland constituting a notice of exercise of the put option (referred to above) in respect of their minority membership interests in the Company s indirect subsidiary, International Telcell LLC, pursuant to which put option the Company was obligated to purchase such interests for a purchase price of $7.5 million, subject to the terms and conditions of an option agreement entered into between an affiliate of Company, Greatbay and Strikland in May 2006. At the request of the Company, Greatbay and Strikland later extended the deadline for the Company to consummate such purchase and to pay the put option price to May 30, 2007. Salford acted on behalf of Greatbay and Strikland in connection with the foregoing matters.

On or around May 10, 2007, Salford requested that the Company permit Salford to join together with Sun Capital in considering a Potential Transaction. The Company provided such permission and entered into a confidentiality agreement with Sun Capital on May 11, 2007 and began to provide information about the Company to Sun Capital shortly thereafter. Sun Capital later advised the Company that it would participate in the Potential Transaction through its subsidiary, Compound, and the Company permitted Sun Capital to disclose information about the Company to Compound. Salford and Compound together in their capacity as joint acquirors in the transactions contemplated by the Merger Agreement will be referred to as *Salford/Compound*.

On May 14 15, 2007, representatives and advisors of the Company and Magticom met in London, England with representatives of Party E, whose initial indication of interest valued the Company s Georgian business interests at $485 million. During this meeting, the Company s senior management answered questions about and discussed the Company s businesses and advised such potential acquiror of difficulties the Company expects to experience in arranging a stockholder vote on a merger or asset sale transaction. Following the meeting, Evercore suggested to Party E that it might consider making a tender offer for the securities of the Company rather than attempting to acquire the Company s Georgian business interests. Party E then began to make arrangements to travel to Georgia to meet the Company s business partner, Dr. Jokhtaberidze, a meeting that it considered integral to its due diligence investigation.

On May 14, 2007, the Company entered into a confidentiality agreement with Party B. During the following weeks, Evercore and the Company s legal advisors discussed the potential terms of a transaction in which such party would make a tender offer for the Common Stock in connection with a separately arranged asset sale

transaction in which the Company would sell all or substantially all of its assets to a third party.

On May 21, 2007, representatives of the Company, Kroll Zolfo Cooper and the Company s legal advisors met with senior representatives of the SEC s Division of Corporation Finance in Washington, D.C. to discuss the Company s pending requests for relief from SEC rules and regulations, as outlined in the letters written on the Company s behalf on November 29, 2006 and on February 13, March 22 and May 3, 2007, as well as to discuss the potential deregistration of the Company s securities pursuant to Section 12(j) of the Exchange Act and certain matters related to the Company s pending completion of its Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

During the weeks leading up to May 21, 2007, Evercore had various communications with Party F. Such communications were focused on the ability of an acquiror of the Company s assets and/or securities to obtain 100% control of Magticom, which the Company did not and does not believe is currently possible, given Dr. Jokhtaberidze s expressed intention to retain his interest in Magticom. On May 21, 2007, the Company received an expression of interest from Party F in an acquisition of substantially all of the assets of the Company for $500 million, provided that, among other conditions, such assets would convey undisputed voting and operational control over Magticom and subject to the ability to submit such transaction to a vote of the Company s stockholders within 60 days of the execution of definitive agreements. On May 23, 2007, Evercore advised Party F of certain concerns that the Company had with the conditions to Party F s proposal, including that, although the Company was willing to permit Party F to contact Dr. Jokhtaberidze, the Company would not be able to provide any assurances that a transfer of such assets would convey the voting and operational control being sought by Party F and that the Company faced certain limitations in its ability to call a stockholder vote because of delays with the finalization of its outstanding financial statements.

On May 24, 2007, Salford/Compound s legal advisors sent to the Company and its legal advisors a draft of the Merger Agreement to govern a possible tender offer and subsequent merger transaction between the Company and an acquisition vehicle to be formed by Salford/Compound. On May 25, 2007, Salford/Compound s legal advisors also circulated a draft Support Agreement that Salford/Compound proposed would be entered into by such acquisition vehicle and certain of the Common Stockholders concurrently with execution of the Merger Agreement.

Also on May 24, 2007, Party B expressed an interest in making a tender offer for the Common Stock at a per share price of between $1.70 and $1.95, contingent on the Company s completion of a sale of all or substantially all of its assets to some third party for an amount between $400 and $500 million of net proceeds, and subject to a number of other conditions. On May 29, 2007, Party B raised its proposed per share price for the foregoing asset sale valuation amounts to between $2.00 and $2.50,

respectively, subject to the same aforementioned contingency and conditions, as well as the ability of the potential acquirer to obtain appropriate financing.

On May 25, 2007, at a meeting of the Board, the Company s senior management and its legal advisors advised the Board of developments in negotiations with Salford/Compound and with the other potential acquirors that were still in discussions with Evercore.

On May 27, 2007, senior management of the Company learned of Salford/Compound s intention to travel to the United States later that week to begin negotiations to finalize the terms and conditions of the draft Merger Agreement and Support Agreement circulated on May 24 and 25, 2007.

On May 30, 2007, the Company announced that (i) Magticom had issued a dividend in the amount of $40 million net of Georgian dividend withholding taxes, of which amount the Company received $20.04 million, with the balance distributed to holders of the minority interests in Magticom and (ii) IT Georgia Holdings LLC, a subsidiary of the Company, had purchased the remaining 74.4% ownership interests in each of the Georgian communications companies Telecom Georgia and Telenet not owned by the Company, for a combined cash price of approximately $12.64 million, of which amount (a) $5.14 million was paid to the Company s minority partner George Jokhtaberidze for his interests in these ventures and (b) $7.5 million was paid to the Company s other minority partners, Strikland and Greatbay in satisfaction of the exercise on May 10, 2007 of a put option held by such partners in respect of their interests in International Telcell LLC, which held interests in Telecom Georgia and Telenet. Salford acted on behalf of Strikland and Greatbay in connection with these transactions. In consequence of these transactions, the Company became the sole owner of all of the ownership interests in each of Telecom Georgia and Telenet.

On June 1, 2007, Party F contacted Evercore to advise it that it would not be able to consider a Potential Transaction unless it could reach an understanding or agreement with Dr. Jokhtaberidze regarding his interest in Magticom. Party F then withdrew from the bidding process.

On June 4, 2007, representatives of the Company and its legal advisors had a telephone conversation with representatives of the SEC to discuss the prior requests made on behalf of the Company for a waiver of, or relief from, certain provisions of Sections 14(a) and 14(c) of the Exchange Act and Regulations 14A and 14C adopted thereunder that would require the Company to provide audited financial statements to its stockholders in connection with any stockholder meeting called to solicit a vote on a transaction involving the Company. During this telephone call, Company representatives and advisors were informed that representatives of the SEC had spent significant time considering the Company s requests and that, following a review of the relevant facts and circumstances, the SEC had decided that it would not grant the Company any such waiver or relief, whether in connection with a transaction structured as a one-step merger or sale of all or substantially all of the assets of the Company, on the one hand, or as two step tender offer and subsequent merger where, assuming for the purposes of the request,

the acquiror in the tender offer had acquired a number of shares of the voting stock of the Company sufficient to ensure that such proposed second step merger would be approved by the Company s voting stockholders (but less than the percentage of shares required under Delaware law to enable the Company to conduct a short form merger without holding a stockholder vote), on the other hand. Representatives of the SEC explained that under the transaction structures considered above, the SEC did not believe, in light of the Company s two year delay in providing audited financial information to its stockholders, that the Company would be able to provide its stockholders with all material information necessary to make an informed voting decision, whether or not the Company would be able to provide unaudited financial results through fiscal year 2006 or preliminary Georgian statutory unaudited financial results for Magticom.

On June 5, 2007, Evercore was contacted by the potential acquiror that had met with Party E, who informed Evercore that its original valuation of $485 million for the Company s Georgian business interests reflected an assumption that the Company held a control position in Magticom, but that during the course of meetings with Dr. Jokhtaberidze it became clear to such potential acquiror that Dr. Jokhtaberidze held *de facto* control over Magticom in a number of critical areas. Accordingly, Party E advised Evercore that it was reducing its valuation of the Company s Georgian business interests to approximately $270 $300 million. Based on this revised reduced valuation, both parties agreed to cease further negotiations regarding a Potential Transaction.

Also on June 5, 2007, the parties and their legal advisors met to discuss the potential terms of the Merger Agreement and the Support Agreement.

On June 6, 2007, a representative of Evercore introduced Party B to Party C so that such parties could discuss the possibility of working together on a Potential Transaction. The Company later gave Party C permission to contact Dr. Jokhtaberidze to discuss various matters relating to a Potential Transaction.

On June 7 and 8, 2007, the Company s legal advisors circulated to Salford/Compound and its legal advisors revised drafts of the Merger Agreement and the Support Agreement.

Also on June 7, 2007, the Company received an unsolicited telephone call from a person purporting to act on behalf of a company interested in acquiring the Company s Georgian business interests and asking whether the Company was currently considering a sale of such interests. Senior management of the Company advised such person to contact Evercore to discuss any Potential Transaction with the Company. No follow-up contact with Evercore was made by this party.

From around June 11, 2007, and continuing through the following weeks, senior management and the Company s legal advisors had discussions with, and continued to negotiate with, Salford/Compound and their legal advisors regarding the final terms of the Merger Agreement and Support Agreement. The Company s senior management and its legal and financial advisors also engaged in discussions with the remaining potential acquirors who had previously indicated an interest in pursuing a

Potential Transaction in order to determine whether any of them would be prepared to submit a proposal regarding a Potential Transaction for consideration that the Board would find acceptable. However, the discussions with such potential acquirors did not result in the submission of any new or revised proposals that the Board would find superior to the contemplated Potential Transaction with Salford/Compound.

On June 13, 2007, a representative of Salford/Compound contacted the Company s senior management to update the Company on Salford/Compound s intentions to work toward finalizing the drafts of the Merger Agreement and Support Agreement on or around the end of June or early July, 2007, so as to be in a position to launch the proposed tender offer in early July 2007.

On June 13 and 15, 2007, the Company learned that representatives of Party C and Party E were traveling to Tbilisi, Georgia to meet with Dr. Jokhtaberidze. The Company did not receive any indication that Party E was proposing to raise its most recent offer price of approximately $270 $300 million.

On June 14, 2007, the Delaware Court of Chancery dismissed the actions filed against the Company in October 2006 by Esopus/Black Horse.

On June 15, 2007, Salford/Compound s legal advisors sent to the Company and its legal advisors revised drafts of the Merger Agreement and Support Agreement.

On June 28, 2007, senior management and the Company s legal advisors met with the legal advisors of Salford/Compound to negotiate and finalize the terms of the Merger Agreement and the Support Agreement.

On June 29, 2007, at a special meeting of the Board, senior management and the Company s legal and financial advisors provided the Board with an overview of their discussions with all potential acquirors over the course of the prior several weeks with respect to a Potential Transaction, and with Salford/Compound with respect to their proposed tender offer and merger. The Company s legal advisors provided the Board with a privileged presentation regarding fiduciary duties and legal considerations associated with the proposed Salford/Compound transaction. Evercore then presented the Board with its financial analysis of the transactions contemplated by the draft Merger Agreement. The Board discussed the Company s prospects following the proposed tender offer and merger.

On July 5, 2007, directors Wayne Henderson and David Gale spoke with a representative of Salford to inquire as to the intentions of Salford/Compound regarding the Preferred Stock following the consummation of the proposed tender offer and merger, if the Company were to agree to support such transaction. No agreements or understandings regarding the Preferred Stock were reached at this time; however, such representative indicated that, should any Preferred Stockholder desire to discuss the issue, such Preferred Stockholder should be encouraged to contact such representative directly.

On July 12, 2007, Party C contacted Mr. Hauf to report that Party C had been in contact with Dr. Jokhtaberidze regarding a proposal made by Party C with respect to Dr. Jokhtaberidze s interest in Magticom, which involved a provision that all interests in Magticom (including Dr. Jokhtaberidze s) would be sold in five years, provided a suitable buyer and purchase price could be found. Party C advised Mr. Hauf that Dr. Jokhtaberidze had rejected Party C s proposal because of Dr. Jokhtaberidze s intentions not to sell his interest in Magticom. Party C also communicated its intentions to continue to work on formulating a proposal for a Potential Transaction, and advised Mr. Hauf that it was considering a transaction structure that would provide Party C with an option to put its interest in Magticom to Dr. Jokhtaberidze some time following the completion of any such Potential Transaction. Also on July 12, 2007, Party B contacted Mr. Hauf to request Mr. Hauf s assistance with respect to Party C s negotiations with Dr. Jokhtaberidze.

Later on July 12, 2007, in light of the communications of Party B and Party C to Mr. Hauf, Evercore contacted Party B to advise such party of the possibility that another party might soon undertake to make a proposal relating to a Potential Transaction, potentially as soon as July 13, 2007, and that accordingly any proposal that Party B and/or Party C might make should be made soon. Evercore also advised Party B that any third party proposal was likely to involve a termination fee and/or expense reimbursement provision, which would potentially need to be taken into account should a definitive agreement for any such third party proposal be entered into by the Company.

Following Evercore s discussions with Party B, Party B contacted Mr. Hauf and requested that he assist Party B and Party C in discussing and negotiating the terms of their proposal with Dr. Jokhtaberidze. In light of such request, Mr. Hauf and the Company s legal advisors then contacted Party B and Party C to advise them that Mr. Hauf is not in a position to serve as an intermediary between such parties and Dr. Jokhtaberidze, noting that it would be advisable for them to immediately travel to Georgia in person to meet with Dr. Jokhtaberidze to develop any proposal that such parties are interested in making. The Company s legal advisors also advised Party B and Party C that the Company would not have control over the actions of Dr. Jokhtaberidze with respect to his interest in Magticom and, therefore, such communications need to take place directly with Dr. Jokhtaberidze in order for Party B and Party C to finalize their proposal. The Company s legal advisors further advised Party B and Party C that the Company would like to see the best value secured for its stockholders and reminded them that there is an alternative proposal pending that may come to fruition as soon as July 13, 2007, and that any such transaction would likely involve termination fee and expense reimbursement provisions, which would not prohibit any other proposal from coming forward but which would need to be taken into consideration in determining whether such proposal is superior. Party B and Party C then advised Mr. Hauf and the Company s legal advisors that they already offered to travel to Georgia to have in person discussions with Dr. Jokhtaberidze regarding their proposal and that, instead, Dr. Jokhtaberidze decided to continue to communicate with such parties by email. Party B and Party C further advised that they would contact Dr. Jokhtaberidze again to see if he is willing to have a delegation from Party B and Party C travel to Georgia, as recommended by Mr.

Hauf, and would make such travel arrangements in the event Dr. Jokhtaberidze accepts. Party B and Party C also requested that the Company not take action with respect to any other proposal without the Board being fully informed as to the intentions of Party B and Party C. Mr. Hauf agreed to fully inform the Board of the intentions of Party B and Party C.

On July 13, 2007, the Company s legal advisors were informed that Fursa Alternative Strategies LLC (an investment management firm of which William F. Harley, III, a former director of the Company, was a principal), had declined to enter into a support agreement with Parent and Purchaser with respect to the proposed tender offer and merger, so as to preserve its options in connection with any Potential Transaction that may be proposed to the Company.

On July 13, 2007, Mr. Hauf was apprised of developments in the negotiations between Dr. Jokhtaberidze and Party C, which suggested that Party C would not make a proposal for a Potential Transaction in the near future and, possibly, at any time in the foreseeable future. In light of these developments, which the Board considered at a meeting of the Board on July 13, 2007 (described in further detail below), the Board concluded that the Company was unlikely to receive any proposal from Party B or Party C and that it was accordingly not then advisable or in the interests of the Company and the Common Stockholders to delay the Potential Transaction with Salford/Compound.

On July 13, 2007, the Board met again to discuss the proposed Salford/Compound tender offer and merger. The Company s senior management and the Company s legal and financial advisors provided the Board with an updated overview of their discussions with all potential acquirors over the course of the prior several weeks with respect to a Potential Transaction and with Salford/Compound with respect to their proposed tender offer and merger. The Company s legal advisors also provided the Board with a privileged presentation regarding fiduciary duties and legal considerations associated with the proposed Salford/Compound tender offer and merger. Evercore presented the Board with an updated financial analysis of the transactions contemplated by the draft Merger Agreement and rendered its opinion that, as of that date, the consideration to be received by the Common Stockholders was fair, from a financial point of view, to such Common Stockholders. The Board discussed Evercore s financial analysis and the effect on the Company of the proposed tender offer and merger. Following discussion, a majority of the Board (with Mr. Gale dissenting) then determined that it was advisable and in the best interests of the Company and its stockholders to enter into the Merger Agreement and, subject to the terms and conditions of the Merger Agreement, to recommend to the Common Stockholders that they accept the Offer and tender their shares in the Offer and, to the extent applicable, to vote for the merger and the Merger Agreement in any meeting of stockholders called to vote thereon. Accordingly, the Board passed resolutions authorizing the execution and delivery of the Merger Agreement in the form negotiated with Salford/Compound and presented to the Board, subject to the Company s prior receipt of a letter of credit which would serve as security for the reverse termination fee provided for in the Merger Agreement and subject

also to the absence of material changes in circumstances prior to such execution. On July 17, 2007, representatives of Salford/Compound executed the Merger Agreement and the Support Agreement and the Common Stockholders party to the Support Agreement executed the Support Agreement. Also on July 17, 2007, the Company received the letter of credit referred to above and Mr. Hauf executed the Merger Agreement on behalf of the Company. On July 17, 2007, the Company issued a press release announcing the execution of the Merger Agreement and the Support Agreement and Salford/Compound caused Purchaser to commence the Offer on July 18, 2007.

Opinion of Metromedia s Financial Advisors

On July 13, 2007, Evercore delivered its oral opinion to the Board, which opinion was subsequently confirmed in writing, to the effect that, as of such date and based upon and subject to the factors, limitations and assumptions set forth in its opinion, the consideration to be received by the Common Stockholders was fair, from a financial point of view, to such Common Stockholders.

The full text of the written opinion of Evercore, dated July 13, 2007, which sets forth the assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken in connection with the opinion, is contained in Annex I to this Schedule 14D-9 and is incorporated by reference into this Schedule 14D-9. We urge you to read the opinion in its entirety. Evercore s opinion is directed to our Board, addresses only the fairness from a financial point of view of the consideration to be received by Common Stockholders pursuant to the Merger Agreement and does not address any other aspect of the transaction or constitute a recommendation to any Metromedia stockholder to tender in the Offer or as to whether such holder should tender any shares of Common Stock pursuant to the Offer. The following is a summary of Evercore s opinion and the methodology that Evercore used to render its opinion. This summary is qualified in its entirety by reference to the full text of the opinion.

In connection with rendering its opinion, Evercore, among other things:

Reviewed certain publicly available and non-public financial statements and other information relating to the Company;

Reviewed certain non-public internal financial statements and other non-public financial and operating data relating to Magticom, which is wholly-owned by the Company s 50.1%-owned subsidiary, International Telcell Celullar, LLC (*ITC*) that were prepared and furnished to Evercore by the management of the Company;

Reviewed certain financial projections relating to the Company and Magticom that were prepared by and furnished to Evercore by the management of the Company;

Discussed the past and current operations, financial projections and current financial condition of the Company and Magticom with the management of the Company;

Reviewed the reported prices and trading activity of the Common Stock and Preferred Stock;

Compared the prices and trading activity of the Common Stock with that of certain publicly-traded emerging markets wireless companies and their securities that Evercore deemed relevant;

Reviewed the financial terms to the extent available of certain selected emerging market wireless transactions that Evercore deemed relevant and compared the valuation multiples in those transactions to those contemplated by the transaction;

Reviewed the Certificate of Designation for the Preferred Stock;

Reviewed the Amended and Restated Limited Liability Company Agreement of ITC, dated February 12, 2005, as amended (the *Operating Agreement*);

Reviewed a draft of the Merger Agreement, dated July 9, 2007; and

Performed such other analyses and examinations and considered such other factors that Evercore deemed appropriate.

For purposes of its analysis and opinion, Evercore did not assume any responsibility for independently verifying, the accuracy and completeness of the information reviewed by Evercore or reviewed for Evercore. For purposes of rendering Evercore s opinion, members of our management provided Evercore certain financial projections related to Metromedia and Magticom. With respect to the financial projections, Evercore assumed that they had been reasonably prepared by Metromedia on bases reflecting the best available estimates and good faith judgments of the future competitive, operating and regulatory environments and related financial performance of Metromedia and Magticom, respectively.

For purposes of rendering its opinion, Evercore assumed, with Metromedia s permission, that the representations and warranties of each party contained in the Merger Agreement were true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the Merger Agreement and that all conditions to the consummation of the Merger will be satisfied without waiver or modification thereof. Evercore further assumed that all governmental, regulatory or other consents, approvals or releases necessary for the consummation of the Merger will be obtained without any delay, limitation, restriction or condition that would have an adverse effect on Metromedia or the consummation of the transaction. With Metromedia s permission, Evercore also assumed that the aggregate value of the

preferred stock is between the aggregate market value of the preferred stock and the aggregate liquidation preference (including accrued dividends) of the preferred stock pursuant to its terms. Evercore has further assumed, with Metromedia s permission, that in accordance with past practice, Magticom will not pay any dividends to its shareholders in excess of the amount required to reimburse Metromedia for corporate overhead costs in the United States, and therefore, for purposes of its opinion, have not attributed any value to the net operating loss of Metromedia.

Evercore did not make nor assume any responsibility for making any independent valuation or appraisal of the assets or liabilities of Metromedia or any of its subsidiaries, nor was Evercore furnished with any such appraisals, nor did Evercore evaluate the solvency or fair value of Metromedia or any of its subsidiaries under any state or federal laws relating to bankruptcy, insolvency or similar matters. Evercore s opinion was necessarily based on economic, market and other conditions including, without limitation, the rights of and restrictions on the members of ITC as set forth in the operating agreements, and the information made available to Evercore as of, July 13, 2007. It is understood that subsequent developments may affect its opinion and that Evercore does not have any obligation to update, revise or reaffirm its opinion.

Evercore was not asked to pass upon, and expressed no opinion with respect to, any matter other than the fairness from a financial point of view, as of July 13, 2007, to the holders of our Common Stock of the consideration. Evercore s opinion did not address the relative merits of the Offer or Merger as compared to other business or financial strategies that might have been available to Metromedia, nor did it address the underlying business decision of Metromedia to engage in the transaction. Evercore is not a legal, regulatory, accounting or tax expert and assumed the accuracy and completeness of assessments by Metromedia and its advisors with respect to legal, regulatory, accounting and tax matters.

Our board of directors selected Evercore as its financial advisor because it is a nationally recognized investment banking firm that is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions and similar transactions. Pursuant to a letter agreement dated April 22, 2007, our board of directors engaged Evercore to act as our financial advisor in connection with the transaction. Under the terms of this engagement letter, upon the successful completion of the transaction, Evercore will receive a fee for its services of either 1% of the aggregate value of the transaction or $2.25 million, whichever is greater. Upon execution of the engagement letter, Evercore received a fee in the amount of $250,000 which will be fully credited against the aggregate amount of the fee payable upon successful completion of the transaction. In addition, Metromedia has agreed to reimburse certain of Evercore s expenses and to indemnify Evercore against certain liabilities arising out of its engagement. Evercore has in the past provided financial advisory services to Metromedia and its affiliates and may continue to do so and has received, and may receive, fees for the rendering of such services.

In the ordinary course of business, affiliates of Evercore Group L.L.C. may actively trade in the debt and equity securities, or options on securities, of Metromedia, for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Set forth below is a summary of the material financial analyses presented by Evercore to our board of directors in connection with rendering its opinion. The following summary, however, does not purport to be a complete description of the analyses performed by Evercore. The order of the analyses described and the results of these analyses do not represent relative importance or weight given to these analyses by Evercore. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before July 9, 2007, and is not necessarily indicative of current market conditions.

The following summary of financial analyses includes information presented in tabular format. You should read these tables together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

Analysis of Historical Trading Prices and Implied Transaction Premiums. Evercore reviewed the historical closing prices of the Common Stock since July 9, 2006, calculated the average daily closing prices of the Common Stock over various time periods, and noted the closing stock price on selected dates including and prior to July 9, 2007. Evercore then calculated and compared the premium that the merger consideration represented relative to the average daily closing prices of the Common Stock for the selected periods and dates. Evercore noted that historical trading prices and implied transaction premiums are not valuation methodologies but were presented merely for informational purposes. The results of these calculations are summarized below:

	Historical Share Price	Premium of Merger Consideration of $1.80 Per Share to Historical Share Price
1 Trading Day Prior to 7/10/07 (7/9/07)	1.34	34.3%
5 Trading Days Prior to 7/10/07 (7/2/07)	$ 1.38	30.4%
10 Trading Days Prior to 7/10/07 (6/25/07)	$ 1.53	17.6%
20 Trading Days Prior to 7/10/07 (6/11/07)	$ 1.55	16.1%
60 Trading Days Prior to 7/10/07 (4/13/07)	$ 1.56	15.4%
120 Trading Days Prior to 7/10/07 (1/17/07)	$ 1.50	20.0%
5 Trading Days Average (7/2/07 - 7/9/07)	$ 1.36	32.4%
10 Trading Days Average (6/25/07 - 7/9/07)	$ 1.39	29.4%
20 Trading Days Average (6/11/07 - 7/9/07)	$ 1.47	22.5%
60 Trading Days Average (4/13/07 - 7/9/07)	$ 1.46	23.4%
120 Trading Days Average (1/17/07 - 7/9/07)	$ 1.49	20.8%
52 - Week High (9/1/06)	$ 1.80	0.0%
52 - Week Low (5/21/07)	$ 1.25	44.0%

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Discounted Cash Flow Analysis. Evercore performed a discounted cash flow (DCF) analysis, which calculates the present value of a company s future cash flow based upon assumptions with respect to such cash flow and assumed discount rates. Evercore s DCF analysis of Magticom was based upon financial projections set forth in the business plan as of May 2007 (Base Case) and as of July 2007 (Revised Projections), covering the period between 2007 and 2011 (the Projection Period) prepared by and furnished by our management to Evercore. The DCF value of Magticom was calculated by adding (a) the implied present value of Magticom s forecasted unlevered free cash flows (operating income less income taxes, plus depreciation and amortization, adjusted to reflect changes in working capital, acquisitions and capital expenditures) during the Projection Period, determined using a discount rate range of between 15.0% and 20.0% (discount rate is a measure of the average expected return on all of a company s securities or loans based on the proportions of those securities or loans in such company s capital structure), (b) the implied present value of the terminal value of Magticom s future cash flows (the value of future cash flows at a particular point in time), calculated by multiplying the estimated earnings before interest, taxes, depreciation and amortization (EBITDA) for fiscal year 2011 by a range of multiples of 6.0x to 8.0x and discounting the result using a discount rate range of between 15.0% and 20.0%, and (c) deducting Magticom s projected debt, net of estimated cash, as of June 30, 2007.

Evercore calculated a range of implied per share values for the common stock determined by:

(i) multiplying the amount resulting from the calculation described above by 50.1% (the economic stake of Magticom that Metromedia holds); (ii) adding (a) the amount resulting from the calculation described in clause (i), (b) the estimated value of Metromedia s 100% stakes in Telecom Georgia and Telenet and (c) the estimated value of cash at Metromedia as of June 30, 2007 as provided by our management, and deducting (d) the value of our preferred shares (based on the closing share price as of July 9, 2007 and the estimated liquidation value as of June 30, 2007 as provided by our management), (e) the value of Metromedia legacy liabilities as provided by our management and (f) the value of capitalized Metromedia corporate overhead as calculated from amounts provided by our management. Evercore then divided the amount resulting from the calculation described in clause (ii) by the number of shares of our common stock outstanding, adjusted for certain restricted stock and stock options outstanding using the treasury stock method. This series of calculations is defined as The Per Share Calculation.

This analysis yielded implied per share present values of our Common Stock as shown below:

	Base Case	Revised Projections
Preferred Stock at Market		