

METROMEDIA INTERNATIONAL GROUP INC

Form SC 14F1

August 01, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14F-1
INFORMATION STATEMENT PURSUANT TO
SECTION 14(f) OF THE SECURITIES EXCHANGE ACT OF 1934
AND RULE 14f-1 THEREUNDER
METROMEDIA INTERNATIONAL GROUP, INC.
(Exact name of Registrant as specified in its charter)
Common Stock, par value \$0.01 per share
(Title of Class of Securities)
591695101
(CUSIP Number of Class of Securities)

Delaware (State or Other Jurisdiction of Incorporation) **58-0971455** (IRS Employer Identification Number)

8000 Tower Point Drive
Charlotte, North Carolina 28227
(Address of principal executive offices and zip code)
(704) 321-7380
(Registrant's telephone number, including area code)

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**INFORMATION STATEMENT PURSUANT TO SECTION 14(f) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND RULE 14f-1
THEREUNDER**

This Information Statement is being mailed on or about August 1, 2007 to holders of common stock, par value \$0.01 per share (the *Common Stock* and the holders thereof, the *Common Stockholders*), of Metromedia International Group, Inc. (*Metromedia* or the *Company*) as part of the Company's Solicitation/ Recommendation Statement on Schedule 14D-9 (as amended, the *Schedule 14D-9*) with respect to the cash 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. Unless otherwise indicated or the context otherwise requires, in this Information Statement, we use the terms *us*, *we* and *our* to refer to the Company. You are receiving this Information Statement in connection with the possible election of persons designated by Parent to at least a majority of the seats on the board of directors of the Company (the *Board*) (calculated to include seats held by the directors that the holders of the Company's 7.25% cumulative convertible preferred stock, par value \$1.00 per share (the *Preferred Stock* and the holders thereof, the *Preferred Stockholders*), are entitled to elect, voting separately as a class, pursuant to Section 6.1 of the certificate of designation of the Preferred Stock (the *Certificate of Designation*), as described below. Such designation is to be made pursuant to an Agreement and Plan of Merger, dated as of July 17, 2007 (as subsequently amended or supplemented from time to time, the *Merger Agreement*), among Parent, Purchaser and the Company. Capitalized terms used and not otherwise defined herein shall have the meaning set forth in the Schedule 14D-9 or the Merger Agreement, as applicable.

Pursuant to the Merger Agreement, Purchaser commenced the Offer on July 18, 2007 to purchase any and all of the issued and outstanding shares of Common Stock at a purchase price of \$1.80 per share, net to the seller in cash, upon the terms and subject to the conditions set forth in Purchaser's offer to purchase, dated July 18, 2007 (as amended or supplemented from time to time, the *Offer to Purchase*) and the related letter of transmittal (the *Letter of Transmittal*). Unless extended in accordance with the terms and conditions of the Merger Agreement, the Offer is scheduled to expire at 12:00 midnight, New York City time, on August 14, 2007, at which time, if all conditions to the Offer have been satisfied or waived, Purchaser will purchase all shares of Common Stock validly tendered pursuant to the Offer and not properly withdrawn. The Company has been advised that copies of the Offer to Purchase and the accompanying Letter of Transmittal have been mailed by Purchaser to the Common Stockholders of record; the Offer to Purchase and the accompanying Letter of Transmittal are incorporated by reference in the exhibits to

the Schedule 14D-9 filed by the Company with the Securities and Exchange Commission (the *SEC*) on July 18, 2007.

The Merger Agreement provides that upon the payment by Purchaser for all shares of Common Stock tendered pursuant to the Offer that represent at least a majority of the shares of Common Stock outstanding, and from time to time thereafter as shares of Common Stock are acquired by Purchaser, subject to compliance with Section 14(f) of the Securities Exchange Act of 1934, as amended (the *Exchange Act*) and Rule 14f-1 promulgated thereunder, Parent will be entitled to designate for election or appointment to the Board such number of directors, rounded up to the next whole number, as will give Parent representation on the Board equal to at least that number of directors that equals the product of (x) the total authorized number of directors of the Company (giving effect to the directors appointed or elected pursuant this sentence and including (I) current directors serving as officers of the Company and (II) the directors, if any that the Preferred Stockholders, voting separately as a class, are entitled to elect pursuant to Section 6.1 of the Certificate of Designation) multiplied by (y) the percentage that the aggregate number of shares of Common Stock beneficially owned by Parent or any affiliate of Parent (including any shares of Common Stock that are accepted for payment pursuant to the Offer, but excluding any shares of Common Stock held by the Company or any of its Subsidiaries (as defined in the Merger Agreement)) bears to the number of shares of Common Stock outstanding; *provided, however*, that, in the event that Parent's designees are elected or appointed to the Board, (A) the Board shall continue to include any directors that the Preferred Stockholders are entitled to elect pursuant to Section 6.1 of the Certificate of Designation and (B) until the Merger occurs, the Board shall have at least two directors (in addition to any directors entitled to be elected pursuant to Section 6.1 of the Certificate of Designation, as provided in clause (A) above) who are directors of the Company on the date hereof and who are neither officers of the Company nor designees, stockholders, affiliates or associates (within the meaning of the U.S. federal securities laws) of Parent (each such director, an *Independent Director* and, collectively, the *Independent Directors*); and *provided, further*, that, (i) if there are in office fewer than two Independent Directors, the Board will take all action necessary to cause an individual designated by the remaining Independent Director, which individual shall be neither an officer of the Company nor a designee, stockholder, affiliate or associate of Parent, to fill such vacancy, and such individual shall be deemed to be an Independent Director for purposes of this Agreement, or (ii) if no Independent Directors remain in office, the other directors shall designate two individuals, each of whom shall be neither an officer of the Company nor a designee, stockholder, affiliate or associate of Parent, to fill the vacancies, and each such individual shall be deemed to be an Independent Director for purposes of this Agreement. The Merger Agreement also provides that, at each such time, the Company shall also, subject to any limitations imposed by applicable law, cause (A) each committee of the Board, (B) if requested by Parent, the board of directors of each of the Company's Subsidiaries and (C) if requested by Parent, each committee of the board of directors of each of the Company's Subsidiaries, to include individuals designated by Parent and constituting the same percentage of each such committee or board as Parent's designees constitute of the Board; *provided, however*,

that until the Merger occurs each committee of the Board shall have one member who is an Independent Director; and *provided, further*, that the relevant percentage of Parent designees to any Subsidiary board of directors shall be with respect to the number of directors that the Company may appoint to such Subsidiary's board of directors. Under the terms of the Merger Agreement, the Company will take all actions reasonably necessary to effect the election of said directors to the Board and any of the Company's Subsidiaries. As a result, Parent will have the ability to designate a majority of the Board following consummation of the Offer.

The Merger Agreement further provides that, following the election or appointment of Parent's designees and prior to the consummation of the Merger, (i) any amendment or termination of the Merger Agreement by the Company, any extension by the Company of the time for the performance of any of the obligations or other acts of Parent or Purchaser thereunder, the waiver of any of the Company's rights thereunder, or the taking of any other action by the Company in connection with the Merger Agreement or the transactions contemplated thereby required to be taken by the Board or any committee thereof will require the concurrence of all of the Independent Directors then in office if such amendment, termination, extension or waiver would or could reasonably be expected to have an adverse effect on the stockholders of the Company (other than Parent, Purchaser and their affiliates), and (ii) the directors of the Company who are not Parent designees shall have the authority to retain such counsel (which may include current counsel to the Company) and other advisors at the reasonable expense of the Company as determined appropriate by these directors in connection with the exercise of their duties as directors and shall have the authority to institute any action on behalf of the Company to enforce the performance of the Merger Agreement.

This Information Statement is required by Section 14(f) of the Exchange Act and Rule 14f-1 thereunder in connection with the appointment of Parent's designees to the Board.

You are urged to read this Information Statement carefully. You are not, however, required to take any action.

The information contained in this Information Statement (including information herein incorporated by reference) concerning Parent, Purchaser and Parent's designees has been furnished to the Company by Parent and Purchaser, and the Company assumes no responsibility for the accuracy or completeness of such information.

PARENT DESIGNEES

Parent has informed the Company that it will choose its designees for the Board from the list of persons set forth below. The following table, prepared from information furnished to the Company by Parent, sets forth, with respect to each individual who may be designated by Parent as one of its designees, such individual's name and age followed by a description of such designee's current principal

occupation or employment, and material occupations, positions, offices or employment for the past five years. Parent has informed the Company that each of its designees has consented to act as a director of the Company if so appointed or elected. The business address of each person listed below is CaucusCom Ventures L.P., c/o Salford, Norfolk House, 31 St James' s Square, London SW1Y 4JJ, United Kingdom.

Parent has advised the Company that none of the individuals listed below has, during the past five years, (i) been convicted in a criminal proceeding or (ii) been a party to any judicial or administrative proceeding that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, U.S. federal or state securities laws, or a finding of any violation of U.S. federal or state securities laws.

Name	Age
Graydon Philip Bellingan	37
William Alan McIntosh	39
Irakli Rukhadze	41
Peter Nagle	41
Jamal Khan	38

Mr. Bellingan currently serves as the Secretary of Purchaser and a member of the board of Caucus Telecom Management Ltd., the general partner of Caucus Carry Management L.P., the general partner of Parent. Since November 2006, Mr. Bellingan has been an Associate at Sun Capital Partners Ltd., a U.K.-based company specializing in private investments. From May 2003 to November 2006, Mr. Bellingan was Executive Director of UBS AG in Zurich. From May 1999 to April 2003, Mr. Bellingan was a Director at Capco Group Holdings Ltd. Mr. Bellingan is a U.K. and South African citizen.

Mr. McIntosh currently serves as a member of the board of Caucus Telecom Management Ltd., the general partner of Caucus Carry Management L.P., the general partner of Parent. Mr. McIntosh is one of the founders and Executive Director of Pearl Group Ltd., and has held this position since 2003. From 2001 to 2003, Mr. McIntosh has been a director of Sun Capital Partners Ltd., a U.K.-based company specializing in private investments. Mr. McIntosh is a U.K. citizen.

Mr. Rukhadze currently serves as a Managing Director of Salford Georgia, the local Georgian office of Salford Capital Partners Inc., an international private equity and investment firm based in the British Virgin Islands. From 2001 to 2003, Mr. Rukhadze was one of the founders of and partner at Argo Ventures LLC, a venture capital advisory firm focused on the technology and telecommunications industries. Mr. Rukhadze is a U.S. citizen.

Mr. Nagle currently serves as President of Purchaser and a member of the board of Caucus Telecom Management Ltd., the general partner of Caucus Carry Management L.P., the general partner of Parent. From 2002 to present, Mr. Nagle has served as a partner and Chief Investment Officer of Salford Capital Partners Inc., an international private equity and investment firm based in the British Virgin Islands. From 2000 to 2002, Mr. Nagle served as a Director of Investment Banking at Merrill Lynch in London. Mr. Nagle is a U.S. citizen.

Mr. Khan currently serves as the secretary of Caucus Telecom Management Ltd., the general partner of Caucus Carry Management L.P., the general partner of Parent. From 2004 to present, Mr. Khan has served as Group Counsel to Salford Capital Partners Inc., an international private equity and investment firm based in the British Virgin Islands. From 2001 to 2004, Mr. Khan worked as a senior attorney in LeBoeuf, Lamb, Greene & MacRae in London. Mr. Khan is a U.K. citizen.

None of Parent's designees is a director of or holds any position with the Company. Parent has advised the Company that, to its knowledge, none of its designees: (i) owns, either beneficially or of record, or has any contractual right to acquire, any securities of the Company; (ii) has benefited from any transaction in any securities of the Company during the past two years; (iii) has any contract or arrangement with regard to any securities of the Company; (iv) except as described in the following four paragraphs, has been involved in any transactions with the Company or any of its directors, executive officers or affiliates that are required to be disclosed pursuant to the rules of the SEC; or (v) has any family relationship with any director, executive officer or key employee of the Company.

During the course of July 2006, the Company consummated a series of transactions associated with its then 81% ownership interest in Telecom Georgia, a long-distance transit operator located in Tbilisi, 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 an indirect minority interest shareholding in both Telenet and Telecom Georgia. Prior to entering into these agreements, Strikland Investments, Inc. (*Strikland*) and Greatbay Investments, Ltd. (*Greatbay*), each an international business company organized under the laws of the British Virgin Islands, 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 Capital Partners Inc. (including Messrs. Rukhadze, Nagle and Khan) acted on behalf of Strikland and Greatbay in connection with these transactions.

On April 10, 2007, the Company received a letter from Greatbay and Strikland. The letter notified the Company of such parties' exercise a put option in respect of their interests in the Company's indirect subsidiary, International Telcell LLC, a Delaware limited liability company that is the direct parent company of each of Telenet and Telecom Georgia, 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 2006. On April 16, 2007, at the request of the Company, Greatbay and Strikland revoked their exercise of this put option. Salford Capital Partners Inc. (including Messrs. Rukhadze, Nagle and Khan) acted on behalf of Greatbay and Strikland in connection with the foregoing matters.

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 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 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 (including Messrs. Rukhadze, Nagle and Khan) acted on behalf of Greatbay and Strikland in connection with the foregoing matters.

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 the put option held by such partners in respect of their interests in International Telcell LLC (as described above). Salford Capital Partners Inc. (including Messrs. Rukhadze, Nagle and Khan) acted on behalf of Strikland and Greatbay in connection with these transactions and received approximately \$2.25 million out of the \$7.5 million put option price, which amount was distributed among certain principals and executive officers of Salford Capital Partners Inc., including Messrs. Rukhadze, Nagle and Khan (or their respective affiliates or family members), who received approximately \$260,200, \$121,400; and \$60,700, respectively. In consequence of these transactions, the Company became the sole owner of all of the ownership interests in each of Telecom Georgia and Telenet.

CERTAIN INFORMATION CONCERNING THE COMPANY

The authorized capital stock of the Company consists of 400,000,000 shares of Common Stock and 70,000,000 shares of Preferred Stock. As of July 17, 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 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.

The Common Stock is the only class of voting securities of the Company outstanding that is entitled to vote at a meeting of shareholders of the Company, except as otherwise provided by the Certificate of Designation for the Preferred Stock. Each share of Common Stock entitles the record holder to one vote on all matters submitted to a vote of the stockholders.

According to the terms of the Preferred Stock, in the event the Company does not make six consecutive dividend payments on the Preferred Stock, holders of 25% of the outstanding Preferred Stock can compel the Company to call a special meeting of Preferred Stockholders for the purpose of electing two new directors to the Board. As of September 15, 2002, the Company had failed to make six consecutive Preferred Stock dividend payments. In June 2004, the Company reached an agreement (the *Board of Director Nominee Agreement*) with certain Preferred Stockholders representing discretionary authority (including the power to vote) with regard to 2.4 million shares, or approximately 58%, of the outstanding 4.1 million shares of Preferred Stock (the *Participating Preferred Stock Holders*). Under the terms of the Board of Director Nominee Agreement, the Participating Preferred Stock Holders irrevocably waived the right to request a special meeting of holders of Preferred Stock to elect directors or take any action to request such a meeting until immediately after the next annual meeting of the Company's stockholders is held. In consideration of this waiver, Messrs. David Gale and Wayne Henderson, who were identified by the Participating Preferred Stock Holders as director candidates, were elected as Class III Directors by the Board. Messrs. Gale and Henderson were re-elected to such positions at the Company's 2006 annual meeting of stockholders, which was held on December 15, 2006. Their terms will expire at the Company's next annual meeting of stockholders. At the next annual meeting of the Company's stockholders, the Preferred Stockholders will have the right to vote separately as a class for the election of two directors unless all dividends in arrears on the shares of Preferred Stock shall have been paid in full, in which case such voting rights and the term of the directors elected pursuant to the Certificate of Designation will terminate as of the date of such payment.

DIRECTORS AND OFFICERS OF THE COMPANY

Set forth below are the name, age and position of each director and executive officer of the Company as of July 18, 2007, as well as brief biographies of each current director and executive officer of the Company (including current principal occupation or employment, and material occupations, positions, offices or employment) during the past five years. To the knowledge of the Company, no current director or executive officer of the Company has been convicted in a criminal proceeding during the last five years and no director or executive officer of the Company was a party to any judicial or administrative proceeding during the last five years (except for any matters that were discussed without sanction or settlement) that resulted in judgment, decree or final order enjoining the person from future violations

of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

Executive Officers:

Name	Age	Position
Mark S. Hauf	58	Chairman of Board, President and Chief Executive Officer
Harold F. Pyle, III	42	Executive Vice President Finance, Chief Financial Officer and Treasurer
B. Dean Elledge	42	Vice President Finance, Chief Accounting Officer and Assistant Treasurer
Natalia Alexeeva	37	Vice President, General Counsel and Secretary
David Lee	48	Vice President of Georgian Operations and General Director of Magticom, Ltd.

Directors:

Name	Age	Class of Director	Director Since
Clark A. Johnson	76	Class III	1990
John S. Chalsty	73	Class III	2001
Stuart Subotnick	65	Class I	1995
Alan K. Greene	67	Class I	2002
Mark S. Hauf	58	Class I	2003
I. Martin Pompadur	71	Class II	1999
David Gale	47	Not applicable	elected by Preferred 2004
Wayne Henderson	65	Not applicable	elected by Preferred 2004

Mr. Hauf has served as Chairman of the Board, President and Chief Executive Officer of the Company since February 2003. Prior to that time, Mr. Hauf has occupied several positions with affiliates of the Company beginning in 1996. From February 2002 until his appointment to his new role, Mr. Hauf served as the Chief Operating Officer of Metromedia International Telecommunications, Inc. Prior to that, he served as President of Metromedia China Corporation. Mr. Hauf is a member of the Executive Committee.

Mr. Pyle has served as the Executive Vice President Finance, Chief Financial Officer and Treasurer of the Company since October 2003. Prior to that time, he served as Senior Vice President Finance, Chief Financial Officer and Treasurer since February 2002. Previously, he was the Vice President, Finance and Corporate

Controller at Global TeleSystems, Inc., which was a provider of data, internet and broadband services across Europe, from December 1995 to July 2001.

Mr. Elledge has served as the Vice President Finance, Chief Accounting Officer since October 1, 2003. Prior to that date, Mr. Elledge was the Vice President of Financial Reporting since March 2002. Previously, he was a Senior Manager at Ernst & Young LLP for the Technology, Communications & Entertainment Group from 1999 to 2001, serving principally telecommunications companies and other high technology companies. Mr. Elledge is a Certified Public Accountant and a Certified Management Accountant.

Ms. Alexeeva has served as the Vice President, General Counsel and Secretary of the Company since November 2003. From August 2000 and until her appointment to her new role, Ms. Alexeeva served as the Assistant General Counsel of Metromedia International Telecommunications, Inc. Before joining the Company, Ms. Alexeeva was an associate with the law firms Patterson Belknap, Webb & Tyler LLP and Clifford Chance, specializing in corporate law and international business transactions. Ms. Alexeeva is admitted to practice law in the State of New York and in the Russian Federation.

Mr. Lee has served as the Vice President of Georgian Operations and General Director of Magticom, Ltd. since March 1, 2004. Prior to that time, Mr. Lee was employed as the Deputy General Director of Closed Joint Stock Company Comstar since April 2002. Comstar is a provider of digital telecommunications in Moscow, Russia. The Company owned a 50% interest in Comstar until it disposed of its interest in April 2003. Mr. Lee remained employed with Comstar until he was again hired by the Company in March 2004. Prior to April 2002, Mr. Lee was employed by the Company in various positions since July 2000.

Mr. Johnson has served as a Director of the Company since 1990. Until March 2007, Mr. Johnson was a Director and non-executive Chairman of PSS World Medical, a distributor of healthcare products to physicians and eldercare facilities. Currently, Mr. Johnson serves on the boards of Refac, Inc., an IP property management company; Neurologix, Inc., an early stage biotech company; and OptiCare Health Systems, Inc., a provider of managed vision and professional eye care products. In addition, Mr. Johnson serves on the Boards of three private companies, World Factory, Inc., an international sourcing and product development company, Brain Twister, Inc., a developer of specialty soft drinks, coffees and teas, and Lydian Trust Company, a diversified financial services company. Mr. Johnson is a member of the Audit Committee and a member of the Nominating and Corporate Governance Committee.

Mr. Chalsty has served as a Director of the Company since March 2001. Mr. Chalsty is currently the Chairman of Muirfield Capital Management, LLC. He had been with Donaldson, Lufkin & Jenrette since 1969, serving as Chairman and Chief Executive Officer beginning in 1996 and continuing until the Company's merger with Credit Suisse First Boston in 2002. He also was a senior advisor to

Credit Suisse First Boston until 2002. He is currently a member of the Board of Directors of Occidental Petroleum Corporation and Republican Property Trust, Inc. Mr. Chalsty is also a Trustee of Columbia University and Chairman of the Columbia Investment Management Corporation. Mr. Chalsty is Chairman of the Nominating and Corporate Governance Committee and a member of the Compensation Committee.

Mr. Gale has served as a Director of the Company since June 2004 when the Company appointed him as a Director pursuant to an agreement between the Company and certain holders of the Company's Preferred Stock. He is President of Delta Dividend Group, Inc., an investment firm and an ETP holder on the Archipelago Exchange that invests primarily for its own account in preferred stocks and corporate bonds. Previously, he was a Managing Director at Lehman Brothers where he was responsible for the company's preferred stock sales and trading area. Over the past 10 years, Mr. Gale has served as a Director on the Boards of several publicly traded companies, including Flaherty and Crumrine Preferred Income Funds; four closed-end mutual funds with combined assets of approximately \$2.5 billion; Stone Container Corporation, a company in the paper industry with operations in the U.S. and overseas; FreeRealTime.com, an Internet-based financial media company; and Golden State Vintners, a California wine-processing company. Mr. Gale is a member of the Compensation Committee.

Mr. Henderson has served as a Director of the Company since June 2004, when the Company appointed him as a Director pursuant to an agreement between the Company and certain holders of the Company's Preferred Stock. Mr. Henderson is currently President of Capital Dynamics International, a consulting firm providing global strategic planning and enterprise Information Communications Technology solutions for corporate and government clients. Before founding Capital Dynamics in 1990, Mr. Henderson held executive positions with Illinois Bell and AT&T. Mr. Henderson is Chairman of the Compensation Committee and a member of the Executive Committee.

Mr. Subotnick has served as a Director of the Company since 1995. He served as President and Chief Executive Officer of the Company (from December 1996 until November 2001) and as Vice Chairman of the Company's Board of Directors (from November 1995 until November 2001). Mr. Subotnick has served as Executive Vice President of Metromedia Company and its predecessor-in-interest, Metromedia, Inc., for over five years. He is a Director of AboveNet, Inc. and Carnival Corporation. Mr. Subotnick is Chairman of the Executive Committee.

Mr. Greene has served as a Director of the Company since October 2002 when the Company appointed him as a director pursuant to an agreement between the Company and Elliott Associates, a shareholder of the Company. Mr. Greene is the Chairman and Chief Operating Officer of Greene Rees Technologies, LLC, a corporation specializing in advanced technology for the security industry. In addition, Mr. Greene owns AKG Consulting Partners, Ltd., a private consulting firm. Currently, Mr. Greene is a Director of RAVE LLC, which is the industry leader in the

field of advanced Photomask repair, where Mr. Greene serves as Chairman of the Audit Committee and member of the Executive and Compensation Committees. Mr. Greene is also a Director of Intellicorp Inc., a software development company and Connecticut Innovations, a fund investing in Connecticut-based technology companies. Previously, Mr. Greene served as the Chief Financial Officer of International Telecommunication Data Systems, Inc. Prior to this position, he had over twenty years of experience as a Managing Partner at Price Waterhouse. Mr. Greene is Chairman of the Audit Committee and a member of the Nominating and Corporate Governance Committee.

Mr. Pompadur has served as a Director of the Company since September 1999 and prior to that was a Director of PLD Telekom, Inc. since May 1998. Mr. Pompadur has been Executive Vice President of News Corporation and President of News Corporation Eastern and Central Europe and a member of News Corporation's Executive Management Committee since June 1998. Since January 2000, Mr. Pompadur has been serving as Chairman of News Corp. Europe. He is a Director of elong, Inc., an online travel service provider in China, serving on its Audit Committee; Nexstar Broadcasting Group, Inc., serving on its Audit Committee; and News Corporation's subsidiaries News Out of Home B.V., Balkan Bulgarian and SKY Italia. Mr. Pompadur is a member of the Compensation Committee and the Nominating and Corporate Governance Committee.

Director Independence

The Board has determined that all members of the Board, other than Mr. Hauf, qualify as independent directors under the applicable rules and regulations of the SEC. Mr. Hauf is not independent because he is employed and serves as an executive officer of the Company and certain of its subsidiaries. Each Director who serves on the Compensation Committee, the Audit Committee and the Corporate Governance and Nominating Committee is an independent director under the applicable rules and regulations of the SEC. In addition, the Board has determined that each Director who serves on the Audit Committee meets the independence requirements set forth in the applicable rules and regulations of the SEC.

THE BOARD AND BOARD COMMITTEES

The Board is presently composed of eight members. On June 26, 2007, William F. (Mickey) Harley, III, resigned from the Board. Mr. Harley was a Class II Director and a member of the Audit Committee and the Executive Committee. The Board has not appointed any Class II Director to replace Mr. Harley.

The Board is divided into three classes, elected for staggered, three-year terms. Prior to the 2006 annual meeting of stockholders, Class I Directors had been elected for a term expiring at the 2005 annual meeting of stockholders, Class II Directors had been elected for a term expiring at the 2006 annual meeting and Class III Directors had been elected for a term expiring at the 2004 annual meeting. Members of each class hold office until their successors are elected and qualified.

Because the Company did not hold an annual meeting of stockholders in 2004 and 2005, the terms of Class I Directors, Class II Directors and Class III Directors expired at the 2006 annual meeting.

The successors of the class of directors whose term expired at the 2006 annual meeting will hold office for a three-year term, except that the next term for both of the Class III Directors and Class I Directors will be less than three years. At the 2006 annual meeting, Class III Directors were elected to serve until the 2007 annual meeting; Class I Directors were elected to serve until the 2008 annual meeting; and Class II Directors were elected to serve until the 2009 annual meeting. Class I Directors, whose term expires at the 2008 annual meeting of stockholders, are Messrs. Subotnick, Greene and Hauf. The remaining Class II Director, whose term expires at the 2009 annual meeting of stockholders, is I. Martin Pompadur. Class III Directors, whose term expires at the 2007 annual meeting of stockholders, are Messrs. Johnson and Chalsty.

Pursuant to an agreement between the Company and the Participating Preferred Stock Holders (described above), in June 2004, the Participating Preferred Stock Holders identified Messrs. Gale and Henderson as director candidates and the Board thereafter appointed them as Class III Directors. Upon their election by the Preferred Stockholders as directors at the 2006 annual meeting, Messrs. Gale and Henderson were no longer part of any of the three classes of directors. At the Company's next annual meeting of stockholders, the holders of Preferred Stock will have the right to vote separately as a class for the election of two new directors, and upon election by the Preferred Stockholders these directors will not be part of any of the three classes of directors and will hold office until the next annual meeting of stockholders or such time as the Company satisfies its obligation to pay all accrued and unpaid dividends to Preferred Stockholders, whichever occurs sooner.

How often did the Board meet during fiscal year 2006?

The Board held 16 meetings during fiscal year 2006. Each of Metromedia's directors attended at least 75% of the aggregate of all meetings of the Board and of all committees of which he was a member held during the periods that he served during fiscal year 2006, except for Mr. Pompadur who attended 11 out of the 16 Board meetings and one of the two compensation committee meetings.

Director attendance at annual meetings of stockholders

We encourage all of our directors to attend our annual meetings of stockholders. At the 2006 annual meeting, Messrs. Gale, Greene, Harley, Hauf, Henderson, Johnson and Subotnick attended in person and Mr. Chalsty participated by telephone conference.

What committees has the Board established?

The committees of the Board consist of the Audit Committee, the Compensation Committee, the Executive Committee and the Nominating and

Corporate Governance Committee. More information concerning the Audit Committee, the Compensation Committee, the Executive Committee and the Nominating and Corporate Governance Committee is set forth below.

Audit Committee. The Audit Committee is governed by a charter, a copy of which is included as Appendix A to this Information Statement. The Audit Committee, which from January 1 through December 15 of fiscal year 2006 consisted of Mr. Johnson (Chairman) and Messrs. Greene and Leonard White (who retired as a Class II Directors as of December 15, 2006, the date of the 2006 annual meeting). From December 15, 2006 to June 26, 2007, the Audit Committee consisted of Mr. Greene (Chairman) and Messrs. Johnson and Harley. On June 26, 2007, Mr. Harley resigned from the Board and the Audit Committee currently consists of Mr. Greene (Chairman) and Mr. Johnson. The Audit Committee met two times during fiscal year 2006. The Board has determined that each of the Audit Committee members is independent for the purposes of the applicable rules and regulations promulgated by the SEC.

Currently, the Board has not designated a member of the Audit Committee as the audit committee financial expert as that term is defined by the applicable rules and regulations of the SEC as none of the directors consented to serve in this capacity. However, the Board believes that each of the members of the Audit Committee have sufficient financial expertise and experience to effectively and competently discharge such director's responsibilities and duties as a member of the Audit Committee.

Compensation Committee. The Compensation Committee is governed by a charter, a copy of which is included as Appendix B to this Information Statement. The Compensation Committee has overall responsibility with respect to the design, evaluation and recommendation for Board approval of executive officer compensation plans, policies and programs of the Company. The Compensation Committee has the authority to delegate responsibility for the day-to-day management of executive compensation payable to the executive officers of the Company. The Compensation Committee has the responsibility to review and recommend to the Board the compensation of the Chief Executive Officer and the other Named Executive Officers (as defined by Item 402(a)(3) of Regulation S-K under the Exchange Act), which includes Messrs. Pyle, Elledge and Lee and Ms. Alexeeva. The Compensation Committee also administers the Metromedia International Group, Inc. 1996 Stock Incentive Plan and the Metromedia International Group, Inc. 2007 Stock Incentive Plan. The Compensation Committee has retained an independent consulting firm, AON Consulting (AON), to assist it in fulfilling its responsibilities. The independent consultant is engaged by, and reports to, the Compensation Committee. In 2006, the independent consultant was engaged for the purpose of conducting a review of the Company's compensation programs for its executive officers, presenting data on industry compensation trends, specific data relative to each member of senior management and other information relating to compensation and benefits provided (or to be provided) to the Company's senior executive officers.

Compensation Committee Interlocks and Insider Participation. The Compensation Committee, which from January 1 through December 15 of fiscal year 2006 consisted of Mr. White (Chairman) and Messrs. Greene, Johnson and Pompadur and which from December 15, 2006 to now consists of Mr. Henderson (Chairman) and Messrs. Gale, Chalsty and Pompadur, met two times during fiscal year 2006 and nine times between January 1, 2007 and July 15, 2007. None of these directors is or ever has been an officer of the Company, and none of them has had any contractual or other relationships with Metromedia during fiscal year 2006 except serving as a director. In addition, none of the members of the Compensation Committee is an executive officer or director of another entity at which one of the Company's executive officers serves on the board of directors.

Executive Committee. The Executive Committee is responsible for matters that may arise from time to time between regular meetings of the Board. From January 1 through December 15 of fiscal year 2006, the Executive Committee consisted of Mr. Subotnick (Chair) and Mr. Hauf. Since December 15, 2006 and until now, the Executive Committee consists of Mr. Subotnick (Chair) and Messrs. Hauf and Henderson. During fiscal year 2006, the Executive Committee met two times.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is governed by a charter, a copy of which is included as Appendix C to this Information Statement. Prior to December 15, 2006, the Nominating and Corporate Governance Committee was called the Nominating Committee. The Nominating and Corporate Governance Committee, which from January 1 through December 15 of fiscal year 2006 consisted of Mr. Chalsty (Chairman) and Mr. Johnson and which from December 15, 2006 to now consists of Mr. Chalsty (Chairman) and Messrs. Greene, Johnson and Pompadur, had one meeting during fiscal year 2006. The Board has determined that each member of the Nominating and Corporate Governance Committee is independent under the applicable rules and regulations promulgated by the SEC.

What is the Nominating and Corporate Governance Committee's process for identifying and evaluating nominees for director?

The Nominating and Corporate Governance Committee considers candidates for Board membership suggested by its members, other Board members and management as well as by the Company's stockholders, as described below. The Committee has the authority to retain a search firm to assist in the identification of director candidates. The Committee screens all potential candidates in the same manner regardless of the source of the recommendation.

Minimum Qualifications of Directors. In selecting a nominee for director, the Nominating and Corporate Governance Committee requires that a candidate possess certain minimum qualifications, including: personal integrity, commitment and ethical character, and valuing these qualities in others; the absence of interests that would materially impair his or her ability to exercise independent judgment or otherwise discharge the fiduciary duties owed as a director to Metromedia and our

stockholders; the ability to represent fairly and equally all stockholders of Metromedia without favoring or advancing any particular stockholder or other constituency of Metromedia; sound judgment, resulting from management or policy-making experience, and an ability to function effectively in an oversight role; a general appreciation regarding issues facing public companies of a size and operational scope similar to Metromedia, such as governance concerns, regulatory obligations, competition, awareness of international factors and basic concepts of corporate finance; adequate available time to commit to matters related to the Board and its committees; and demonstrated achievement in one or more fields of business, professional, governmental, communal, scientific or educational endeavor. Directors are expected to review in advance all meeting materials. It is expected that each candidate will be available to attend all meetings of the Board and any committees on which the candidate will serve.

The Nominating and Corporate Governance Committee may approve the candidacy of a nominee who does not satisfy all of these requirements if it believes the service of such nominee is in the best interests of Metromedia and its stockholders.

Additional Qualifications of Directors. In approving candidates for election as director, the Nominating and Corporate Governance Committee will also assure that the Board satisfies the composition requirements set forth under the applicable rules and regulations promulgated by the SEC (or other applicable rules at the time of determination). In addition, the Nominating and Corporate Governance Committee will seek to promote through the nominations process an appropriate diversity on the Board of professional background, experience, expertise, perspective, gender and ethnicity.

During the process of considering a potential nominee, the Nominating and Corporate Governance Committee may request additional information about, or an interview with, the potential nominee.

How can stockholders propose nominees for director positions?

Recommendations of Director Nominees by Stockholders. In accordance with Metromedia's by-laws and procedures for director nominations by Company stockholders, the Nominating and Corporate Governance Committee will accept for consideration submissions of candidates for director from stockholders of record of the Company who comply with the applicable provisions of its by-laws. All recommendations by eligible stockholders must be in writing, delivered personally to, or mailed to, and received at the principal executive office of the Company, addressed to the attention of the Secretary, (x) with respect to any annual meeting of stockholders, not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting of stockholders (or, if the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, not later than 10 days after the first date of public disclosure by the Company of the date of the annual meeting of stockholders) and

(y) with respect to any special meeting of stockholders, not later than 10 days after the first date of public disclosure by the Company of the date of the special meeting of stockholders. The written nomination must set forth (i) the name and record address of the stockholder proposing to make nominations, (ii) the class and aggregate number of shares of capital stock held of record, held beneficially and represented by proxy held by such person as of the record date of the meeting and as of the date of such nomination, (iii) all information regarding each stockholder nominee that would be required to be set forth in a definitive proxy statement filed with the SEC pursuant to Section 14 of the Exchange Act, or any successor thereto, and the written consent of each such stockholder nominee to serve if elected, and (iv) all other information that would be required to be filed with the SEC if the person proposing such nomination were a participant in a solicitation subject to Section 14 of the Exchange Act or any successor thereto.

Stockholder Nominations of Directors. Stockholders entitled to vote for the election of directors may nominate candidates for director only if they provide appropriate written notice of nomination to Metromedia. For directors to be elected at an annual meeting, such notice must be submitted in accordance with the procedures set forth above described under the title Recommendations of Director Nominees by Stockholders.

Shareholder Communications

A Company stockholder who wishes to communicate with directors should do so by sending his, her or its communications to the General Counsel of Metromedia by telephone, e-mail or regular mail at the telephone number, e-mail address or direct mail address posted to the contact section of our website (www.metromedia-group.com). The General Counsel will review all such correspondence and regularly forward to the Board a summary of all such correspondence and copies of all correspondence that, in the opinion of the General Counsel, is appropriate. Generally, any communications that are not in the nature of advertising, promotions for a product of service, patently offensive material, or material advocating Metromedia or its agents engage in illegal activities will be forwarded promptly to the addressee. If a communication is not presented to the directors because the General Counsel determines that it is not appropriate for delivery to directors, then the director or directors identified in the communication will be made aware of such decision. If a director requests, any such communication will be provided for his or her review.

Submissions of communications should include the following information: (i) a statement of the type and amount of the Company's stock that the person holds; (ii) if the person submitting the communication is not a Metromedia stockholder and is submitting the communication to the non-management directors as an interested party, the nature of the person's interest in Metromedia; (iii) any special interest in the subject matter of the communication; and (iv) the submitter's address, telephone number and e-mail address, if any.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

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, 20th 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%
FURSA Alternative Strategies LLC 444 Merrick Road, 1 st Floor Lynbrook, New York 11563	7,907,610(6)	7.7%
D.E. Shaw Group of Companies 120 West 45th 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).

- (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 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 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 and director nominee, (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%
Graydon Philip Bellingan	-0-	*
William Alan McIntosh	-0-	*
Irakli Rukhadze	-0-	*
Peter Nagle	-0-	*
Jamal Khan	-0-	*
All Directors and Executive Officers as a group (17 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 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 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.

- (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.

**EXECUTIVE COMPENSATION AND OTHER INFORMATION
CONCERNING EXECUTIVE OFFICERS
Compensation Discussion and Analysis**

Overview

The Compensation Committee has responsibility for establishing the Company's compensation philosophy. The Compensation Committee ensures that the components of compensation paid to the Company's executive officers are consistent with this philosophy, as it is in effect from time to time.

The discussion that follows provides an overview and analysis of our 2006 executive compensation program and the compensation decisions we have made with respect to our executive officers, who are referred to below as our Named Executive Officers. Later you will find a series of tables containing specific information about the compensation earned by or paid to our Named Executive Officers. Our Named Executive Officers are:

Mark S. Hauf	Chairman, President and Chief Executive Officer;
Harold F. Pyle, III	Executive Vice President Finance, Chief Financial Officer and Treasurer;
Natasha Alexeeva	Vice President, General Counsel and Secretary;
B. Dean Elledge	Vice President of Finance, Chief Accounting Officer and Assistant Treasurer
David Lee	Vice President of Georgian Operations and General Director of Magticom, Ltd.

Role of Executive Officers in Compensation Decisions

The Compensation Committee makes recommendations to the Board regarding, and the Board makes, all significant compensation decisions for the Named Executive Officers. The Chief Executive Officer reviews the performance of each executive officer (other than the Chief Executive Officer, whose performance is reviewed by the Compensation Committee). Recommendations based on these reviews are presented to the Compensation Committee. The Compensation Committee has discretion (subject to approval of the Board) to approve compensation at the recommended or other levels.

Compensation Policies

The objectives of the Company's historical compensation policy for executive officers has been to provide for (i) competitive base compensation and employee benefit packages sufficient to attract and retain superior executive talent, (ii) bonuses based on achievement of financial results, which potentially may represent a significant portion of total compensation, and (iii) long-term equity-based compensation intended to further align the interests of executive officers with those of stockholders and further reward sustained successful performance. Consistent with this policy, the Named Executive Officers have historically received a base salary and, in the case of Mr. Pyle, stock options. However, in consideration of the liquidity issues facing the Company since 2002, and the resulting effect on the Company's capital stock, since 2002 the primary components of our executive compensation program have generally been limited to base salary, targeted incentive cash bonus awards linked to specific events such as business divestitures and completion of financial statements and SEC filings and limited severance protection. Since 2004, the Company has not paid the U.S.-based Named Executive Officers any annual performance-based bonuses.

Since 2005, the Compensation Committee has been working with an independent compensation consultant, who has been advising the Compensation Committee on improving the compensation policies of the Company for its executive officers in order to motivate ongoing business success. These new policies and compensation arrangements have been implemented subsequent to our 2006 fiscal year and are discussed below.

Current Employment Agreements with U.S.-Based Named Executive Officers

In 2003, severe liquidity constraints prompted a general Company restructuring in which the employment of most of the corporate-level workforce was terminated. In order to retain those executives who remained, these executives were provided with base salaries at levels consistent with former employment agreements. These levels were maintained, notwithstanding the significant downsizing of the Company, in order to address and manage the significant employment loss risks.

In October 2003, the Company entered into new employment agreements with Messrs. Hauf, Pyle and Elledge and in May 2004 the Company entered into a new employment agreement with Ms. Alexeeva. The employment agreements provided for a base salary, employee benefits and severance payments and benefits upon certain involuntary employment terminations, including enhanced payments and benefits for a severance occurring following a change in control of the Company. The aim of these new executive employment agreements, particularly the salary and severance provisions, was to (i) retain these key executives through at least the successful restructuring of the Company, (ii) acknowledge the risks to sustainable employment created by the Company's then fragile financial condition, and (iii) accommodate the Company's limitations with respect to providing equity-based compensation.

Stock Options

The Company's 1996 Incentive Stock Plan expired on January 31, 2006; therefore, new options may not be granted under this plan. However, the Compensation Committee continues to administer the 1996 Incentive Stock Plan as it relates to outstanding options. In addition, in 2007, the Board approved the Metromedia International Group, Inc. 2007 Stock Incentive Plan, but no options have been granted under this new plan.

In 2002, the Compensation Committee awarded stock options to Mr. Pyle under the 1996 Incentive Stock Plan. This award was made as additional compensation in connection with his agreement to sign on and join the Company, and was considered by the Compensation Committee to be consistent with the overall compensation philosophy described above. The Compensation Committee did not award any stock options to any executive officers in 2003, 2004, 2005 or 2006. However, as a matter of policy, the Compensation Committee has historically believed that the grant of stock options motivates executives to create long-term growth in stockholder value and provides an incentive that focuses the executives' attention on managing the business as owners of an equity stake in the Company.

Transaction Bonus Awards - PeterStar Sale

In connection with the Company's sale in 2005 of its interest in its PeterStar venture, the Company entered into transaction bonus agreements with Messrs. Hauf, Pyle, Elledge and Ms. Alexeeva, providing for the payment of cash bonuses upon the consummation of the sale of PeterStar. These bonuses were intended to reward these executives for their efforts contributing to the PeterStar valuation that was realized in the sale. The bonuses were paid over a period of time to ensure retention of these executives after closing of the PeterStar transaction. In August 2005, upon the sale of PeterStar, the bonuses became payable to Messrs. Hauf, Pyle, Elledge and Ms. Alexeeva, in three parts as follows: 50% was paid at the closing of the sale, 25% was paid six-months following the closing (in February 2006) and the remaining 25% was paid on the first anniversary of the closing (in August 2006).

These bonuses totaled \$6,883,333, \$833,333, \$416,667 and \$416,667 for each of Messrs. Hauf, Pyle and Elledge and Ms. Alexeeva, respectively. Pursuant to the transaction bonus agreements, the formulas for establishing these bonuses were as follows:

Mr. Hauf: (i) \$1,333,333, plus (ii) 15% of the amount by which the aggregate consideration paid to the Company in the Peterstar transaction exceeded \$178 million.

Mr. Pyle: (i) two times base salary, plus (ii) \$133,333.

Mr. Elledge and Ms. Alexeeva: (i) two times base salary, plus (ii) \$66,667.

These bonus amounts were intended to serve as a surrogate for value the executives would have received upon the sale of the Company's PeterStar interest had an equity-based executive incentive program been implemented at the time the executives were appointed to their current positions. Since the Company's interest in PeterStar represented a substantial portion of the Company's overall assets at the time, and since the value of this interest materially increased over the executives' term as officers, if an equity-based executive incentive program had been in place during such term, the executives could have realized a substantial gain in value of their equity interests. For the reasons described elsewhere herein, no equity-based program had been implemented for the executives when they were appointed to their current positions. The executives' employment agreements provided for certain payments to be made upon their leaving the Company involuntarily; such payments generally being equivalent to one to three years of the executive's base salary at the time of the executive's separation from the Company. The PeterStar sale bonuses for Pyle, Elledge and Alexeeva were calculated to deliver value that was approximately equivalent to such separation payment amounts, while retaining the executive as an employee of the Company; and, pursuant to the agreements pursuant to which the bonuses were granted, the bonus amounts, if paid, would correspondingly reduce any separation payments due to the executives under their employment agreements. In the case of Mr. Hauf, the PeterStar bonus aimed to create an incentive to maximize the amount ultimately paid for the Company's PeterStar interest. At the time the PeterStar sale was being considered, \$178 million represented the Company's estimated average market valuation of this interest. Mr. Hauf's bonus provided an incentive to realize a sale of the Company's PeterStar interest at a level exceeding this estimated average market valuation.

The Company also agreed, to the extent any amounts payable to Messrs. Hauf, Pyle, Elledge and Ms. Alexeeva, whether under the transaction bonus agreements or otherwise, were subject to any "golden parachute" excise taxes, to gross up all such amounts in an amount equal to the excise taxes imposed, including any excise taxes imposed on the gross-up payments, and any interest and penalties associated with such excise taxes. As mentioned previously, these bonuses were intended to serve as a surrogate for value that the executives would otherwise have realized under an equity-based executive incentive program. Had such a program been implemented when the executives were appointed to their current positions in 2003, it is likely that

these excise taxes would not have applied to awards under such a program. Thus, to provide the full value the executives would otherwise have received, the gross-up benefits were implemented to offset any such excise taxes.

In connection with receiving the transaction bonus described above, Mr. Hauf agreed to waive his right to receive severance pay and benefits under his employment agreement, including enhanced severance for certain employment terminations following a change in control in the Company. Though, in exchange for his agreement to be bound by certain restrictive covenants in favor of the Company, Mr. Hauf would have received any unpaid portion of the transaction bonus if his employment had been involuntarily terminated before the full payment thereof.

In addition, as previously mentioned, in connection with receiving their transaction bonuses, Messrs. Pyle and Elledge and Ms. Alexeeva agreed that any severance pay and benefits to which they ever became entitled under their employment agreements, including enhanced severance for certain employment terminations following a change in control of the Company, would be reduced by the amounts of their transaction bonuses. As of October 1, 2006, based on the severance formula in each of these executives' employment agreements, the executives would have no right to any severance pay or benefits after applying the reduction for these transaction bonuses.

Special SEC Filing Bonus Awards

In the second quarter of 2005, the Company was unexpectedly required to restate its financial results for periods prior to 2004. The Company expected this restatement process to be complex, lengthy and demanding of extraordinary efforts by the Company's financial reporting workforce. To incentivize Messrs. Pyle and Elledge to complete the process as promptly as possible and bring the Company current in its filings with the SEC, and to compensate them for the extraordinary additional demands expected on their personal time due to the restatement process, on August 9, 2005, the Company entered into Special SEC Bonus Award Agreements with each of these executives. Under these agreements, Mr. Pyle is entitled to a one-time, lump-sum cash bonus of \$416,500, and Mr. Elledge is entitled to a one-time, lump-sum cash bonus of \$233,000, in each case, payable when and if the Company becomes current in its SEC filings. These amounts reflected the equivalent of one year's base salary for each executive plus \$100,000 divided between the two executives approximately two-thirds for Mr. Pyle and one-third for Mr. Elledge. Given the expected duration of the restatement process and increased personal demands on the executives, the Company determined that such amounts were necessary to address the intended incentive and compensatory aspects of the bonus. These Special SEC Bonus Award Agreements provide that, if the executives' employment is terminated by the Company without Cause (as defined in their employment agreements) before the bonuses are paid, the executives will remain entitled to receive the bonuses. This measure was intended to provide assurance to the executives that their employment would not be terminated after they had

materially completed the intended financial reporting work but before actual current SEC periodic reports were filed.

2006 Incentive Bonus Awards

In February and August 2006, the final two installments of the PeterStar transaction bonuses described above were paid to Messrs. Hauf, Pyle and Elledge and Ms. Alexeeva. On August 22, 2006, the Compensation Committee authorized, in connection with a specific, anticipated strategic sale transaction, that the Company award new incentive cash bonuses to these executive officers. The incentive bonuses were subsequently ratified by the full Board at a meeting on August 29, 2006. In the strategic sale transaction then contemplated, the Company would have ceased all operations, having monetized its assets at a value considered by the Board to be beneficial to the Company's stockholders. As planned, the bonuses were intended to provide an incentive to the executives to work toward the consummation of the strategic transaction under circumstances that would likely end their further employment following such consummation. The bonuses were also intended to reward the executives for their contribution to the material increase in Company value reflected in the strategic transaction. In 2006, as in 2005 when the PeterStar bonuses (discussed previously) were awarded, the executives were not participants in any equity-based incentive compensation program, and these new incentive bonuses were intended to serve as a surrogate for the value the executives would have realized had such a program been in place. Only Mr. Hauf and Mr. Pyle executed these incentive bonus agreements. They did so in October 2006.

These bonuses were payable only if (i) the Company entered into a definitive agreement to consummate the proposed strategic sale transaction or any other sale of the Company or transaction pursuant to which the Company sold all or substantially all of its assets, in each case, by January 31, 2007, (ii) such transaction subsequently closed; and (iii) the holders of shares of Preferred Stock received an amount equal to \$68.00 per share of Preferred Stock. The bonus would have been paid on the date of the last payment to the holders of Preferred Stock that resulted in such holders receiving at least \$68.00 per share (the *Payment Date*) and Messrs. Hauf and Pyle were generally required to remain employed through the Payment Date to receive their bonus. However, they were still entitled to receive these incentive bonuses if their employment was involuntarily terminated before the Payment Date. As mentioned previously, each incentive bonus was intended to compensate Messrs. Hauf and Pyle for creating the value in the Company's securities that the Company expected to realize in connection with the transaction and provide an incentive for Messrs. Hauf and Pyle to perform their duties to the Company in furtherance of the Company's efforts to consummate the transaction.

The amount of the bonus awarded to Mr. Hauf would have been based on the