

Jan 27, 99

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# Andersen Group, Inc.

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January 27, 1999

Mr. Robert Rakison  
C/o McDermott, Will & Emory  
International Financial Centre  
25 Old Broad Street, 7<sup>th</sup> Floor  
London, England EC2N 1HN

Re: Avimsa/VSMPO

Dear Mr. Rakison:

I hope to talk with you later today about Avimsa/VSMPO matters. Hopefully, Tony Wollenberg has kept you advised in general. For good reasons, Rakisons cannot represent Avimsa in the proposed settlement with TMC. Accordingly, Tony recommended you to handle this matter and yesterday we used our influence with the Russian management to have the Engagement Letter signed and faxed c/o William Chanley.



The matter is of great urgency because of the draconian foreign exchange controls recently implemented by the Russian government. As you may know, fifty percent (50%) of invoices over 180 days from shipment must be converted into Russian rubles whether or not the invoices are disputed or paid.

TMC has not paid for invoices for product unsold from October 1997 and Avimsa has used up its political capital. Accordingly, we anticipate customs fines in the amount of unpaid invoices to be levied on Avimsa immediately, amounting to several million dollars. Whilst we would have a claim against TMC, it is unlikely the claim can be collected.

Whether TMC can keep property without paying for it is a legal issue. TMC is proposing to return the inventory as part of a global settlement with Avimsa and the investors, which Tony Wollenberg is presently drafting.

Since Rakisons has been on the case for several months we have asked them to carry the main load in negotiating and drafting the Settlement Agreement with approval by McDermott Will on behalf of Avimsa.

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With our Russian translators we are attempting to have the figures in TMC's settlement proposal confirmed. On a quick read through, to my knowledge they are several million dollars off in favor of TMC so we may not be as close to settlement as it appears.

The key business points for Avisma are:

- 1) Immediate return of the unpaid for inventory stored in warehouses in Finland (see Schedule 1, TMC Settlement Agreement).
- 2) Simultaneous settlement of trading accounts between Avisma and TMC in accordance with Avisma's records.
- 3) Payment of a "lost" check in the amount of \$2.6M which was never received by Avisma.

As Tony may have told you, we appear to have run into an immense Russian bank money-laundering scheme in the Isle of Man - clearly a criminal matter. However, not being social reformers, our objective is to get the money due us, clear the Avisma accounts and proceed to other matters.

I hope you and Mr. Wollenberg will collaborate closely for the benefit of all. For the reasons, stated plus other matters, our draft Settlement Agreement needs to go to TMC in the next few days.

Sincerely,

/s/ Francis E. Baker

Francis E. Baker  
Chairman

FEB/cb

Attachments

Cc: Bill Browder (w/attachments)  
Michael Hunter (w/attachments)

PS: Andersen Group is represented by McDermott Will on non-related matters from the Moscow office. Mr. Nikita Sergeev has done a good job for us.