

# Andersen Group Inc.

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November 10, 1998

Mr. Tony Wollenburg  
Rakisons  
Clements House  
14/18 Gresham Street  
London EC2V 7JE  
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Dear Mr. Wollenburg:

As you know, Andersen Group was a shareholder in AVISMA before exchanging its AVISMA shares for VSMPO. Our purchase funding was provided to Creditanstalt Investment Bank in Moscow who delivered the consideration from us and other western investors to Moscow Bank Manatep who was the prior owner of the controlling block of AVISMA shares. I am advised that purchase transaction with Manatep provided the profits (cash flow) of AVISMA would be for the benefit of the Buyer for the period December 6, 1997 to October 4, 1998 when AVISMA was merged into VSMPO. The new investors were effectively "stepping into the shoes" of Bank Manatep.

The AVISMA cash flow was segregated in an affiliated organization known as TMC, located in the Isle of Man. The reason for the segregation in TMC was related to the need for offshore generation of hard currency and was a pre-existing AVISMA arrangement.

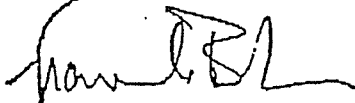
After the purchase of AVISMA shares from Manatep, various shareholders requested a report by public accountants Ernst & Young of the closing transaction. The report of Ernst & Young indicates a number of improper payments to Bank Manatep.

Throughout the period December to October, AVISMA's cash flow continued to aggregate in TMC. This aggregate which was expected to be about \$10M was to be for the benefit of the new AVISMA shareholders. Today, I was apprised of a transfer by TMC of approximately \$2.5M to Bank Manatep without the required authorization of the President of VSMPO and without further authorization of the representative of the western investors, Mr. Gennady Lopatinsky. This transfer is not supported by a vendor account payable or recorded debt.

The payment can only be characterized as an unlawful subversion of shareholder funds. We request that judicial action be taken to freeze any further transfers and that a further accounting be undertaken of the funds sequestered at TMC. When this account is determined we request that TMC be directed to disperse the funds under its control to the account of the new shareholders.

Please advise me if further information is required.

Sincerely,



Francis E. Baker  
Chairman

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