

From: [REDACTED]

To: "Jeffrey Epstein" <jeevacation@gmail.com>

Subject: Fw: Proposed SC investment framework - revised

Date: Sat, 04 May 2013 17:42:34 +0000

Importance: Normal

Please advise

Thanks

-----Original Message-----

From: Ramesh Venkataraman

To: David Stern

Subject: Proposed SC investment framework - revised

Sent: 4 May 2013 18:09

David,

Good to see you yesterday!

Following our discussions on April 19, I have modified the proposed structure for the situation where a liquidity event happens after the next capital raising round or the 18 month anniversary of the date of the SC investment (the structure for a liquidity event happening sooner remains the same as in the email below). Let me know if this revised proposal is more in line with your thinking:

Exit EV 'waterfall'

Samena % of exit proceeds

\$m

%

0 to 50

50%

50 to 100

30%

100 to 500

10%

500 to \$1b

5%

Above \$1b

3%

What this means is as follows:

- if the EV at exit is at or below \$50 mn, then Samena's returns are the same as the previous proposal. This, if EV is \$50 mn, we will get 50% of the amount over that owed to Informa. If the Informa loan note principal + accrued interest repayment obligation is \$24 mn, then Samena gets \$13 mn and the other common equity holders get \$13 mn.
- If the EV at exit is \$80 mn, then SC gets \$21 mn whereas in the previous proposal we would have got \$38 mn.
- If EV at exit is \$120 mn, then SC gets \$30 mn, whereas in the previous proposal we would have got \$42 mn
- If the exit is at a blockbuster EV of \$500M, SC gets \$68 mn vs \$118M previously

In addition, I wanted to confirm our institutional (and my personal) commitment to assisting you and AG in the next round of capital raising (while, of course, in no way implying any financial commitment from Samena to participate). Amongst other things, this will include help on capital raising strategy, IM and investor presentation

preparation and adviser selection.

The rest of the proposal remains the same as below (eg, we need to work out governance etc).

We were originally targeting mid-May for the team to be in Beijing. From a Poseidon perspective, the best time for me would be post May 25 although I could conceivably squeeze in a couple of days around May 15-19. Let me know.

Best
Ramesh

From: Ramesh Venkataraman
Sent: 13 April 2013 21:17
To: [REDACTED]
Subject: Proposed SC investment framework - for discussion

David,
Hope your trip to China is going well. Apologies that it has taken me a week to follow up on our discussions. Have been swamped on a number of fronts including an unexpected (but hopefully positive) turn of events on Poseidon – will brief you on your return from China.

Here is a proposed framework that I have developed for your review/comment. Let me have your thoughts either via email or, if you prefer, we can wait until your return to discuss in person.

1. Subject to confirmatory diligence (expected to take no more than 2-3 weeks) and final documentation, SC will invest \$5 million in July 2013 or as soon as AG receives the first RMB 1 mn from Chengdu. As discussed, this \$5 million amount will be the only funding commitment from SC to AG (and this should be documented and minuted by AG for the avoidance of doubt/misconception). However, as discussed, we are fully committed to assisting you/AG in future rounds of capital raising from other investors including tapping the Samena network.

2. Our instrument will be structured as preference shares (zero coupon) convertible into common equity upon a liquidity event (IPO, trade sale, partial divestment).

3. Our instrument will presumably rank behind the Informa \$16 mn loan note from 2010 (payable in 2020 with a 10% roll up coupon) and only be payable after that loan note principal and accrued interest are paid out. We can refine our structure once we have access to the loan note docs and understand the draw down schedule and payment obligations.

4. The conversion ratio for our instrument into equity shares will be on the basis of a liquidity preference table as follows:

A. If a liquidity event happens before the next capital raising round or 18 months from the date of our investment (whichever is earlier): our instrument earns a fixed IRR of 50%. The idea here is to give you and the current management team disproportionate 'credit' for the liquidity event if it is achieved relatively quickly after we invest. To explain by way of an illustration, if AG is sold in 12 months at an Enterprise Value (EV) of, say, \$50 mn then the payment waterfall is as follows:

- a. Informa - \$16 mn plus accrued interest, say, \$5mn = \$21 mn
- b. SC - \$7.5 mn (50% IRR for 12 months on \$5 mn investment)
- c. Balance \$21.5 mn to be split across the remaining common equity holders in proportion to their shareholding %

B. If a liquidity event happens after the next capital raising round or the 18 month anniversary of the date of the SC investment:

Exit EV 'waterfall'
Samena % of exit proceeds
\$m

%
0 to 100
50%
100 to 500
20%
500 plus
10%

The way to read this is as follows – ‘if the EV at exit is \$50 mn, then Samena will get 50% of the amount over that owed to Informa. If the Informa loan note principal + accrued interest repayment obligation is \$24 mn, then Samena gets \$13 mn and the other common equity holders get \$13 mn. If the EV at exit is \$120 mn, then SC gets \$42 mn (50% of \$76 mn plus 20% of \$20 mn). If the exit is at a blockbuster EV of \$500M, SC gets \$118M and the other equity holders collectively get \$358 mn, with the balance \$24 mn of course being payable to Informa.’

5. Any new investor in a subsequent round (say in 2014) buys into the equity in a normal way, ie, the board sets a pre-money valuation for the equity etc. The SC prefs do not get diluted – ie, the conversion framework outlined above stays the same.

6. Other terms can be worked out, eg, negative covenants, board seats, IPO secondary offering rights, etc. It is also going to be critical to discuss how AG’s burn rate can be reduced – ideally cut below \$700K p.m., so our investment plus the \$6M of cash that AG has currently can last at least 18 months just in case of the inevitable execution delays in Chengdu.

David, please treat this as a draft for discussion that we can refine over the next few days based on your feedback to arrive at a mutually acceptable framework.

Best
Ramesh