

**From:** Jeffrey Epstein <jeevacation@gmail.com>  
**To:** David Stern <[REDACTED]>  
**Subject:** Re: Offer letter  
**Date:** Tue, 23 Mar 2010 11:12:57 +0000

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the basis of our initial analysis we value the Business at approximately US\$50m. This value assumes the making of our investment in full, reflects the expected synergies of our proposed partnership, your projections being fulfilled and significant future opportunities that we believe lie ahead in this joint venture.

I confirm that our offer is as follows:

1. \$3m for the purchase of 50.1% of the entire share capital (issued or under option) of China Medical Data Services Limited or of its wholly owned subsidiary Asia Gateway Limited (the **Acquisition Vehicle** and its business, the **Business**); and
2. The advancement of up to \$16m of working capital into the Acquisition Vehicle as follows:
  - 2.1 this will probably be by way of **nonvoting** preference shares or loans at a market coupon but this would be at a discount to the level that a private equity house would offer;
  - 2.2 \$8m will be advanced at the outset;
  - 2.3 the next \$8m will be advanced in quarterly instalments during 2011 subject to the fulfilment of the 2011 milestones indicated in blue in Appendix 1 to this letter.

The acquisition of the 50.1% stake and the initial working capital advance of \$8m will both be conditional upon execution of both the contract with central MOHRSS on national standards and the research service contract with central MOHRSS in a form and content approved by us (reflecting the anticipated form of those contracts);

We continue to work on the exact structure but any change would reflect the same economic effect of these terms.

This offer is subject to the following conditions:

1. satisfactory completion of confirmatory due diligence; and
2. agreement between us and you on the terms of the acquisition agreement, investment agreement, consultancy terms for you and other associated matters that need to be documented in relation to a transaction of this type. Inevitably there will be some complexity in relation to these documents but we will be as straightforward as we can. The initial matters which we have considered with you are:
  - i. of the 49.9% which we will not hold in the Acquisition Vehicle, you will transfer or grant **options over up to 10% to existing management**. (We should like to discuss with you the form of transfer of shares / grant of options to ensure that the existing management team

- are fully tied in, in order to grow the Business in the medium term.) New management team members would be rewarded by profit share and bonus arrangements in accordance with an agreed budget
- ii. we wish to put in place a structure whereby the ownership of non-data or publishing assets (such as a pure IT or software business) (**Non-Core Business**) be held such that our shareholding is restricted to 40%
  - iii. in relation to the Non-Core Business, you would have board control and a casting vote as to divestment decisions; conversely we would have board control and a casting vote on those issues in relation to the Acquisition Vehicle. Similarly, for the Non-Core Business you would have drag rights in respect of our shares on a sale (and we would have tag rights); the opposite would apply in relation to the Acquisition Vehicle.
  - iv. we both envisage your ongoing role as being Chairman. For an initial period of 2 years this would involve a considerable time commitment from you and would include the following responsibilities:
    - a. supervision and control of the Beijing based management team;
    - b. the supervision and interaction, integration and communication with the AGC business and its strategic partner Informa;
    - c. AGC corporate governance and related issues;
    - d. working with its Informa on China related guidance and protocol issues in direct connection with the AGC business;
    - e. overall oversight and responsibility for supervision of the Beijing based management team in order to successfully implement the [Business Plan] and the achievement of the revenue and profit targets set out in that plan.

After the initial 2 year period, your role may be reduced to supervision and control as is deemed necessary for the continuous growth of the business as well as the interaction required should any unforeseen issues arise that may pose threats to the successful operation of the business.

- v. if in the future you wish to dispose of any of your shares then we would have an option to buy them. **and you would have the right to buy ours** We have discussed a third party valuation mechanism - we would then have a window to buy once the value is determined. If we do not exercise that option you will then have a further window to sell to a third party but if you propose to do so at a lower value then we will have an opportunity to exercise our option at that lower valuation level. Conversely we could elect to sell alongside you to that third party
- vi. we envisage each of us having joint consent rights reflecting the partnership nature of the proposed arrangements, along the lines of those set out in the Appendix, but subject to (iii) above
- vii. if your projections are not achieved or more cash investment is required, we need to agree mechanisms for further investment, dilution, sale, winding up or other remedies. If the shortfall is material then we will have the right to make these decisions.

By counter-signing and returning to us the enclosed copy of this letter, you undertake:

- a. to procure that the arrangements contemplated in this letter remain confidential (and you acknowledge that this letter may constitute price sensitive information in relation to the Informa group as the shares of the ultimate parent company are quoted on the London Stock Exchange); and
- b. (in consideration of us incurring costs in relation to investigations and due diligence) not to initiate, continue, participate in or otherwise facilitate any discussions or arrangements for or anticipating the disposal (or any other arrangement concerning ownership, control or encumbrance) of any part of the Business to any entity other than us or otherwise to make

available any confidential information concerning either Acquisition Vehicle or the Business to anyone else from today's date to Friday 7<sup>th</sup> May 2010.

- c. (and we undertake to you) to work together in good faith in order to satisfy the conditions above as soon as reasonably practicable and with a clear objective of on or prior to 30<sup>th</sup> April 2010.

Each party shall be responsible for its respective costs and expenses in relation to this transaction. Informa will produce drafts of the principal documents and will be responsible for obtaining tax advice in relation to its investment.

This letter is legally binding on both you and us. It is subject to English law and you and we agree to the exclusive jurisdiction of the Courts of England.

As you know we are incredibly excited by this and think that we can make fantastic partners. If you are in agreement with this letter please counter-sign and return a copy of this letter.

Yours sincerely

**Lindsey Roberts**

For and on behalf of Informa UK Limited

Agreed

Date:

David Stern

## **Appendix**

- Amendment to the Articles of Association and Memorandum of Association;
- Change in nature of business (including entry into any new business);
- Material litigation matters;
- The entry into, amendment or termination of any material contract;
- The borrowing or lending of any material loan or advance, any guarantee, indemnity or surety contract, inter-corporate loans and investments or guarantees/security, whether made to or by or on behalf of the Company/ subsidiary;
- Merger, demerger, restructuring (including the incorporation of any subsidiary or consolidation or acquisition of a stake) in another company;
- Material tax planning / structuring that is, or should be, placed before the Board;
- Winding up, liquidation or dissolution;
- Acquisition of all or substantially all of the properties, assets or stock of any other company or entity;
- Issuance of shares or warrants or any other rights to shares or sweat equity, or grant of options for such shares to any person or entity;
- Creation or issuance of new classes of shares
- Sale, lease, transfer, exclusive license or other disposition of all or a material portion of the properties, assets, stock or business of the Company;
- All actions and decisions pertaining to a liquidity event (i.e. any initial public offering, trade sale, or other possible way to provide an exit of its Investment), including without limitation

- appointment of the investment banking firms and other advisers in relation thereto;
- Any change in the accounting year or accounting methods and appointment or change in the internal or external auditors;
- Dividend policy, declaring dividends and redeeming or buying back shares;
- Change in capital structure/ownership, including incurring any debt, other than working capital or other debt in the ordinary course of business in accordance with the approved business plan or short term debt;
- Any transaction that would result in a change in control of the Company or any subsidiary; and
- Providing any rights to a shareholder (other than rights that he would in any event be entitled to under law).
- Annual Budget and Business Plan
- Employment terms of key staff
- Release of restrictive covenants of employees or third parties
- Licensing of intellectual property rights.

On Tue, Mar 23, 2010 at 7:03 AM, David Stern <[REDACTED]> wrote:  
THANK YOU !!

Begin forwarded message:

**From:** "Jacobs, Rachel" <[REDACTED]>  
**Date:** 19 March 2010 12:46:40 GMT  
**To:** <[REDACTED]>  
**Cc:** "Roberts, Lindsey" <[REDACTED]>, "Burton, John" <[REDACTED]>  
**Subject:** Offer letter

David

I attach a redraft of the offer for your consideration.

I have added the wording in relation to tax advice etc. In relation to the market coupon on the \$16m, we have indicated that this will be at a discount at the rate that would be offered by a private equity house but it is difficult at this stage to specify what that will be. Lets discuss on our call at 2.00 pm today.

Best

Rachel

**Rachel Jacobs**

**General Counsel UK**

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