

From: Yun [dyun@emergentcapital.com]  
Sent: Wednesday, March 14, 2001 11:50 PM  
To: Kang, HM  
Subject: 03/14/01 [management fee]



Fee.PDF

Dear HM,

Please see attached management fee proposal.

[In the letter I reference a prior management fee letter dated Dec 6, 2000. You should have a copy of this letter. If not, I can email it to you tomorrow.]

Regards,  
Daniel

SECRET OF KOREA  
AN CHI YONG



March 14, 2001

Mr. Hye Min Kang  
Team Manager/International Finance Team  
SK Global  
36-1, Ulchiro-2Ga, Chung-Gu  
Seoul 100-192, Korea

Dear Mr. Kang:

I would like to thank you for taking the time and effort to discuss our management fee.

Enclosed is a copy of a letter dated December 6, 2000 suggesting a management fee of 1.40% of the gross amount of assets for the first year.

As a compromise, I would like to propose a fixed upfront fee of \$6mm for the first year ending December 31, 2001, and an annual fee thereafter of  $\frac{1}{2}$  of 1% of the gross assets. In connection with this payment, Emergent will be responsible for all fees incurred from the operation of the funds, to include all administrative and legal fees.

We believe this fee structure is substantially below the typical 2-3% charged on the gross assets under management and commensurate with the risks involved.

Thank you for the careful consideration in respect to our management fee proposal.

Respectfully,



Daniel Yun  
Managing Partner

## Compensation Considerations

### 1. Risk borne by Emergent and it's directors (Mark Waldron and Daniel Yun)

- Both liable as officers and directors of the 7 funds
- Potentially liable to Indosuez and ING Baring as managers of the various funds, and potentially liable to other third parties for representations made and acts performed on behalf of the funds
- Responsibility and exposure for U.S. and offshore governmental compliance

### 2. Obstacles overcome by Emergent

- Creation and use of 7 off-shore funds within a very short span of time
- Limited number of directors and authorized persons for the various funds
- Mr. Kang as the only person authorized to transfer funds
- \$450mm being moved between various funds within a span of 2 weeks
- Delivery versus delayed payment for purchase of SK Global EDRs (this type of settlement is never done)
- 100% participation in SK Global EDRs placement
- Large concentrated positions in SK Telecom and SK Global EDRs
- Non-disclosure of investors and ultimate beneficial owner of the funds

### 3. Opening of two prime brokerage accounts (ING Barings and DLJ/Credit Swiss) and a margin account at Bear Stearns.

- Required the use of Emergent's two year performance record (61% and 42% YTD respectively)
- Risk to Emergent's credit rating among investment banks if we are unable to meet margin requirements (unlikely, but still a risk)
- Credit rating risk impairs flexibility of Emergent's other existing funds
- Credit rating risk also restricts new fund management opportunities for Emergent

### 4. Establishment of the following funds:

1. Heartwood Capital, Limited
2. Herring Pond Asset, Limited
3. Century Plant Capital, Limited
4. Mammoth Capital, Limited
5. Far Eastern Asset, Limited
6. Mercury Portfolio, Limited
7. Millennium Heritage, Limited

The approximate cost of establishing and maintaining the seven funds: \$250,000. Fees include various legal opinion and representations made by Sonnenschein; US legal fees per fund of approximately \$10,000; off shore legal fees per fund of \$3,000; administration/registrar per fund fees of \$2,000; and miscellaneous (paralegal, filing fees, etc.) per fund of \$2,000.