



Assessing the Risk/Reward Ratio of Emerging Markets Investment

Presented by

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Strategic Research Institute
Marriott Marquis Hotel
New York, New York
November 14-15, 2005



EM Capital Management, LLC
U.S. & EMERGING MARKETS FUND MANAGERS

EM Capital, Inc.
U.S. & EMERGING MARKETS FINANCIAL ADVISORS
RESTRUCTURING & TURNAROUND MANAGERS

Making Money in Emerging Markets is All About Risk Management

- Much more than a top-down asset allocation story
- Is it a market or rather a sector play?
- Currency conversion and purchase price parity?
- Investor resource allocation and opportunity costs
- What is your time-horizon?
- Need to be able to assess the roles of U.S. foreign policy, monetary policy, local markets policies
- Local market risk – looking beyond Country Risk – key players
- “Who you know, not what you know”
- If its such a good deal, where is the local “smart money”?
- Qualitative due diligence is the key – local market knowledge

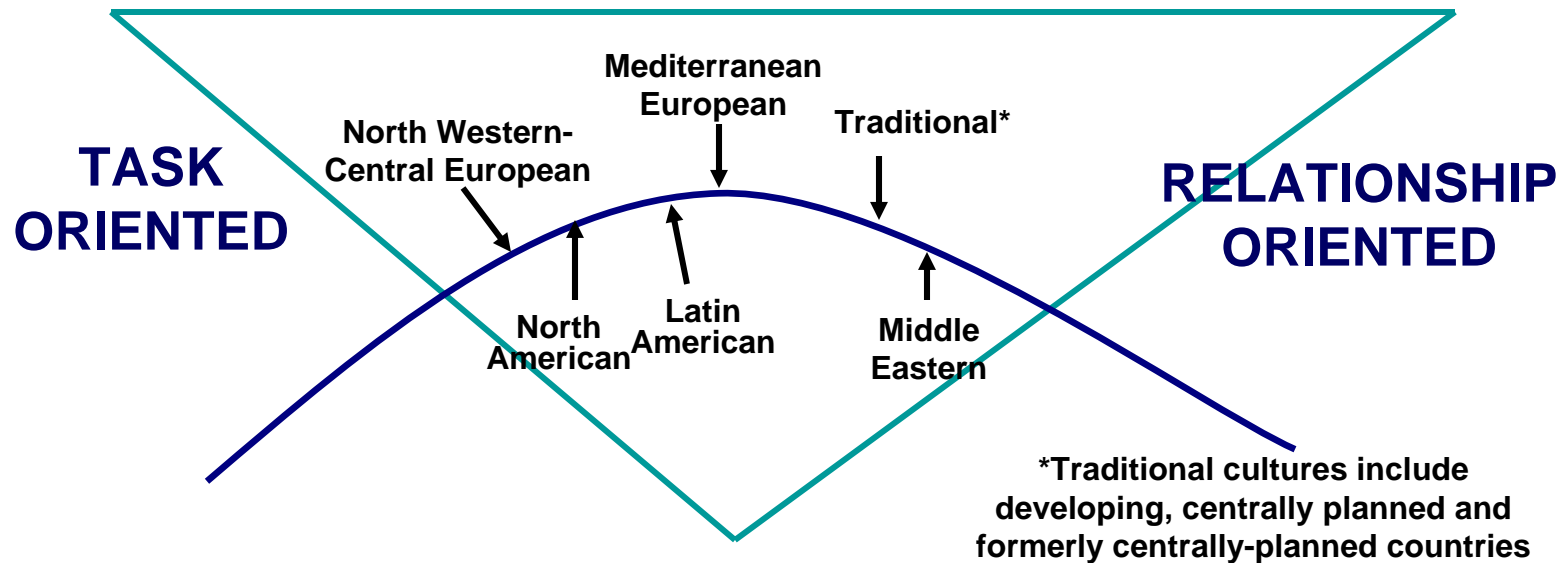
Time and Distance Are Not on Your Side

- **Clearly define your desired outcome & time horizon**
- **Criteria for measuring success**
- **Power or Poker: Understanding negotiating tactics**
- **Identifying the counter-party's real objectives**
- **Cost-benefit of tactical alternatives**
- **Legal process versus business solutions**
- **Cross-border jurisdiction/venue considerations**
- **Public versus private settlements/resolutions**
- **Goodwill in concentrated industries**
- **Opportunity costs**
- **Walking away**

Culture Classification Models

The “Hidden Dimensions” of Emerging Markets Business

TIME IS RELATIVE



Source: Schuster & Copeland,
Global Business

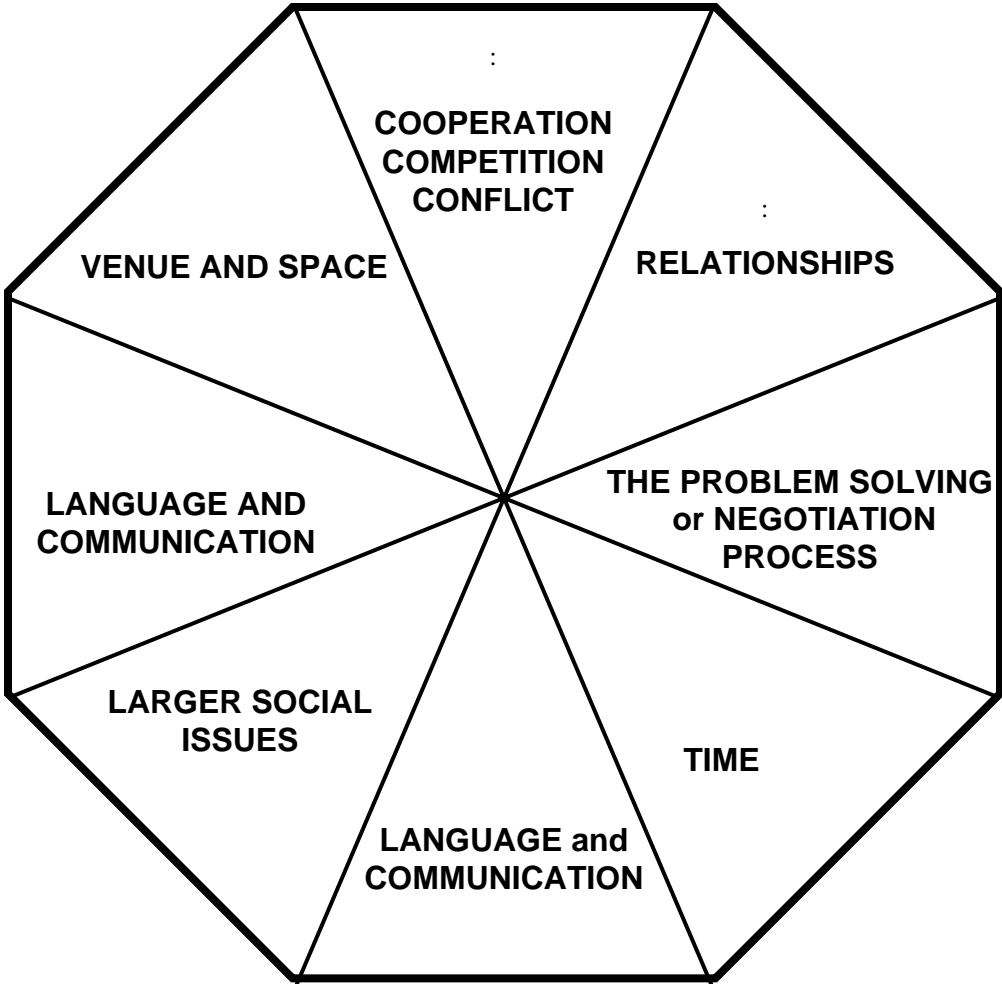
More Globalization = More Complexity for Investors & Lenders

- “The collateral is where?”
- “When were the payroll and social security payments late?” (as the plant is being locked up by local tax agents)
- “Please have the CFO call me when he returns from vacation” (three weeks in Monaco, immediately after the close of a quarter)
- “What do you mean the extended family are key vendors to the borrower”
- Understanding national versus state laws and regulations

What are the Key Issues Facing Foreign Investors, Lenders and Counsel

- Failure to “style-shift” and ineffective cross-cultural communication and interpretation
- And you thought the US judicial system was slow and expensive...
- Conversely, failing to act fearing cross-cultural faux pas
- Viewing the situation as a problem with legal solutions
- Underestimating the staying power of the foreign partner or borrower
- Failing to build a continuing “relationship” once the deal is closed
- Difficulty monitoring collateral
- Lack of “real-time” local business intelligence & nuances

Cultural Views & Impacts: Key Variables that Influence Problem Solving and Negotiation



Source: CDR Associates

Strategies to Effectively Complete Emerging Markets Deals for Key Participants in the Capital Structure

- **Determining and understanding each participant's true objective: \$, Face, Both**
- **On-shore or Off-shoring investment strategies**
- **Valuing the assets**
- **Valuing the going-concern value**
- **Understanding liquidity**
- **Regulatory constraints/issues**
- **Assessing and determining real exit alternatives**

Expanded Roles of Global Turnaround and Restructuring Professionals

- *It's a numbers game that deals will go sour*
- *Strategic* members of the transaction team: local feasibility, local due diligence, contingency planning
- *Tactical* advisors working with investors and counsel
- Interim management once control is established
- Provide the operational and strategic process necessary to execute a restructuring or exit plan
- Preserving and/or recovering value
- Key Lesson: Being called in earlier is *always* better than later

Consultants versus Active Interim Management Role?

- Using turnaround and restructuring professionals as consultants, or
- Engaging as interim or crisis managers
- Managing the business side of insolvency
- Negotiating dispute resolution
- Inside or out-side court skills
- Arranging fresh capital
- Managing the disposition or sale/liquidation process
- Importance of “in-country” expertise

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Seth R. Freeman is the Managing Director and Chief Executive Officer of EM Capital, Inc., EM Capital is a global financial, turnaround management and restructuring advisor with local offices serving foreign clients in major emerging markets, including Mexico City, Athens, Tel Aviv, Beijing and New Delhi.

EM Capital Management, LLC is the co-advisor along with Kotak Mahindra, India's largest securities firm, of the EM Capital India Discovery Fund. The New Delhi office EM Capital India is led by Mr. Dhruba Gupta, former Deputy Treasurer of the International Monetary Fund (IMF). Chair of the Board of Advisors is Sumant Batra, Managing Partner of Kesar Dass B. & Associates and India's leading creditor rights and bankruptcy counsel.

Mr. Freeman has over 22 years professional experience as an entrepreneur, fund manager, turnaround, restructuring and distressed debt advisor to investors, lenders, funds, private and public company boards and special committees and government agencies throughout the world. Freeman is a Certified Insolvency and Restructuring Advisor. He is a member of the International Committee of the American Bankruptcy Institute and a Director and Vice President of the Turnaround Management Association, San Francisco chapter. He is former Chairman of the "Journal of Corporate Renewal" and is the author of numerous articles on emerging markets, business restructuring and financing. He holds an MBA in International Management from Thunderbird.

We Speak the Language of Turnaround & Restructuring in More Places™

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