



Press Release

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OUR POSITION REGARDING THE PARC ONE CASE

SEOUL, DECEMBER 3, 2010 - Tongil Foundation released the following statement regarding the suit that it filed in Seoul District Court on October 28, 2010, seeking nullification of its contract with Y22 Project Financing Investment Co. over the property located on Seoul's Yeouido.

1. Tongil Foundation's basic position on this case

The Foundation for the Support of the Holy Spirit Association for the Unification of World Christianity (hereafter Tongil Foundation) has no intention to obstruct the national policy initiative to construct an international financial center on Yeouido. In addition, with the exception of Y22, we have no intention to cause harm to any party with an interest in this project.

It is our intent to correct a situation in which certain fraudulent actions by Y22 are causing Tongil Foundation to be deprived of the value of our most important asset and to protect our property rights.

Through the results of this suit and other means, it is the intent of the Tongil Foundation to see this project through to success.

2. How we came to file this suit

i. How the contract on superficies right was concluded

The purpose of Tongil Foundation when we first purchased this property was to build the world headquarters of the Unification Church. In reality, because the property lies within the Yeouido international financial center, we faced a number of difficulties in pursuing a plan to use the property solely to construct a religious facility. So it was decided that the primary facilities on the property would be constructed for the sake of the international financial center, and then, after the passage of a certain period of time, a portion would be used as the world headquarters.

It was with this purpose in mind that in 2005 Chung Hwan Kwak, the chairman of Tongil Foundation at the time, introduced Y22 as a property development company employing a number of

professionals from multiple countries who fully understood the character of the project.

At that time, the purpose of Tongil Foundation was to receive stable rental income during the 99-year period in which the right of superficies was established and to have Y22 transfer the buildings on the land to the Tongil Foundation at no cost when this period expired. Once transferred, a part of the buildings would be used as the Unification Church world headquarters and the remainder would be used to receive rental income. Y22 was clearly aware of these plans, and it was on this basis that the contract establishing the right of superficies was concluded.

At the time, Y22's explanation was that all buildings on the property would be developed on the rental model so that the buildings could be transferred to Tongil Foundation at no cost at the expiration of the period of the right of superficies.

There is a clause in the contract that may contradict this, that is, that Y22 may freely dispose of the superficies right and the buildings. This clause, however, was placed in the contract only to ease the financing process. There was absolutely no intent in reality to permit the disposition of the buildings and other structures to be constructed on the property.

ii. Fraudulent actions by Y22

It was the intent of Tongil Foundation to have buildings on the property transferred by Y22 to Tongil Foundation at no cost at the expiration of the period of the right of superficies, and this was Tongil Foundation's primary purpose in entering into this contract. For this purpose to be accomplished, Y22 at the end of the period of the right of superficies would have to transfer the real estate it owned on the property to Tongil Foundation at no cost. For this to happen, Y22 must continue in existence and maintain ownership of the buildings on the property until the end of the period of the right of superficies.

Yet when Y22 incorporated on April 28, 2005, it did so as a project financing investment company with a period of duration limited to 17 years. It appears to have done this to receive a tax benefit in accordance with Article 51, paragraph 2 of the Corporate Tax Act.

So Y22 first established that it would be liquidated prior to the expiration of the 99-year period of the superficies right, then defrauded Tongil Foundation by entering into a contract establishing the right of superficies without informing Tongil Foundation of its limited duration period. (The contract states that Y22 will transfer to Tongil Foundation at no cost the buildings it owns on the property at the end of the period of the right of superficies. Yet, it cannot do this because it will

cease to exist in 17 years. So inserting this clause into the contract was in itself an act of fraud.)

Currently, Y22 is proceeding to arbitrarily dispose of the buildings to be constructed on the property, together with the associated superficies rights, and it is becoming difficult for Tongil Foundation to accomplish the intent that it purposed by entering into the superficies right contract. (Tongil Foundation only recently came to know that Y22 was intending to sell these buildings.) If Y22 disposes of the buildings, Tongil Foundation will be forced to purchase the buildings at the end of the period of the right of superficies.

As a result of such fraudulent activity, there is concern that Tongil Foundation's general rights as the owner of the property may be infringed. Also, there is concern that a great many innocent victims may be created through this process. Tongil Foundation came to the conclusion that we were at an important turning point where we could resolve the issues that had arisen with regard to both the process and substantive aspects and that we could not delay the solutions to these issues any longer. It was in this manner that we felt compelled to file this suit.

3. Regarding permission from the competent government authority for establishing the right of superficies

It has come to light that Chung Hwan Kwak, who was chairman of Tongil Foundation on May 6, 2005, provided for the establishment of the right of superficies in an arbitrary manner without a resolution by the Tongil Foundation board of directors or permission from the competent government authority.

After the initial contract was concluded, the contract was revised around 2006. This, however, was nothing more than a step that Tongil Foundation was forced to take because Chung Hwan Kwak had set the rental rate too low in the original contract and it was necessary to make even a small improvement on this point. Also, this step was taken in a situation where we were not yet aware of the fraudulent activity by Y22 described above.

Establishing the superficies right on the land for a period as long as 99 years represents a total restriction of Tongil Foundation's land rights. It deprives Tongil Foundation of the ability to dispose of the land, to gain revenue from it, or to exercise its ownership rights in other ways for an excessively long period. In view of this, permission from the competent government authority is absolutely necessary before establishing the right of superficies in this manner.

The Office of Legislation, the office that has final authority within the executive branch of government to interpret legislation, takes the position that the establishment of the

right of superficies by a foundation corporation requires the permission of the competent government authority. (This can be confirmed by performing an online search at www.epeople.go.kr.)

Some media are reporting that Y22 received an official letter from the Supreme Court stating that the permission of the competent government authority was not necessary in this case. In our understanding, however, the Supreme Court is not an institution that issues such official letters. Instead, the Court makes judgments through court proceedings involving specific cases. We can speculate what happened here was that an inquiry was submitted to the head of the office within the Supreme Court that handles land registry issues as to whether a document showing permission from the competent government authority must be attached to documents submitted for registering a right of superficies on a particular property. In our opinion, the question of what documents must be attached to a registration application is an issue regarding the registration process and cannot be used to determine whether the actual registration is valid in light of various legislation.

4. Our plan for the future

Tongil Foundation will do our best to see that this project proceeds in a way that fully protects the legitimate rights of all legitimate interested parties.

Meanwhile, even if the situation is corrected through this suit, Tongil Foundation already has suffered considerable damages. For example, we have not received any rent payment on the land since 2005. Adding to this the considerable delays in the construction brings the estimated loss on the project to date to at least 200 billion won. This is one more reason that we could not delay filing this suit any further.

Separate from the civil suit, we also plan to conduct a legal review to determine the criminal liability of those who were responsible for bringing about this situation.

In our judgment, there is a problem with the reckless and speculative reporting by some media organizations claiming that a religious organization is merely creating a pretext to cause a problem. These media organizations have not gone through any formal process to confirm the facts with the plaintiff in this case. By publishing unfiltered speculation, they have abdicated their mission as media institutions.

A basic asset is at the core of this suit, which must be seen as a process in which the foundation corporation that has been entrusted to manage this asset is seeking to secure its legitimate rights as the legitimate owner of this asset.

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