

I translated the following article from the online edition of the South Korean publication "Financial Today". I don't necessarily agree with everything it says, but I believe it deserves wider distribution as a fairly responsible piece of journalism that can serve to inform the reader about an important issue. [Click Here](#) for the original Korean. – Timothy Elder

The 2.3 Truth Hidden in Yeouido's ParcOne Project Satan's Stratagem?

Sept. 19, 2011 (Monday) 14:59:31

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[Financial Today=Reporter Handeul Lee] The ParcOne Project in Yeouido is adrift. At the initial groundbreaking, there was great ambition for ParcOne to become a financial hub of Asia, but construction has been suspended since October last year as a result of friction between the project owner and land owner and various types of conflicts over the interests of financial companies involved. For this reason the very large ParcOne Project, involving some 2.3 trillion won, is now in a situation where it is impossible to predict when construction may be resumed. In a series of two articles, Financial Today will focus on the conflicts surrounding ParcOne.



Former Tongil Foundation Chairman Chung Hwan Kwak (Honorary President, Korea Professional Football League) is the core figure in the legal battle between Y22 and the Foundation. The Foundation points to Kwak as the actual current owner of Y22 and the background figure who precipitated the conflicts that brought about the current legal battle.

Construction Suspended in legal battle between project owner Y22 and Foundation Chung Hwan Kwak, related by marriage to Rev. Moon, stands in conflict background

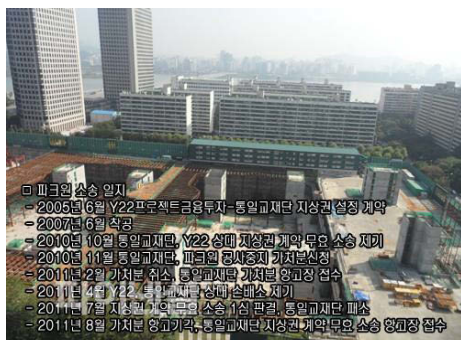
The area around No. 22 Yeouido is surrounded by a fence quite a bit higher than human height. As I walked around the circumference, I found signs telling people that this was currently the construction site of the ParcOne project.

If things were going according to plan, there should be a lot of construction activity going on so as to meet the scheduled completion date in 2013, but for some reason the gates to the site were securely closed with no indication of when they might open.

ParcOne, an Asian financial hub

In April 2005, a real estate development company based in Malaysia proposed a plan to build a mixed use office and retail complex on the site of the former Unification Church Parking Lot at No. 22,

Yeouido. It established a paper company called Y22 Project Financing Investment Co. (project financing vehicle, hereafter “Y22”) and signed a contract with the land owner, Tongil Foundation (hereafter “Foundation”) by which a right of superficies was established in Y22’s favor.



Important dates in legal actions surrounding the ParcOne project.

The conditions were that Y22 would lease the land, develop it, and return it to the Foundation for no cost after 99 years. Beginning three years after the issuance of an occupancy permit for the first building to be completed on the land, Y22 would pay rent to the Foundation in an amount equivalent to 5 percent of the value of the land as publicly posted by the government. A construction permit was obtained from the Seoul Metropolitan Government in July 2006 and construction began in June of the following year. The construction was undertaken by Samsung C&T Corp.

Y22 planned to build a mixed use facility on this site with total floor space of 630,000 square meters. It was to include two office towers (72 floors and 56 floors), a six-floor shopping mall with total floor space of 180,000 square meters and a hotel with 57,800 square meters of total floor space.

Initially, construction proceeded smoothly. It was good timing for such a project. Shortly after coming into power in March 2008, the Lee Myung-bak administration had the National Assembly pass a law to create an international financial center. In January 2009, the government designated Busan’s Munhyeon and Yeouido as international financial hubs. This focused attention on ParcOne as a center of the financial hub in Yeouido.

It was a large project requiring 2.3 trillion won in funds, but funding was not a problem. Prior to the solicitation of project financing, a bridge loan of 160 billion won was secured from a 14-member consortium headed by Hyundai Securities Co. and including secondary financial institutions such as Jaeil Savings Bank and Youngnam Mutual Savings Bank.

Solicitation for the main project financing package, headed by Shinhan Bank, also attracted some 40 banks, insurance companies, securities companies and pensions. Some 1.3 trillion won was raised by October last year. In the autumn of 2010, Y22 signed a contract with Mirae Asset MAPS Global Investments to sell the 56-floor building for 804.7 billion won, and it was on the verge of signing a sale contract on the 72-floor building with Macquarie Securities.

But then an unexpected piece of bad news came in. In October last year, the Foundation suddenly filed suit in Seoul Central District Court to have the contract on the superficies right invalidated.

Tongil Foundation Files Suit

The Foundation’s action to file suit changed everything. The construction that had been proceeding smoothly came to a standstill at 25 percent of completion. With construction suspended, creditors who had supplied the bridge loan recovered the entire principal of the loan in March this year, and the project financing solicitation process that had reached 1.3 trillion won returned to square one.

Samsung C&T also could not receive some 100 billion won in construction payments, and C VO MEC, a subcontractor providing general equipment construction to Y22 and Samsung C&T broke its contract. Mirae Asset, which had planned to purchase one of the office towers, pulled out of the deal, and Macquarie also gave the suit as the reason in backing away from the contract to purchase the 72-floor building.

To Y22, it was all like a bad dream. A Y22 source said, “The project was going forward without problem, and we cannot fathom why the Foundation suddenly filed suit after saying nothing for five years.”

The Foundation claimed that Y22 violated the contract by selling the buildings on Foundation-owned land to other companies. It claimed the superficies contract was itself invalid. Last July, the Seoul District Court sided with the project owner in issuing its judgment. The reason was that the contract signed by the two sides in 2005 transferred to Y22 the right to sell.

In fact, the contract supplied to Financial Today by a Y22 source states in Article 3, paragraph 6, that Y22 may sell or otherwise dispose of the buildings and other improvements without the consent of the Foundation. This source pointed to this paragraph and said, "A provision regarding the sale of the buildings was included at the time the contract was concluded, the Foundation placed its seal on the contract." He seemed perplexed over the Foundation's move to file suit.

Y22's claim is that it has suffered tremendous damage as a result of construction being halted for almost a year. Last April, Y22 sued the Foundation and four of its senior officers for 81.4 billion won. For its part, the Foundation refused to submit to the District Court judgment, and filed its appeal on August 29.

ParcOne in reality is the Unification Church Headquarters?

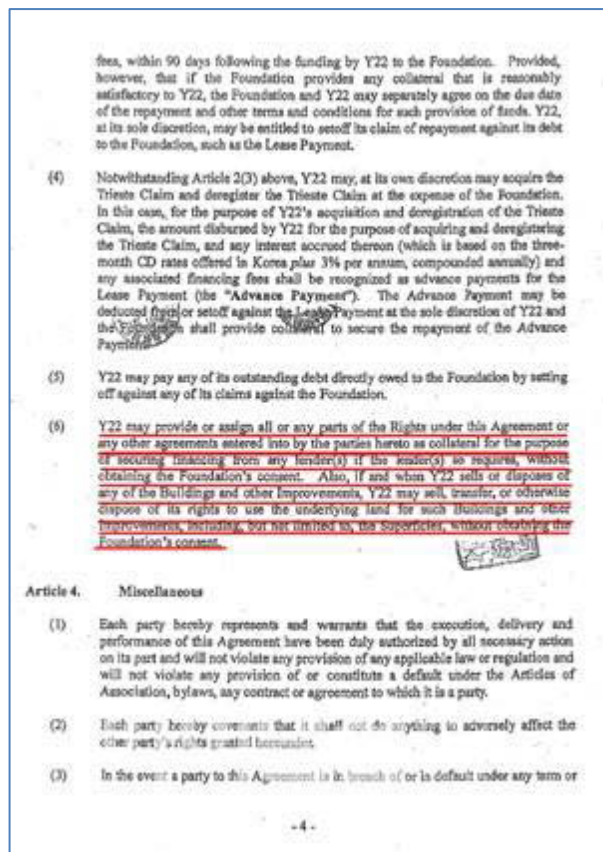
Why, then, is the Foundation refusing to back down, despite the District Court judgment, and continuing to claim that that contract itself is invalid? Financial Today went directly to the Foundation and asked them. Surprisingly, we heard there that the main purpose of this project was not to build an Asian financial hub but to build the headquarters of the Unification Church.

According to one Unification Church official who requested anonymity, the land where ParcOne is located is a "holy ground" purchased by the Foundation in 1971 with donations received from Unification Church members. In the following years, the Foundation made a number of attempts to establish the Unification Church's headquarters on this land, but these were all unsuccessful due to opposition from nearby residents and other religious groups. The Unification Church official said that the presence of the Yeuido Full Gospel Church, the largest single congregation in the in the world, made the matter more difficult.

So the Foundation utilized the land to operate the "Unification Church Parking Lot". Then it decided to have a foreign real estate development company develop the land and lease the buildings to financial companies and others for a certain period. The ultimate purpose was to use the buildings as the Unification Church headquarters.

This information was well presented in an April 2007 event titled, "Progress Report on ParcOne and Construction Plan Report." The video of this event, currently available for public viewing on the Unification Church website, shows Chung Hwan Kwak, then international president of the Unification Church and currently honorary chairman of the Korea Professional Football Federation, giving a presentation to a large crowd of dignitaries affiliated with the Foundation on the plans for construction. In the report, he said as follows:

"(Portion deleted) No project can be carried out here in the name of the Foundation. So the Foundation will participate in a share of the completed project without having to sell the land or take



The contract concluded between Y22 and the Foundation on May 30, 2006. Article 3, paragraph 6, states Y22 can sell buildings and other structures without the consent of the Foundation.

on the burden of additional development costs, and will receive its share of the profits (portion deleted).”



Chung Hwan Kwak reported in April 2007 that the purpose of the ParcOne project was to build the headquarters of the Unification Church.

“Here, today at this hour, we have been through a course of numerous circumstances on this Yeouido land centering on the name of the Unification Church. (portion deleted) Even now at this hour, we are joyful and proud of establishing the headquarters of the Unification Church that is to be constructed (portion deleted).”

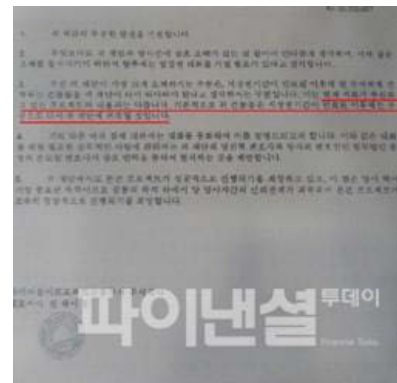
Chung Hwan Kwak who made these statements was the second most powerful person in the Unification Church, following only Rev. Moon himself. Foundation officials explained that President Kwak led the ParcOne project.

ParcOne, Chung Hwan Kwak’s trickery?

According to a Foundation official, president Kwak currently holds no official position within the Unification Church. At the time the May 2005 contract on the right of superficies contract with Y22 was being pursued, however, he was the chairman of the Foundation’s board of directors. The official said president Kwak was also the person who had the Foundation place its seal on the contract with Y22. They said it was also president Kwak who obtained the approval of Foundation officials by telling them that the Foundation would collect rent on the buildings for a certain period and then have the buildings transferred back to the Foundation at no cost. The buildings could then be used as the headquarters.

The Foundation official cautiously told Financial Today that there were a number of disturbing points. The original contract in English was shown to the board of directors, and a Korean translation was provided later. A comparison of the original and the translation conducted after the suit was filed showed that certain important words and sentences were either translated incorrectly or were missing entirely.

The Foundation claims that where the translation read “rent,” the original read “sell”. Also, where the translation said that the buildings would be returned to the Foundation at no cost after 99 years, the original said “buildings owned by Y22 will be ...” In other words, the original contract said that only buildings still belonging to Y22 after 99 years, and excluding any buildings sold, would be transferred to the Foundation.



The correspondence from Y22 to the Foundation stating that buildings sold would be returned to the Foundation at no cost after 99 years. Y22 later withdrew this statement.

So what was the reason this information wasn’t available at the time the contract was concluded? The Foundation official said, “President Kwak was the second most powerful person in the Unification Church, and when he said „trust me,” people trusted him.” He said this was the reason president Kwak’s statement that the project would be operated as a rental project until all buildings were transferred to the Foundation at no cost after 99 years was taken at face value.

It was in the middle of last year that the Foundation discovered the discrepancies. The official said it was only after the media began reporting about the impending sale of the buildings that the Foundation realized what was happening. So the Foundation confirmed the facts and filed suit.

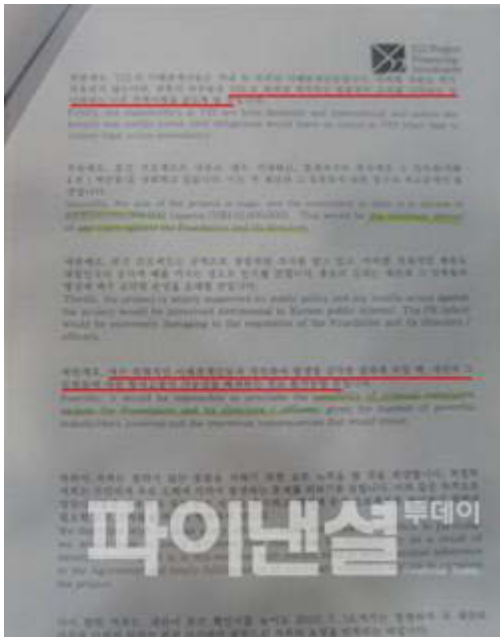
Y22, a company owned by president Kwak?

The Foundation official said a number of disturbing points were discovered during its investigation of the facts. First, there were doubts about who was behind Y22. According to material obtained by the Foundation, the Y22’s trail of ownership leads to president Kwak and Unification Church International (UCI) in the United States. This official explained that UCI is composed of persons close to president Kwak. In other words, the Foundation position is that Y22 is a company controlled by

president Kwak.

So when the Foundation filed its suit last October, it included information related to president Kwak and asked that a judgment be made as to whether he had committed embezzlement. This was disallowed, however, for lack of evidence.

The Foundation official said, "At the time, we were in a hurry to file suit so as to stop the sale of the buildings. Now we have enough evidence to prove that Y22 is owned by president Kwak. We will be making everything public during the appeal trial, so I cannot reveal it to you now."



Also according to this official, it was not the Foundation that began the courtroom battle between the two sides. About the time last year that the media were reporting that the ParcOne buildings were about to be sold, Y22 sent an official correspondence to the Foundation related to the sale of the buildings. When the Foundation refused to cooperate for the reason that the correspondence referred to "sale", and not "rental", Y22 sent a second official correspondence in which it threatened legal action against the Foundation.

In fact, a copy of the official correspondence provided to Financial Today by the Foundation official included wording saying that Y22 could take legal action against the Foundation. When the Foundation reacted strongly against this, Y22 responded with yet another official correspondence saying that there appeared to have been some "misunderstanding" and that the buildings sold would be returned to the Foundation at no cost after 99 years.

Around July 2010, Y22 sent an official letter to the Foundation, threatening legal action unless the Foundation cooperated. The Foundation uses this letter to claim that Y22 was the first to begin discussion of legal action.

Y22, however, sent a fourth official correspondence in which it said that the statement in the previous correspondence saying buildings sold would be returned to the Foundation after 99 years at no cost was written in error. It said that the right to sell the buildings had been

transferred to Y22 in 2005, and that Y22 would act in accordance with the concluded contract. This was what led the Foundation to file suit, the Foundation official said.

The Foundation official said, "We now have sufficient evidence to prove everything, and are prepared to point out the legal errors in the District Court judgment. We will be revealing the details during the High Court trial, and if that is not enough we will take it to the Supreme Court." He also said, "This is a case where president Kwak effectively controlled Y22 and used his position as chairman of the Unification Church to conduct double dealing at the time the contract was concluded, so the contract itself is invalid." He concluded by saying, "Please pay attention to the High Court trial."

Y22, however, strongly denies the claims by the Foundation. An official of Y22 said, "President Kwak is someone who has no relation to this company. Y22 is nothing more than a foreign-based company that has no relationship with the Unification Church."

Referring to the Foundation claim that Y22 is a paper company that can be dissolved at any time and cannot guarantee that it will return the buildings at no cost, the Y22 official said, "The right of superficies will be transferred to a separate management company to be formed at a later date. We will carry out the project in accordance to what is written in the contract."

ParcOne, in reality a family feud?

In the process of gathering information, Financial Today learned that the Foundation is preparing to take legal action against president Kwak as an individual. The reason is that it suspects president

Kwak's influence was involved in causing the troubles with the project owner.

Examining the overall situation, the core of the controversy surrounding the ParcOne project becomes focused on president Kwak. Financial Today attempted to contact president Kwak, but was unable to reach him.

One point worth noting is that president Kwak is related to Rev. Sun Myung Moon by marriage. UCI chairman Hyun Jin Moon, Rev. Moon's third son, is president Kwak's son-in-law. In the past, Hyun Jin was considered a likely candidate to succeed Rev. Moon in the next generation. He set off on his own course, however, after his younger brother Hyung Jin was de facto chosen as the successor.

In August 2009, the Unification Church instructed Hyun Jin to step down as chairman of UCI. Hyun Jin refused this, and fired members of the UCI board who had been nominated by the Unification Church. He replaced them with children of president Kwak, which is his wife's family. Following this, references to the Unification Church were deleted from the UCI bylaws.

As was already mentioned, an examination of the Y22 ownership structure shows that UCI exists as the uppermost company. So there is a view that the suits filed in relation to ParcOne are in fact a struggle within the family of the Unification Church's leader. In reality, information was reported in the middle of this year that Rev. Moon's children were fighting among themselves over who would succeed Rev. Moon. The Foundation's explanation was that president Kwak is behind all of this.

In the interview with Financial Today, the Foundation official said "President Kwak places himself in the background and is promoting this as a feud within the family." It was learned that the Unification Church has branded president Kwak as "Satan."