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LATHAM & WATKINS LLP

June 7, 2018

**VIA HAND DELIVERY
AND FEDERAL EXPRESS**

His Excellency Mr. Moon Jae-in
President of the Republic of Korea
c/o
Office of International Legal Affairs
Ministry of Justice of the Republic of Korea
Government Complex, Gwacheon
Republic of Korea

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**Re: Notice of Intent to Bring Arbitration against Korea for Violation
of Obligations Arising Under the US-Korea Free Trade Agreement**

Your Excellency:

We represent Mason Capital Management LLC and Mason Management LLC, each a limited liability company organized under the laws of the State of Delaware, United States, and located at 110 East 59th Street, 30th Floor, New York, NY 10022 (collectively, "Mason"). On its own behalf and on behalf of certain managed funds and their investors, Mason submits this Notice of Intent to bring arbitration against the Republic of Korea ("Korea") pursuant to Article 11.6(2) of the Free Trade Agreement between Korea and the United States (the "FTA").

A. Background

Mason Capital Management LLC is a management company which manages the investment activities of two investment funds, Mason Capital, L.P. and Mason Capital Master Fund, L.P. (collectively, the "Funds"). Mason Capital Management LLC makes investment decisions on behalf of both Funds, for the benefit of their owners and shareholders, and owns rights to a percentage of the Net Asset Value of the Funds.

Mason Capital L.P. is a limited partnership organized under the laws of the State of Delaware, United States. Mason Management LLC owns and controls Mason Capital L.P., and also owns a right to a percentage of the Net Asset Value of the fund.

Mason Capital Master Fund, L.P. is a limited partnership organized under the laws of the Cayman Islands. It is owned by Mason Capital Ltd., also a Cayman entity, which in turn is owned primarily by U.S. shareholders. Mason Management LLC controls Mason Capital Master Fund, L.P., and also owns a right to a percentage of the Net Asset Value of the fund.

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Mason Capital Management LLC, Mason Management LLC, and the shareholders of Mason Capital Ltd. (collectively, the “Mason Investors”), through their ownership rights and interests in the Funds, made investments in Korea through the Funds’ purchase of shares of various Samsung Group companies, including Samsung C&T Corporation (“SC&T”) and Samsung Electronics Co., Ltd. (“Samsung Electronics”) (collectively, the “Samsung Investments”). The Mason Investors are protected “investors,” and the Samsung Investments are a “covered investment” under the FTA.

Mason’s claim arises from Korea’s actions in breach of the FTA, which resulted in the merger of SC&T with Cheil Industries, Inc. (“Cheil”), a transaction that was highly disadvantageous to the shareholders of SC&T and caused damages to the Mason Investors. As explained in more detail below, various Korean government officials, including former Minister of Health and Welfare [REDACTED] and the former Chief Investment Officer of Korea’s National Pension Service (“NPS”) [REDACTED], improperly and illegally manipulated the SC&T shareholder vote to approve the merger. As a result, NPS, a shareholder of SC&T and an organ of the State, wrongfully voted in favor of the merger, causing the merger to be approved to the detriment of SC&T’s shareholders. Korea’s actions violated its obligations under the FTA, including but not limited to the obligations to accord U.S. investments fair and equitable treatment, no less favorable treatment than Korean investors, and to pay fair and adequate compensation for such investments.¹ See, e.g., FTA, Arts. 11.3, 11.4, & 11.6. The Mason Investors are entitled to compensation for the losses and damages they suffered as a result of those and other breaches.

B. Korea’s FTA Breaches

On February 25, 2013, President [REDACTED] became the President of Korea. During her Presidency, the Korean government was plagued by corruption. Revelations about her administration led to scandal, and ultimately, President [REDACTED] was impeached, removed from office, and, along with others in the Korean government and business world, convicted on various criminal charges related to corruption.

During President [REDACTED]’s tenure in office, the Samsung Group, a Korean *chaebol* led by the [REDACTED] Family, unduly influenced the Korean government to facilitate a father-to-son transfer of power from the then-head of the [REDACTED] Family, [REDACTED], to his only son, [REDACTED]. This transfer of power was effected by, among others, an unfair and unreasonable merger between two Samsung affiliates, SC&T and Cheil. SC&T, a construction and trading company, held a significant ownership interest in Samsung Electronics, the flagship company of the Samsung Group; thus, ownership of SC&T effectively conferred ownership of Samsung Electronics as well. In turn, SC&T’s merger with Cheil would allow Cheil’s shareholders to acquire an interest not only in SC&T but also in Samsung Electronics. At the time of the merger, the [REDACTED] Family owned a large stake in Cheil; thus, after the merger, they would effectively strengthen their control over Samsung Electronics as well.

On May 26, 2015, SC&T and Cheil announced plans to merge, with Cheil to acquire SC&T by offering 0.35 new shares for every SC&T share. Market analysts widely criticized the proposed

¹ Mason reserves the right to assert further breaches of the FTA.

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deal for undervaluing SC&T and overvaluing Cheil, to the disadvantage of SC&T's shareholders. Commentators further noted that the proposed deal appeared to be an improper attempt to transfer power over the Samsung Group within the █████ Family, rather than a rational economic transaction. The negative impact of the merger was expected to damage not only SC&T, but also Samsung Electronics and the overall Samsung Group—which would remain captive to the █████ Family and forego the chance of proper corporate governance in the interest of all Samsung shareholders. Put simply, a reasonable shareholder in SC&T would not have voted to approve the merger on those terms. Together with other SC&T minority shareholders, Mason Management LLC, on behalf of the Mason Investors, opposed the merger.

Regardless, on July 17, 2015, against rational expectations and their economic self-interest, the SC&T shareholders narrowly approved the merger. NPS, an organ of the State and one of the largest shareholders in SC&T at the time of the merger, cast the decisive vote. The merger went into effect on September 1, 2015, leaving SC&T and Samsung Electronics in the hands of the █████ Family and depressing the value and share price of both companies for years to come.

Starting in late 2016, the Korean government's undue influence over NPS's vote finally came to light. Multiple arrests, criminal proceedings, and convictions have revealed that President █████'s administration, including former Minister of Health and Welfare █████, unduly influenced the merger vote cast by NPS, as part of a concerted strategy to favor the █████ Family at the expense of SC&T's other shareholders. While the full extent of the illegal conduct of the Korean government is yet to be known, at least the following previously hidden facts have come to light:

- At the direction of Minister █████, NPS's Chief Investment Officer █████ flouted and manipulated NPS's internal governance processes and policies to ensure a favorable vote for the merger;
- CIO █████ pressured individual members of the NPS investment committee to vote in favor of the merger and used a fabricated report about the supposed benefits of the merger to manipulate the vote;
- Korean government officials, from the highest level, through to the NPS, an organ of the State, acted to manipulate the vote motivated by bribery, favoritism to the █████ Family, and open hostility towards non-Korean investors.

The above are merely examples, not a summary of all wrongdoings. Indeed, the events at issue appear to have been part of a larger, wide-ranging conspiracy to solidify the █████ Family's control over the Samsung Group, to the detriment of other investors, and have resulted in multiple unprecedented criminal convictions, including for Minister █████, CIO █████, Samsung's █████, and President █████ herself.² But by the time the government's illegal actions began to unravel, the damage to the Mason Investors had already been done.

² Mason reserves the right to rely on further evidence of governmental wrongdoing going forward, including any evidence that has not yet emerged.

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As a result of Korea's illegal actions, the Mason Investors suffered damages on their Samsung Investments, in an amount to be quantified, and currently estimated to be no less than USD 175 million.

Mason asks Korea to attempt to find an amicable solution to the present dispute and will make its representatives available to engage in such a process at Korea's convenience. Mason, however, reserves its right to submit its claims to arbitration pursuant to Article 11.16 of the FTA if no amicable resolution is achieved within 90 days of receipt of this Notice.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Claudia T. Salomon", with a long horizontal flourish extending to the right.

Claudia T. Salomon
of LATHAM & WATKINS LLP

cc: Ambassador Cho Yoon-je, Embassy of the Republic of Korea in the United States