

CORPORATE RESTRUCTURING PROMOTION ACT

Act No. 6504 promulgated August 14, 2001

CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of this Act is to facilitate the regular corporate restructuring under the market functions by enhancing the accounting transparency of enterprises and setting the systems for efficiently managing credit risks by the financial institutions, while prescribing matters necessary to make the corporate restructuring facilitated swiftly and smoothly.

Article 2 (Definitions)

The definitions of terms used in this Act shall be as follows:

1. The term "financial institution creditor" means a person who extends credits to the relevant enterprise and falls under any of the following items:

- (a) Any financial institution that has been granted authorization under the Banking Act (including any person who is deemed a financial institution under Articles 5 and 59 of the same Act);
- (b) The Korea Development Bank established under the Korea Development Bank Act;
- (c) The Export-Import Bank of Korea established under the Export-Import Bank of Korea Act;
- (d) The Industrial Bank of Korea established under the Industrial Bank of Korea Act;
- (e) Any securities company incorporated under the Securities and Exchange Act;
- (f) Any investment trust company incorporated under the Securities Investment Trust Business Act;
- (g) Any insurer licensed under the Insurance Business Act;
- (h) Any trust company incorporated under the Trust Business Act;

(i) Any specialized credit finance company incorporated under the Specialized Credit Financial Business Act;

(j) Any mutual savings bank established under the Mutual Savings Bank Act;

(k) Any merchant bank established under the Merchant Banks Act;

(l) The Korea Asset Management Corporation established under the Act on the Efficient Disposal of Non-Performing Assets, etc. of Financial Institutions and the Establishment of the Korea Asset Management Corporation;

(m) The Korea Deposit Insurance Corporation established under the Depositor Protection Act; and

(n) Any other person who runs the financial business under applicable acts, as prescribed by the Presidential Decree hereunder;

2.The term "creditor bank" means a financial institution carrying on the banking business regularly and systematically, from among the financial institution creditors;

3.The term "main creditor bank" means a principal creditor bank of the relevant enterprise (where there exists no principal creditor bank, the bank having the largest amount of credit extension). The matters concerning the selection and alteration, etc. of the main creditor bank shall be determined by the Financial Supervisory Commission;

4.The term "enterprise" means a company having obtained credit extension from the financial institution creditor(s), of which the total sum is not less than 50 billion won (hereafter in this item, referred to as the "threshold amount"). In such case, where the total sum of credit extension amount falls below the threshold amount due to the credit readjustment, repayment of indebtedness, etc., after being deemed to be an enterprise with insolvency signs pursuant to item 5, it shall still be deemed to be an enterprise;

5.The term "enterprise with insolvency signs" means an enterprise deemed, through credit risk assessment of the customer enterprise pursuant to Article 9, by the main creditor bank or the financial institution creditors' council pursuant to Article 24 (hereinafter referred to as the "council") to have difficulty in repaying the indebtedness from the financial institutions without any assistance of funds from outside or any separate borrowing (excluding the borrowing occurring in the ordinary financial transactions);

6.The term "credit extension" means those falling under each of the following items, and as determined by the Financial Supervisory Commission:

- (a) Loan;
- (b) Purchase of promissory notes and bonds;
- (c) Facility loan;
- (d) Payment guarantee;
- (e) Disbursement of a substitute payment following payment guarantee;
- (f) Transaction that may cause losses to the financial institution when the counterpart of transaction becomes insolvent; and
- (g) Transaction that may substantially bring about the results corresponding to items (a) through (f) above although the financial institution has not directly conducted the transaction falling under the items (a) through (f) above; and

7.The term "credit readjustment" means the adjustment of the claims retained by the financial institution creditor, by means of the extension of maturity, reduction or exemption of the principal and interests, conversion of debts into equity and other similar methods.

Article 3 (Relationship with Other Acts)

This Act shall be applicable in preference to other acts that prescribe the corporate restructuring, etc.

CHAPTER II MANAGEMENT OF ENTERPRISE ACCOUNTING INFORMATION AND CREDIT RISKS

Article 4 (Operation, etc. of Internal Accounting Management System)

(1) Any enterprise (including an enterprise subject to the Act on External Audit of Stock Companies; hereinafter in Articles 4 through 8 and 39, the same shall apply) shall have the rule for internal accounting management containing the matters falling under each of the following items and the system for managing and operating it (hereinafter referred to as the "internal accounting management system") for the purpose of preparing and publicly disclosing the reliable accounting information:

1. Matters for the means of discrimination, measurement, classification, record and report of the accounting information (including the information on the transaction as the basis of accounting information; hereinafter in this Article, the same shall apply);

2. Matters for the means of controlling and correcting any error in the accounting information;

3. Matters for the internal inspection of the accounting information, including a regular examination and adjustment thereof;

4. Matters for the means of managing the books of recording and containing the accounting information (including the computer facilities) and for the controlling procedure to prevent the forgery, alteration and mutilation;

5. Matters for the delegation of duties and the responsibilities of the officers and employees related to the preparation and public disclosure of the accounting information; and

6. Such other matters prescribed by the Presidential Decree as necessary for the preparation for and public disclosure of the reliable accounting information.

(2) An enterprise shall prepare accounting information in accordance with the internal accounting management system, and shall not forge, alter and mutilate the accounting information prepared pursuant to the internal accounting management system.

(3) The representative of an enterprise shall be responsible for the management and operation of the internal accounting management system, and designate one of the full-time directors of the relevant enterprise as the person in charge of the internal accounting management (hereinafter referred to as the "internal accounting manager").

(4) The internal accounting manager shall make a report semi-annually to the board of directors and the auditor (including the audit committee; hereinafter the same shall apply) on the actual operating status of the internal accounting management system of the relevant enterprise.

(5) The auditor shall evaluate the actual operating status of the internal accounting management system, report to the board of directors thereon and keep the report in the main office of the relevant enterprise. In such case, he/she shall, where he/she has an opinion for any corrections thereof, make such opinion included in the report.

(6) Matters necessary for the operation, etc. of the internal accounting management system shall be prescribed by the Presidential Decree.

Article 5 (Examination of Internal Accounting Management System by Auditors)

(1) The auditor under Article 3 of the Act on External Audit of Stock Companies (including the certified public accountant; hereinafter referred to as the "auditor") shall, where he performs the audit under Article 2 of the Certified Public Accountant Act (hereinafter referred to as the "audit"), examine the propriety of the internal accounting management system and whether it is observed, as well as the contents of report on the actual operating status of internal accounting management system under Article 4 (4).

(2) The auditor shall, where the propriety of internal accounting management system and the compliance with it are suspicious or there exist any concerns over the provision of false or unreliable accounting information, request the internal accounting manager to furnish the data evidencing such accounting information, and indicate in his audit reports his comprehensive opinions on its examination.

Article 6 (Protection of Reporters)

(1) In case where any person, who comes to know of matters falling under any of the following items in regard to the accounting information of an enterprise, files a report on such facts with the Securities and Futures Commission under the conditions as prescribed under the Presidential Decree, or notices the auditor or the statutory auditor of the relevant enterprise, any disciplinary actions or corrective measures, etc. on the reporter or notifier may be reduced or exempted under the conditions as prescribed under the Presidential Decree:

1. Where the enterprise prepares for and publicly discloses the financial statement in contravention of the accounting standards under Article 13 of the Act on External Audit of Stock Companies;

2. Where the auditor fails to implement the audit in accordance with the auditing standards under Article 5 of the Act on External Audit of Stock Companies, or prepares for a false audit report; and

3. Otherwise, where the accounting information is falsely prepared or any fact is concealed, similarly to items 1 and 2.

(2) Any person, who receives a report or notice under paragraph (1), shall keep confidential the identity of a reporter or notifier.

Article 7 (Request for Furnishing Audit Reports)

Financial institution creditors may request an enterprise intending to obtain a credit extension, to furnish the audit reports for the immediately preceding two business years under the Act on External Audit of Stock Companies.

Article 8 (Notice of Supervising Results)

(1) The Securities and Futures Commission shall notify the financial institutions as prescribed by the Presidential Decree of the matters prescribed by the Presidential Decree, such as the supervising results of the audit reports under Article 15 (1) of the Act on External Audit of Stock Companies.

(2) The financial institutions under paragraph (1) shall reflect the supervising results notified to them in the review, etc. of credit extension.

Article 9 (Assessment of Credit Risks)

(1) Creditor banks shall perform the regular assessment of credit risks of customer enterprises, and take the pertinent measures for post management.

(2) Creditor banks shall, for the purpose of the assessment of credit risks and post management under paragraph (1), prepare for and operate the standards for regular assessment of enterprise's credit risks and for the post management containing such management indexes as the profitability, growth, soundness, stability, etc. under the guidance of the Financial Supervisory Commission, and notify them to the customer enterprises.

CHAPTER III RESTRUCTURING OF ENTERPRISE WITH INSOLVENCY SIGNS

Article 10 (Measures against Enterprise with Insolvency Signs)

(1) The main creditor bank shall take the measures under Article 12 against an enterprise with insolvency signs without delay.

(2) Creditor banks other than the main creditor bank shall, where they deem that any customer enterprise becomes an enterprise with insolvency signs as a result of credit risk assessments under Article 9, request the main creditor bank to take the measures under paragraph (1) without delay.

(3) Creditor banks shall, where they deem that any customer enterprise does not become an enterprise with insolvency signs as a result of credit risk assessments under Article 9 but it is most likely to become an enterprise with insolvency signs, recommend that the relevant enterprise take measures for business improvement including the self survival plans, etc.

Article 11 (Assessment by Outside Specialized Agencies)

(1) The main creditor bank or the council may request an enterprise with insolvency signs to undergo the inspection of assets and liabilities and the assessment on the surviving ability as a going concern, etc. by the outside specialized agencies, such as the accounting firms, selected in consultation with the enterprise.

(2) Where an enterprise with insolvency signs fails to comply with the request under paragraph (1) without any justifiable grounds, the financial institution creditors may not give, or may suspend, any credit extension to the relevant enterprise.

Article 12 (Management of Enterprise with Insolvency Signs)

(1) The main creditor bank shall, where it determines that an enterprise with insolvency signs has a possibility of management normalization as a result of assessment of business plans, etc. furnished by it, without delay commence the management procedures falling under any of the following items or take necessary measures for the commencement of such procedures through applying directly to a court or requesting the relevant enterprise to make such an application:

1. Joint management by the financial institution creditors through the council;

2. Joint management by the creditor banks through the creditor banks' council under Article 22 (1);

3.Management by the main creditor bank;

4.Procedures for a corporate reorganization under the Corporate Reorganization Act; and

5.Procedures for a composition under the Composition Act.

(2) The main creditor bank shall, where it determines that an enterprise with insolvency signs has no possibility of management normalization or where no procedure among those falling under any item of paragraph (1) has been initiated (including the case where the management procedures were commenced but suspended), take without delay the measures falling under any of the following items: Provided, That this shall not apply to the cases where it is determined that the expenses required for it exceed the profit to be gained by the financial institution creditors, or that the recovery of claims is possible by other means, or where any measure falling under any of the following items has been taken due to other causes:

1.A request to the relevant enterprise for a dissolution or liquidation; and

2.Where it is determined that there exist in the relevant enterprise any causes for a bankruptcy under the Bankruptcy Act, a request for bankruptcy and a request for making an application for bankruptcy.

(3) Notwithstanding the provisions of paragraphs (1) and (2), the financial institution creditors may apply for a corporate reorganization procedure under the Corporate Reorganization Act. In such case, the management procedures under paragraph (1) 1 through 3 shall be deemed to have been suspended, if there exists a decision on commencing a corporate reorganization procedure.

(4) The main creditor bank or the council may, before taking measures under paragraph (1) or (2), take steps for the management normalization by selling a third party the stocks acquired through a conversion into equity or as a security, etc., or entrusted for disposal. In such case, the measures under paragraph (1) or (2) may not be taken if the stocks are sold to a third party.

(5) The main creditor bank shall, where an enterprise with insolvency signs falls under the proviso of paragraph (2), notify the causes therefor to the Korea Federation of Banks established under Article 32 of the Civil Code (hereinafter referred to as the "Federation of Banks") so as to let other financial institutions know of them.

(6) With respect to whether the management procedures under paragraph (1) 2 and 3 have commenced or to their details, etc., the whole or part of them may be undisclosed to the public.

Article 13 (Joint Management by Financial Institution Creditors)

(1) Financial institution creditors may, through a resolution by the council, commence the procedures for joint management by financial institution creditors under Article 12 (1) 1.

(2) Any person requesting a convocation of the council for commencing the joint management procedures under paragraph (1) shall provide a prima facie evidence that the relevant enterprise with insolvency signs meets the requirements under Article 12 (1). In such case, where there exists any inevitable cause such that the inspection of assets and liabilities under Article 11 is necessary, a prima facie evidence may be provided not later than the expiry of suspension period for exercising the claims under Article 14 through a resolution by the council.

(3) The council may, where it deems necessary for securing the claims, request the relevant enterprise to obtain approval of the person designated by the council (hereinafter referred to as the "fund controller") from the date of commencing the joint management procedures under paragraph (1) on the implementation of major business such as the fund management, etc., and where the relevant enterprise fails to comply with it without any justifiable grounds, or carries out any business without approval of the fund controller, it may suspend the Suspension of exercising the claims or the joint management procedures against the relevant enterprise, notwithstanding the provisions of Article 14.

(4) The qualification requirements, authorities and responsibilities, etc. for the fund controller shall be prescribed by the Presidential Decree.

Article 14 (Suspension of Exercising Claims)

(1) The main creditor bank shall, where it convenes the council for commencing the joint management procedures of the financial institution creditors under Article 12 (1), notify the Governor of the Financial Supervisory Service and the financial institution creditors thereof. In such case, the Governor of the Financial Supervisory Service may request that any exercising of claims (including the exercising of any security, but excluding referring to the

clearing for any interruption of prescription) is to be suspended from the date of notifying the financial institution creditors of the convocation of the council to the date of first convocation of the council.

(2) Financial institution creditors may, considering the size of the enterprise in question and the number of the financial institution creditors, etc., determine the suspension period of exercising the claims at the first council convened within 7 days from the convocation notice up to one month from the date of commencing the suspension (3 months in case where the inspection of assets and liabilities is required), and extend such period only once up to one month.

(3) Where the council fails to determine the suspension period of exercising the claims under paragraph (2), or fails to finalize the plans for management normalization of the enterprise in question under Article 15 (1) until the expiry of the suspension period of exercising the claims, the joint management procedures of the financial institution creditors against the enterprise shall be deemed to have been interrupted from the next date.

Article 15 (Agreement for Implementing Management Normalization Plans)

(1) The council shall enter into an agreement for implementing the plans for normalizing the management of the relevant enterprise (hereinafter referred to as the "plans for management normalization") with an enterprise with insolvency signs, for which the joint management procedures under Article 13 have been commenced (hereinafter referred to as the "agreement") through a resolution within the suspension period of exercising the claims under Article 14.

(2) The agreement under paragraph (1) shall contain the following matters for normalizing the management of the relevant enterprise:

1. Level of management objectives of the relevant enterprise such as turnover, and operating profits;

2. Definite implementation plans containing the restructuring plans such as the adjustment of the personnel, organization, wage thereof of the relevant enterprise and plans for improving the financial structures such as the issuance of new stocks, the capital reduction necessary for the achievement of objective levels under item 1. In such case, the period for implementing such plans shall not exceed one year, but may be extended by a resolution of the council;

3. Additional implementation plans to be carried out by the relevant enterprise, such as the adjustment of the expenses of the total personnel, if the objective levels under item 1 are not to be attained;

4. Consent letter for matters requiring the consent of interested parties, such as the labor union or stockholders of the relevant enterprise in connection with matters under items 2 and 3;

5. Plans for readjusting the claims and for credit extension in order to support the liquidity required for the management normalization of the relevant enterprise;

6. Detailed plans in case where the management is to be normalized by means of sale to a third party, entrustment of management, establishment of a corporate restructuring investment company under the Corporate Restructuring Investment Company Act, etc.; and

7. Such other matters prescribed by the Presidential Decree as necessary for the management normalization of an enterprise.

(3) Financial institution creditors shall not grant an additional credit extension to an enterprise with insolvency signs prior to a execution of an agreement: Provided, That this shall not apply to the case where there exists an urgent need for funds such as the raising of operating funds prior to the execution of the agreement for which a resolution is adopted at the council.

Article 16 (Examination on Implementation of Agreement)

(1) The main creditor bank shall quarterly examine the performance record of implementing the agreement.

(2) An enterprise with insolvency signs shall, where the main creditor bank requests the said enterprise to furnish the reports or data on the business or assets or for the presence and statement, etc. of related persons for the examinations under paragraph (1), comply with it.

(3) The main creditor bank shall regularly assess and examine whether the joint management of the relevant enterprise is to be continued and the possibility of management normalization of the relevant enterprise on the basis of the results of examinations under paragraph (1), and report to the council thereon. In such case, it shall request the outside specialized agencies not less than once every

two years from the date of commencing the joint management procedures to make such assessment.

Article 17 (Readjustment, etc. of Claims)

(1) Financial institution creditors may, where they deem necessary for the management normalization of an enterprise with insolvency signs, render through a resolution of the council the readjustment of claims or a new credit extension to the relevant enterprise (excluding any alteration in the existing terms for credit extension; hereinafter the same shall apply). In such case, the readjustment of claims shall, considering the order of the rights, be achieved fairly and equitably.

(2) A resolution of the council on the readjustment of claims under paragraph (1) shall be valid only with an affirmative vote of the financial institution creditors having not less than 3/4 of secured claims from among the total secured claims of financial institution creditors (referring to the claims corresponding to the valid security values within the scope of liquidation values of relevant assets; hereinafter the same shall apply).

Article 18 (Preferential Repayment of New Credit Extension)

A new credit extension by the financial institution creditors under Article 17 shall be repaid in preference to the claims of other financial institution creditors and next to the legal security interests.

Article 19 (Interruption of Joint Management Procedures)

The council shall interrupt the joint management procedures pursuant to a resolution of the council in the following cases:

1. Where the relevant enterprise fails to implement the important matters of the plans for management normalization without any justifiable grounds, or where it is judged that the plans for management normalization are difficult to be implemented, as the result of an examination under Article 16 (1); or
2. Where it is judged that the continuance of joint management is inadequate, or where it is judged that there exists no possibility for management normalization of the relevant enterprise, as the result of an assessment under Article 16 (3).

Article 20 (Prior Submission of Reorganization Plans)

(1) Where the joint management procedures of financial institution creditors have been interrupted under Article 19 and the relevant enterprise or its financial institution creditor applies for the corporate reorganization procedures under Article 30 of the Corporate Reorganization Act, the main creditor bank shall submit to the competent court the plans for management normalization or improved versions of such plans.

(2) The plans for management normalization submitted under paragraph (1) shall be deemed a draft of preliminary plans as referred to under Article 190-2 of the Corporate Reorganization Act.

(3) Where the procedures of joint management by financial institution creditors have been interrupted under Article 19 and the relevant enterprise applies for the commencement of composition under Article 12 of the Composition Act, the main creditor bank shall request the relevant enterprise to submit to the competent court the plans for management normalization or improved versions of such plans as a condition for composition.

Article 21 (Examination of Possibility for Management Normalization of Enterprises for Corporate Reorganization or Composition)

(1) The main creditor bank shall examine the actual performance record, etc. of implementing the corporate reorganization plans or composition conditions against the enterprise under the corporate reorganization procedures or composition procedures, and regularly evaluate or examine not less than once in every year the possibility of the relevant enterprise for management normalization.

(2) The enterprise under the corporate reorganization procedures or composition procedures shall comply with any request made by the main creditor bank for submission of the report or data on its business or assets or for the attendance or statement by the related persons, to the extent that such request is made for the purpose of the examination under paragraph (1).

(3) The main creditor bank shall, where it determines that the enterprise under the corporate reorganization procedures or composition procedures has no possibility of a management normalization, file without delay an application with the competent court for an abolition of such corporate reorganization procedures or an abolition or cancellation of such composition.

(4) The provisions of Article 12 (2) shall apply mutatis mutandis to the case where the competent court decides on an abolition of corporate reorganization procedures or of composition in accordance with the application under paragraph (3).

Article 22 (Joint Management by Creditor Banks)

(1) The main creditor bank may, where it deems that joint management by creditor banks is necessary for restructuring of the enterprise with insolvency signs, establish the creditor banks' council composed of only the creditor banks.

(2) The provisions of Articles 24 through 30, 32, and 33 shall apply mutatis mutandis to the creditor banks' council under paragraph (1). In such case, the term "financial institution creditors" and "council" shall read as "creditor banks" and "creditor banks' council", respectively.

(3) Where the main creditor bank commences management by the creditor banks' council under paragraph (1), the provisions of Articles 11, 12 (4), and 13 through 20 shall be applicable mutatis mutandis. In such case, the term "financial institution creditors" and "council" shall read as "creditor banks" and "creditor banks' council", respectively.

Article 23 (Management by Main Creditor Bank)

(1) The main creditor bank may independently commence the management procedures against the relevant enterprise with insolvency signs in order to normalize the management thereof under Article 12 (1) 3.

(2) The provisions of Articles 15, 16, 17 (1) and 19 shall apply mutatis mutandis to the case where the management procedures by the main creditor bank commence under paragraph (1). In such case, the term "council" and "joint management" shall read as "main creditor bank" and "management by the main creditor bank", respectively.

CHAPTER IV COUNCIL OF FINANCIAL INSTITUTION CREDITORS, ETC.

Article 24 (Council of Financial Institution Creditors)

(1) For the purpose of an efficient restructuring of an enterprise with insolvency signs, a council composed of financial institution creditors of the relevant enterprise shall be established.

(2) The convocation and operation of the council shall be lead-managed by the main creditor bank.

(3) The main creditor bank may convene the council in order to deliberate and resolve on the matters under each item of Article 26 (1). A financial institution creditors other than the main creditor bank may, where the amount of credit extended by it to the enterprise in question independently or together with other financial institution creditors is in excess of 1/4 of the total amount of credit extended by the financial institution creditors, request the main creditor bank to convene the council, and the main creditor bank shall, upon receipt of such request, convene the council without delay.

(4) Where a financial institution creditor intends to, after a convocation of the council is notified, sell the claims held by it (including the claims converted into equity pursuant to the plans for management normalization) to persons other than the financial institution creditors or entrust them with the management rights, the relevant financial institution creditor shall obtain a letter of undertaking from such other persons to the effect that they shall comply with the provisions of this Act, and submit it to the council.

(5) The main creditor bank may request the enterprise in question to obtain a letter of undertaking from creditors other than the financial institution creditors to the effect that they shall comply with the provisions of this Act and to submit it to the council, and such other creditors that have submitted the letter of undertaking shall be deemed financial institution creditors under this Act.

Article 25 (Exclusion of Petty-Sum Financial Institution Creditors)

The council may, where it determines necessary for efficient restructuring, exclude from the council any financial institution creditor whose credit extension amount is not more than the ratio as determined by the council within the limit of 5/100 of the total amount of credit extension by the financial institution creditors (hereinafter referred to as the "petty-sum financial institution creditors"). In such case, the excluded petty-sum financial institution creditors shall not be deemed to be the financial institution creditors.

Article 26 (Duties of Council)

(1) The council shall deliberate and resolve on the matters falling under any of the following items:

1. Recognition of an enterprise with insolvency signs;
2. Decision on the commencement of joint management procedures by the financial institution creditors and the continuation thereof;
3. Decision on and extension of a suspension period of exercising the claims;
4. Execution of an agreement;
5. Examination on and measures for the actual performance record of implementing an agreement;
6. Examination and assessment on and measures for the possibility of management normalization of the enterprise in question;
7. Preparation of the plans for readjustment of claims or credit extension;
8. Sales of the stocks under Article 12 (4);
9. Decision on exclusion of petty-sum financial institution creditors; and
10. Other matters related to items 1 through 9.

(2) The council shall, where it deliberates or resolves under paragraph (1), provide in advance the management of the enterprise concerned with an opportunity to state his opinions orally or in writing.

(3) The council may, where it deems necessary for efficient restructuring of the enterprise with insolvency signs, entrust by its resolution the steering committee composed of representatives of the financial institution creditors belonging to the council or the main creditor bank with the whole or part of duties under each item of paragraph (1).

Article 27 (Methods, etc. of Resolution by Council)

(1) The council shall take decision with an affirmative vote of the financial institution creditors holding 3/4 or more of the total amount of credit extension by the financial institution creditors (including the claims converted into equity pursuant to the plans for management normalization; hereinafter the

same shall apply): Provided, that the council may, by its resolution, determine different methods of resolution and the specific scope of cases to which such different methods of resolution shall apply.

(2) The financial institution creditors shall faithfully perform the matters resolved under paragraph (1).

(3) Other matters required in connection with the operation of the council shall be determined by the said council under the conditions as prescribed by the Presidential Decree.

Article 28 (Reports, etc. on Credit Extension Amount)

(1) A financial institution creditor shall, within 5 days from the date of its receipt of a notice of convocation of the council for commencing the joint management procedures under Article 13, file with the main creditor bank a report stating its credit extension amount to the relevant enterprise outstanding as of the date immediately preceding the date of notifying the convocation.

(2) The financial institution creditors shall exercise a voting right at the council in proportion to their respective credit extension amounts reported under paragraph (1): Provided, That within the period for report under paragraph (1), they may exercise a voting right on the basis of their latest credit extension amounts, as financial institution creditor notified by the Federation of Banks to the main creditor bank.

(3) The resolution of the council under the proviso of paragraph (2) shall be valid only if the credit extension amounts reported by the financial institution creditors that have voted for such a resolution satisfy the quorum under Article 27 (1).

(4) The council may, if there is any dispute in regard to whether the credit extension reported by the financial institution creditors exists, etc., restrict the exercise of said voting right until the determination of such existence.

(5) The financial institution creditors whose exercise of voting rights is restricted under paragraph (4) may exercise their voting rights from the date of determination of such existence, but the effect of such exercise shall not be effective against the past resolutions of the council. In such case, the period for requesting the purchase of claims under Article 29 (1) shall be calculated from the date of determination of such existence.

(6) Any person, who reports on his credit extension amount after the reporting period under paragraph (1), may exercise the voting right from the date of determination of the said amount, but the effect of such exercise shall not be effective against the past resolutions of the council.

Article 29 (Request by Opposing Creditor for Purchase of Their Claims)

(1) Where there exists a resolution of the council under Article 27 (1) on matters falling under any of the following items, the financial institution creditors opposing the resolution may, within 7 days from the date of the council's resolution, request the council to purchase their claims. In such case, the financial institution creditors that may request the purchase of their claims shall be limited to those that have not attended the council or those that have attended it and expressed their intent of opposition in writing, and any person that has not requested the purchase of claims within the said period shall be deemed to have agreed to the relevant resolution of the council:

1. Commencement of joint management procedures by the financial institution creditors under Article 13 (1); and

2. Readjustment of claims or new credit extension under Article 17.

(2) The council shall, where there exists a request under paragraph (1), notify, within a month therefrom, the opposing creditor of the purchase price of claims and conditions thereof, and have the financial institution creditors belonging to the council that have voted for the resolution purchase them within the period for performing the management normalization.

(3) The council may request the Korea Asset Management Corporation under the Act on the Efficient Disposal of Non-Performing Assets, etc. of Financial Institutions and the Establishment of the Korea Asset Management Corporation, the Deposit Insurance Corporation and the restructuring financial institutions under the Depositor Protection Act, or other agencies designated by the council to purchase the claims of opposing creditors, or request the relevant enterprise to redeem such claims.

(4) The price of purchase or redemption of claims and conditions thereof under paragraph (2) or (3) shall be determined by a consultation between the council and the opposing creditors. In such case, if it is difficult to fix the price of purchase or redemption of the claims, it may be paid at the temporary price for

the time being, and the balance between the determined price and the temporary one may be settled later.

(5) Where the consultation under paragraph (4) does not result the determination of the price, the mediation committee under Article 31 (1) shall make a decision on the price of purchase or redemption of claims and conditions thereof. In such case, the mediation committee shall take into consideration the price calculated by an accounting specialist selected under a consultation between the council and opposing creditors by evaluating the value of the relevant enterprise with insolvency signs and the possibility for implementing the agreement, as well as the funding situation of purchasing institutions.

Article 30 (Responsibilities for Compensating Losses)

(1) Financial institution creditors shall, where they fall under any of the following items, be liable for compensating jointly and severally for the losses up to the losses incurred by other financial institution creditors:

1. Where the financial institution creditors that have attended the council and expressed the affirmative intent fail to perform the resolution of the council; and

2. Where the financial institution creditors fail to obtain or submit to the council a letter of undertaking, in the course of their selling the claims held by them to persons other than the financial institution creditors or entrusting them with the management right under Article 24 (4).

(2) The financial institution creditors liable for compensating for the losses under paragraph (1) may pay the monetary penalty to the council for all of the other financial institution creditors. In such case, such financial institutions shall be exempted from the responsibility for compensating the losses under paragraph (1).

(3) The value of monetary penalty and the distribution of paid monetary penalty under paragraph (2) shall be determined by the council, and where an agreement is not attained thereon, they shall be subject to mediation of the mediation committee under Article 31.

Article 31 (Mediation Committee for Financial Institution Creditors)

(1) A mediation committee for financial institution creditors (hereinafter referred to as the "mediation committee") shall be established for the purpose of an efficient restructuring of enterprises with insolvency signs and of mediation, etc. of dissenting opinions among the financial institution creditors.

(2) The mediation committee shall consist of 7 members selected under the conditions as prescribed by the Presidential Decree, who fall under any of the following items (excluding persons working for the Government, financial supervisory agencies, financial institution creditors, and enterprises with insolvency signs):

1. Persons having experiences of working for 10 or more years at financial institutions or in finance-related fields;
2. Attorneys-at-law or certified public accountants;
3. Persons having at least master's degree in finance-related fields, who have experiences of working for 10 or more years at the post of researchers or full-time lecturers or higher position at a research institute or college or university, and have the speciality relevant to the corporate restructuring; and
4. Persons who have experiences of engaging for 3 or more years in the corporate restructuring business.

(3) The terms of office of the chairman and members shall be one year, but a consecutive appointment may be permitted, and the chairman shall be elected from among and by the members.

(4) The mediation committee shall perform the duties falling under any of the following items:

1. Mediation of dissenting opinions (excluding the dissenting opinions on the resolution of the council) that are not settled despite an autonomous consultation among the financial institution creditors, which dissenting opinions fall under the matters as prescribed by the Presidential Decree;
2. Mediation of the price of purchase or redemption of claims and conditions thereof under Article 29 (5);
3. Mediation of the value of monetary penalty and the distribution of paid monetary penalty under Article 30 (3);
4. Judgment of whether the resolved matters of the council are violated and the decision on implementation thereof;

5. Enactment or amendment of the provisions relevant to the operation of the mediation committee; and

6. Other matters as prescribed by the Presidential Decree relevant to the operation of the council.

(5) The mediation committee shall independently perform the duties belonging to its authority.

(6) The mediation committee shall adopt resolutions with an affirmative vote of 2/3 or more of the total members.

(7) Matters necessary for the organization, operation, etc. of the mediation committee shall be prescribed by the Presidential Decree.

Article 32 (Mediation Application)

(1) A financial institution creditor may, where it has any objection to matters deliberated by the council, file a request with the mediation committee in writing containing the details of application.

(2) The financial institution creditor filing an application for mediation under paragraph (1) shall provide a prima facie evidence that it has exerted all efforts for an autonomous consultation.

Article 33 (Mediation Procedures, etc.)

(1) The mediation committee shall without delay notify the financial institution creditor and the council of the result of mediation of an application for mediation under Article 32.

(2) Mediation by the mediation committee shall have the same effects as a resolution of the council: Provided, that any financial institution creditor dissatisfied with the result of mediation may apply to the competent court for a modification thereof.

CHAPTER V SPECIAL CASES FOR PROMOTION OF CORPORATE RESTRUCTURING

Article 34 (Special Cases of Restriction, etc. on Investment and Asset Management)

(1) Where a financial institution creditor converts the debts of an enterprise into equity or performs the readjustment of claims under a resolution of the council for the purpose of corporate restructuring, the provisions listed in any of the following items shall not be applicable:

1. Article 37 and item 1 of Article 38 of the Banking Act;

2. Article 19 of the Insurance Business Act;

3. Article 17 of the Merchant Banks Act;

4. Article 24 of the Act on the Structural Improvement of the Financial Industry;
and

5. Other provisions of the laws and subordinate statutes as prescribed by the Presidential Decree among the laws and subordinate statutes related to the restriction, etc. on investment and asset management.

(2) Where the financial institution creditor converts the debts into equity under paragraph (1), the relevant enterprise with insolvency signs may, notwithstanding the provisions of Article 417 of the Commercial Code, issue its stocks at the price below the face value upon only a resolution of the stockholders' general meeting under Article 434 of the Commercial Act, without obtaining an authorization from the competent court. In such case, the stocks shall be issued within one month from the date of resolution at the stockholders' general meeting, unless otherwise resolved by the stockholders' general meeting.

Article 35 (Special Cases of Corporate Restructuring Investment Company)

(1) A corporation for which the dissolution or liquidation procedures are in progress under the Bankruptcy Act, to the extent that such corporation has been a financial institution under item 1 of Article 2 of the Act on the Structural Improvement of the Financial Industry, shall also be deemed to be a financial institution creditor under item 1 of Article 2 of the Corporate Restructuring Investment Company Act.

(2) Where the financial institution creditor under item 1 of Article 2 of the Corporate Restructuring Investment Company Act invests in a corporate restructuring investment company, the provisions of item 1 of Article 38 of the Banking Act shall not be applicable.

(3) Notwithstanding the provisions of Article 23 (1) of the Credit Guarantee Fund Act and Article 28 (1) of the Act of the Financial Assistance to New Technology Businesses, the assets under contracts for corporate restructuring under the Corporate Restructuring Investment Company Act that are held by a credit guarantee fund and a technology credit guarantee fund, may be invested in kind in the corporate restructuring investment company or be transferred to it.

(4) Notwithstanding the provisions of Article 19 (1) of the Financial Holding Companies Act, any subsidiary company of a financial holding company may control a corporate restructuring investment company.

????????????CHAPTER VI CORRECTIVE MEASURES AND PENAL PROVISIONS

Article 36 (Corrective Measures against Financial Institution Creditor)

(1) The Financial Supervisory Commission may, where any financial institution creditor commits an act falling under any of the following items, request a correction thereof within a fixed period:

1. Where it neglects the assessment of credit risks or the post management measures in contravention of Article 9 (1);
2. Where it fails to commence the management procedures without any justifiable grounds in contravention of Article 12;
3. Where it renders the fund supports in contravention of Article 15 (3);
4. Where it violates Article 16 (3) or 21 (1) or (3); and
5. Where it sells its retained claims or entrusts its management right in contravention of Article 24 (4).

(2) Where the financial institution creditor in receipt of a request for corrections under paragraph (1) fails to comply with the request for corrections within the specific period without any justifiable grounds, the Financial Supervisory Commission may request or order the relevant financial institution creditor to take measures falling under any of the following items:

1. Caution, warning, censure or salary reduction against the financial institution creditor and its officers and employees;
2. Suspension of the officers' duties or appointment of a substitute manager performing the officers' duties;

3.Suspension of part of the business; and

4.Other measures similar to items 1 through 3, that are deemed necessary for the correction of violated matters.

Article 37 (Penal Provisions)

Any person who has committed an act falling under any of the following items shall be punished by imprisonment for not more than 5 years or by a fine not exceeding 30 million won:

1.A person who has forged, altered, or mutilated the accounting information prepared pursuant to the internal accounting management system in contravention of Article 4 (2); or

2.A person who has divulged the secret related to the identity, etc. of the reporter or notifier in contravention of Article 6 (2).

Article 38 (Joint Penal Provisions)

If the representative of a juristic person, or an agent, an employee or any other employed person of the juristic person or an individual commits such an act as prescribed in Article 37 in connection with the affairs of said juristic person or individual, not only shall such an actor be punished accordingly, but the juristic person or individual shall be punished by a fine under the same Article.

Article 39 (Non-penal Fine for Negligence)

(1) A person who falls under any of the following items shall be punished by a non-penal fine for negligence not exceeding 30 million won:

1.A person who has not established the internal accounting management system in contravention of Article 4 (1); or

2.A person who has not examined whether the internal accounting management system was complied with or has failed to indicate opinions on such compliance on the audit reports in contravention of Article 5.

(2) A non-penal fine for negligence under paragraph (1) shall be levied and collected by the Financial Supervisory Commission under the conditions as prescribed by the Presidential Decree.

(3) A person dissatisfied with the imposition of a non-penal fine for negligence under paragraph (2) may file an objection with the Financial Supervisory Commission within 30 days from the date of receiving a notice of the said imposition.

(4) Where a person subjected to a imposition of a non-penal fine for negligence under paragraph (2) raises an objection under paragraph (3), the Financial Supervisory Commission shall, without delay, notify the competent court, which in turn shall proceed to a trial on a non-penal fine for negligence pursuant to the Code of Non-Contentious Litigation Case.

(5) If neither an objection is raised nor is a non-penal fine for negligence paid within the period as prescribed in paragraph (3), the said non-penal fine for negligence shall be collected by referring to the practices of impositions on defaulted national taxes.

ADDENDA

Article 1 (Enforcement Date)

This Act shall enter into force one month after the date of its promulgation.

Article 2 (Effective Period)

(1) This Act shall be effective up to and including December 31, 2005.

(2) In applying the penal provisions and a non-penal fine for negligence to the offences committed during the period whereto this Act is applicable, this Act shall be applicable even after this Act becomes invalid.

(3) Where the main creditor bank notifies a convocation of the council within the valid period of this Act, this Act shall be applicable not later than the completion or interruption of management procedures under Article 12 (1).

Article 3 (General Transitional Measures)

Any resolution, suspension of exercising claims, execution of an agreement for implementing the management normalization plans, readjustment of claims, and other activities taken or conducted by the main creditor bank or the council prior to the enforcement of this Act against the enterprises with insolvency signs for which the management normalization is in progress pursuant to an agreement of the financial institution creditors at the time of enforcement of

this Act, shall be deemed the activities that have been performed by the main creditor bank or the council pursuant to this Act.

Article 4 (Applicable Cases)

(1) The provisions of Article 18 shall be applicable beginning with the portion of credit extension first provided after the enforcement of this Act.

(2) The provisions of Articles 28 through 30 shall be applicable beginning with the case of resolution taken by the council after the enforcement of this Act.