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UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY
HONORABLE JOHN K. SHERWOOD
CASE NO. 16-27041 (JKS)
Chapter 15

In re:

HANJIN SHIPPING CO., LTD.,¹

Debtor in a Foreign
Proceeding.

**DECLARATION OF WAN SHIK LEE
NAM IN SUPPORT OF VERIFIED
CHAPTER 15 PETITION FOR
RECOGNITION OF FOREIGN MAIN
PROCEEDING**

I, Wan Shik Lee, pursuant to 28 U.S.C. § 1746, hereby submit this declaration (the “Declaration”) under penalty of perjury under the laws of the United States as follows:

1. I am an attorney licensed, and in good standing, to practice in the Republic of Korea. I am a member of the law firm of Lee & Ko, which is located in the Republic of Korea.
2. Lee & Ko has been retained by Hanjin Shipping Co., Ltd. (“Hanjin,” the “Company” or the “Debtor”) with the authorization of the Korean Bankruptcy Court (as defined below), to represent the Company as its primary counsel in its Korean rehabilitation proceeding

¹ The last four digits of Hanjin Shipping Co., Ltd.’s Business Registration Number are 1835. The Debtor’s main corporate and mailing address is Hanjin Shipping Bldg., 25 Gukjegeumyung-Ro 2-Gil, Yeongdeungpo-Gu, Seoul 07327, Korea.

and as Korean counsel in connection with this Chapter 15 case.

3. I have been practicing law in Korea for 6 years. The focus of my practice is litigation, bankruptcy, and corporate restructuring. I was educated in Korean law at Seoul National University. I graduated in 1988 with a bachelor's degree in law. I have extensive experience with bankruptcy and corporate restructuring cases in Korea.

4. This declaration is comprised of matters that are statements of legal opinion and/or statements of fact. Where the matters stated in this declaration are statements of legal opinion, such statements reflect Korean law based on my education and years of experience practicing Korean law in Korea. Where the matters stated in this declaration are statements of fact, they are either: (i) based on my personal knowledge, and are known to me to be true and accurate, or (ii) if not within my personal knowledge, are derived from documents and/or information supplied to me by or on behalf of the Petitioner Tai-Soo Suk ("Petitioner" or the "Foreign Representative"), an inside director and duly authorized foreign representative of the Company, and are true to the best of my knowledge, information, and belief.

5. I submit this declaration in support of the petition for recognition of a foreign main proceeding and related relief made pursuant to chapter 15 of title 11 of the United States Code (the "Bankruptcy Code").

6. The Company is a Korean Composite Stock Price Index (KOSPI)-listed company established in Korea. It is involved in shipping, port operating system development, harbor loading, unloading services, and other related services.

7. It is currently the largest shipping company in Korea, operating approximately 60 regular lines worldwide, with 140 container or bulk vessels. It is ranked as the world's ninth largest container shipping company, transporting over 100 million tons of

cargo per year. It also operates 13 terminals specialized for containers, two distribution centers and six Off Dock Container Yards (ODCY) in major ports and inland areas around the world. The Company is a member of "CKYHE," a global shipping conference and also a partner of "The Alliance," another global shipping conference to be launched in April 2017. The company's website is <http://www.hanjin.com>.

The Korean Bankruptcy Proceeding

8. On August 31, 2016, the Company filed an application (the "Application") under Korea's Debtor Rehabilitation and Bankruptcy Act (as amended, the "HDRBA"). A copy of the Application is attached as **Exhibit A**.

9. The 6th Bankruptcy Division of the Seoul Central District Court (the "Korean Bankruptcy Court") received the Application and on the same day entered provisional orders granting a general injunction and the preservation of disposition of the Company's assets (the "Stay Order"). A copy of the Stay Order and English translation are attached as **Exhibit B**.

10. The Stay Order was effective pending the Korean Bankruptcy Court's entry of the order commencing the rehabilitation proceeding with respect to the Company ("Commencement Order"), which was issued on September 1, 2016. The Commencement Order appointed the Authorized Representative to act as the Company's custodian. A certified copy of the Commencement Order and English translation are attached as **Exhibit C**.

11. Upon entry of the Commencement Order, and in accordance with Article 74(3), 74(4) and 640 of the DRBA, Petitioner, as custodian, has the power to conduct all of the Company's business, manage all of its property, and carry out relevant activities overseas for Korean bankruptcy purposes and procedures - all under the conditions prescribed by the relevant foreign legislation, subject to the Korean Bankruptcy Court's supervision. Accordingly, the

Petitioner is authorized to act as “foreign representative” of the Company in this chapter 15 case.

Reasons for Korean Bankruptcy Filing

12. After the global recession and financial crisis following the subprime crisis in the United States in 2008, the global shipping business experienced a drastic decrease of transported goods. The subsequent recession in Europe and the economic slowdown in China prolonged the decrease in global shipping business.

13. Since 2012, the financial issues facing the global shipping industry were exaggerated by the excess supply in vessels that greatly exceeded the need for transported goods. These factors contributed to the Company’s poor financial performance.

14. Facing a liquidity crisis, the Debtor pursued negotiations with the council of creditor banks, including Korea Industrial Bank, the main creditor. The Debtor proposed a memorandum of understanding whereby the creditors would agree to suspend the exercise of their rights for three months, during which time the Debtor would propose a management recovery plan.

15. The Debtor, in negotiations with the creditors, agreed to form “The Alliance” and submitted a self-rescue plan providing for 400 billion KRW (\$1=1,1515 KRW) by liquidating terminals and company buildings and selling its trademarks, while continuing to negotiate reduction in freight charges.

16. Nevertheless, on August 30, 2016, the banks advised the Debtor of their decision to reject future financing. This ended the negotiations.

17. Accordingly, on August 31, 2016, the Debtor applied to the Korean Bankruptcy Court for the commencement of rehabilitation. On the same day, it requested and

was granted a general injunction and the preservation of disposition of the Company's assets.

The Court's decision to commence the rehabilitation was made on September 1, 2016.

Overview of Rehabilitation Proceedings under Korean Law

18. This section sets forth the parts of the DRBA that govern the Company's Korean rehabilitation filing and related rehabilitation proceeding. Under Article 34 of the DRBA,² the debtor company may file an application for commencement of a rehabilitation proceeding under the following circumstances: (i) such debtor cannot repay its debts as they come due without significantly burdening its business operations, or (ii) there is a likelihood that an event which may cause the debtor to become insolvent may occur. For circumstance (ii) above, a creditor or creditors holding claims amounting to ten percent (10%) or more of the company's paid-in capital or shareholders holding ten percent (10%) or more of the debtor company's total issued and outstanding shares also may file the application for commencement of a rehabilitation proceeding.

19. Upon commencement of the rehabilitation proceeding, new attachments by creditors of a debtor company's property are prohibited. DRBA Art. 58(1). Additionally, all current attachments by creditors on the debtor company's property are suspended. DRBA Art. 58(2). Also, upon commencement of the rehabilitation proceeding, litigation procedures against the debtor's assets shall be suspended. DRB Art. 59(1).

20. Upon commencement of the rehabilitation proceeding, in principle, the court will appoint a custodian. DRBA Art. 50. The court-appointed trustee is required to occupy, obtain, and manage the property belonging to the debtor company. DRBA Art. 89.

² The references cited herein are reference to the DRBA, an English translation of which is attached hereto as Exhibit D.

Generally, the rehabilitation trustee exercises discretion in managing and administering the debtor company's property. DRBA Arts. 56, 61, 89.

21. The creditors of a debtor subject to a rehabilitation proceeding are required to assert their claims in that proceeding. DRBA Arts. 147, 148. More specifically, upon the commencement of the rehabilitation proceeding, the trustee will prepare a list of the creditors' claims. If the claims are correctly specified in such list, the filing of proofs of claims will not be required. However, if the claims are not specified or specified incorrectly, the creditors must file their claims and proofs of claims within a period of time designated by the court. Thereafter, the trustee, the debtor and/or the rehabilitation creditors are entitled to inspect the existence, context and cause of filed and specified claims within a timeframe set by the court (the "Inspection Period"). If the trustee, the debtor, or a rehabilitation creditor does not accept the filing of a claim, the subject creditor must file an application for confirmatory action within one month from the last day of the Inspection Period. DRBA Art. 170(2).

22. Once a confirmatory action is filed, the court reviews the filing and gives its decision. Any party that objects to the court's decision may file an objection within one month from receipt of the decision, following which the case is moved to the ordinary court and is reviewed in accordance with ordinary civil procedure.

23. After a draft of rehabilitation plan is prepared and submitted by the trustee and/or rehabilitation creditors to the court, the interested parties meet to review the plan. Finally, the interested parties meet again to vote on the rehabilitation plan.

24. A rehabilitation plan may call for rescheduling of the debtor's debt over a period not to exceed, in principle, ten years, except when corporate debentures are issued pursuant to the rehabilitation plan. Any secured rehabilitation claims and unsecured


irrevocably extinguished even if the rehabilitation proceeding is subsequently terminated by the court.

25. In practice, if a debtor company completes the performance of its obligations under the rehabilitation proceeding or the court deems that the debtor company will perform its obligations without any problems, the court may terminate the rehabilitation proceeding with respect to the company at which point the company will no longer be subject to the proceeding. However, if the rehabilitation proceeding is discontinued due to the company's failure to comply with the rehabilitation plan and the grounds for bankruptcy exist, the court will terminate the rehabilitation plan and the grounds for bankruptcy exist, the court will terminate the rehabilitation proceeding and declare the company bankrupt.

26. Generally, companies in rehabilitation under the DRBA have an opportunity to achieve a collective outcome that is generally beneficial to company stakeholders such as creditors, customers and employees.

27. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed at Seoul, Republic of Korea on September 2, 2016


Wan Shik Lee
Attorney at Law, Partner at Lee & Ko