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TRUE STORY****December 30, 2009**

Korean Leader Pardons Samsung's Ex-Chairman

By CHOE SANG-HUN

SEOUL, South Korea — Lee Kun-hee, the former chairman of Samsung who was convicted of embezzlement and tax evasion, was pardoned by President Lee Myung-bak on Tuesday. The move drew criticism from civic groups that said it was another example of leniency for South Korean tycoons guilty of serious crimes.

The president said he decided to grant a special amnesty to Mr. Lee, who was not imprisoned, so that the businessman could retain his membership at the International Olympic Committee and lead a campaign by the South Korean city of PyeongChang to host the 2018 Winter Olympics.

In a Supreme Court ruling this year, Mr. Lee, 67, received a suspended three-year prison sentence for evading tens of millions of dollars in taxes and embezzling corporate money.

The court case stemmed from allegations from civic groups and Samsung's former chief legal counsel that Mr. Lee had managed a vast sum of illegal funds and helped his son, Lee Jae-yong, an executive at Samsung Electronics, buy shares of subsidiaries at unfairly low prices in a scheme to hand over control of the conglomerate to the son. Lee Kun-hee resigned as Samsung chairman in April 2008 after he was charged with tax evasion and breach of trust.

Groups like the People's Solidarity for Participatory Democracy called the pardon another deplorable case of government leniency toward convicted business tycoons in the name of "national interest."

"The latest pardon reconfirms a common saying in South Korea that Samsung lies above the law and the government," said Kim Sang-jo, an economist at Hansung University and executive director of Solidarity for Economic Reform, a civic group. "President Lee talked about national interest, but a criminal convict traveling around the world campaigning for South Korea's Olympic bid will only hurt our national interest and image."

There was no immediate official comment from Samsung on Tuesday.

Over the decades, corruption scandals have regularly drawn in Samsung, the country's largest conglomerate, as well as other family-controlled businesses. They have led South Korea's rapid industrialization and still dominate the export-driven economy.

But judges have often given light sentences to top executives convicted of crimes, saying that incarcerating them would disrupt the economy. In many cases, such sentences have been quickly erased by presidential pardons, raising doubts among foreign investors hoping for tighter corporate governance in South Korea.

Mr. Lee headed Samsung for more than two decades until he stepped down after the group's former chief legal counsel, Kim Yong-chul, asserted in 2007 that Samsung had kept a stash of secret funds to run a network of bribery. Mr. Kim said Samsung had used the money to influence officials, prosecutors, judges and politicians.

But prosecutors found no evidence of bribery, although they indicted Mr. Lee last year on charges of evading taxes on 4.5 trillion won (\$3.8 billion), by hiding the money in stock accounts under the names of his aides.

In a ruling in July last year, a judge at the Seoul Central District Court said Mr. Lee had failed to pay 45.6 billion won (\$39 million) in taxes, but his wrongdoing was not serious enough to put him in prison. Mr. Lee paid the taxes as well as 110 billion won (\$94.3 million) in fines.

Last year, Mr. Lee voluntarily suspended his I.O.C. membership until his legal problems ended. In recent weeks, the 2018 PyeongChang bidding committee and lobbying groups for big businesses had appealed to President Lee, a former Hyundai business executive, to pardon Mr. Lee, the former Samsung executive, who is not related to the president.

It remained unclear whether the I.O.C., which has vowed to fight corruption among its members, would restore Mr. Lee's membership because of a pardon South Korea instituted to influence the Olympic bidding process. Samsung is an important Olympic sponsor.

PyeongChang is making its third bid to host the Winter Olympics. In 2007, the city lost to the Russian city of Sochi for the 2014 Games. In 2003, it lost to Vancouver for the 2010 Games. PyeongChang is in the mountains about 112 miles east of Seoul.

Also unclear was whether Mr. Lee, his image tarnished but his legal troubles over, would try to return to the helm of Samsung, a conglomerate of 60 companies that makes everything from textiles to ships.

Since his resignation last year, there has been little doubt about his influence over Samsung, where he and his son remain the largest individual shareholders and where their loyal aides hold critical posts at subsidiaries.

During Mr. Lee's tenure, Samsung Electronics had become South Korea's best-known and most profitable global brand name. It is now the world's largest maker of televisions, flat-panel screens and computer memory chips, as well the second-largest producer of mobile phones, after Nokia.

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