



UNITE HERE LOCAL 40

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July 7, 2021

Mr. Robert Philipps
Chair of the Board
CWB Financial Group
10303 Jasper Avenue NW, Suite 3000
Edmonton, AB
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Dear Chairman Phillipps,

We write to bring your attention to material information regarding a CWB client, DSDL Canada Investments, a subsidiary of Seoul-based DSDL Co. (“DSDL”). DSDL owns Hilton Vancouver Metrotown which locked out hotel workers on April 15, 2021. The lockout, now entering its twelfth week, is jeopardizing millions of dollars in current and future business to the hotel. Moreover, disturbing information has come to light regarding past financial crimes committed by DSDL’s Chairman and founder. We urge CWB to closely scrutinize DSDL’s corporate history and re-evaluate present risks.

In previous letters to CWB, we raised our concerns over the major financial impact of the lock-out. The hotel stands to lose millions due to a boycott by the BC Federation of Labour. Lufthansa Airlines moved its business to another hotel, while corporate customers and sports organizations have cancelled future bookings. A dozen of BC’s largest unions who are also long-term customers escalated their boycott by pledging not to use the hotel in 2022 if the dispute was not resolved by June 30. That date has passed; the loss of this union business alone represents up to \$2 million annually. The company’s refusal to mitigate the financial and reputational cost of the boycott has harmed the hotel and its ability to fulfill its duties to its customers.

We also urged the bank to closely scrutinize the business practices of DSDL. Our research indicates that the company’s founder and Chairman, Cho Wuk Rai, has a troubling history. In September 2009, the Seoul High Court Criminal Division 2 found Mr. Cho guilty of engaging in unfair internal transactions when he was Chairman of Hyosung Machinery Group.ⁱ He was accused of setting up illegal loans between businesses he controls, which led to the bankruptcy of two publicly traded companies. He was sentenced to two and half years in prison and three years of probation.ⁱⁱ

However, he did not serve his full sentence. Despite being convicted of illegal behaviour that bankrupted two publicly traded companies, he received a special pardon for his charges from President Lee Myung-bak on Korean National Liberation Day in August 2010.ⁱⁱⁱ President Lee’s daughter is married to Cho’s nephew.^{iv}

DSDL’s Chairman was convicted for financial wrongdoing previously. In 1998, Seoul District Prosecutor’s Office indicted Mr. Cho for embezzling 12 billion won of company funds and causing 5.3

billion won of losses to his company.^v He was sentenced to two and half years of prison, plus three years of probation, in February 2002 by the Seoul High Court.^{vi} Less than a year later, he received a pardon from the Korean government alongside 121 businesspeople involved in various corruption scandals.^{vii}

In response to our correspondence regarding the financial impact of the hotel's actions and its founder's criminal record, an officer of CWB's Franchise Finance division replied that the bank "cannot comment on whether and the extent to which it does business with this or any other entity," citing client confidentiality.

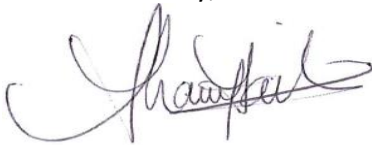
Given this response, we wonder whether CWB will commit to greater scrutiny of the hotel's financials and address our findings, based on public records, of the hotel owner's past.

DSDL's history raises several serious questions for CWB:

- Did CWB undertake proper due diligence when reviewing DSDL, and to what extent was CWB aware of DSDL's history when conducting its review of this borrower?
- Did DSDL disclose this material background information to CWB?
- Has CWB approved other loans for DSDL and its affiliates, including 53 North Collection and WH Hospitality, in addition to 0769167 B.C. Ltd?^{viii}
- Considering Hilton Metrotown has put operations at risk as a result of the lockout, has CWB weighed how this may threaten its existing loan to DSDL?
- If CWB was familiar with DSDL's history and its founder's convictions for embezzlement and illegal transactions, why did the bank approve the loan?

Given the founder's track record of illegal business activities, including embezzlement and improper loans resulting in multiple bankruptcies, we believe the Board has a duty to ensure that CWB carries out its due diligence. We urge you to ensure CWB's officers apply strict scrutiny to the financial conditions of the hotel and re-evaluate whether DSDL is a suitable client for your bank.

Sincerely,



Zailda Chan
President

cc: Board of Directors, CWB Financial Group
Chris Fowler, President and CEO, CWB Financial Group
Ed Khediguian, Senior Vice President, CWB Franchise Finance

ⁱ Lee Hanseung (2009, Sept 21) 부당내부거래조육래효성기계회장유죄[Hyosung Machinery Chairman Cho Wuk-rai guilty for unfair insider trading] Yonhap News. Retrieved from <https://www.yna.co.kr/view/AKR20090921063300004>

ⁱⁱ Ibid.

ⁱⁱⁱ Kim Nam-il (2010) M사돈의동생도덕봤다 [Younger brother of President Myung-bak's father-in-law pardoned] The Hankyoreh. Retrieved from https://www.hani.co.kr/arti/society/society_general/434998.html

^{iv} Ibid. In 2018, former President Lee Myung-bak was convicted of bribery and embezzlement and sentenced to 15 years in prison in a separate case.

^v Kim In-soo (1998, March 19) 회사재산횡령기업주사재내놓아검찰불구속기소 [CEO embezzles company property] Maekyung News. Retrieved from <https://www.mk.co.kr/news/home/view/1998/03/16149/>

^{vi} Joongang Ilbo (2002, February 23) 효성기계그룹조육래회장집행유예 [Hyosung Machinery Group Chairman termed probation] Retrieved from <https://news.joins.com/article/506827>

^{vii} Jeong Kwang-seop (2003) 정태수씨등 122명 사면복권 [122 were pardoned and rehabilitated] The Hankyoreh. Retrieved from https://www.hani.co.kr/arti/legacy/legacy_general/L582046.html

^{viii} 0769167 B.C. Ltd is named as borrower on Hilton Vancouver Metrotown's mortgage documents.