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Ms. Jonna Z. Bianco, President  
American Bondholders Foundation

Thank you for the email which you sent to me in reference to interest by the *Financial Times* regarding the Complaint which our firm has filed with the Division of Market Regulation of the Securities and Exchange Commission. I hope the *Times* staff does develop an article on this issue as it is certainly timely.

When the SEC confers the designation of Nationally-Recognized Statistical Rating Organization ("NRSRO") upon a credit rating firm, such status conveys an extremely high degree of responsibility upon the recipient firm. Accordingly, any firm which enjoys NRSRO designation should consider itself to have a fiduciary duty of the highest order to the investing public. Based upon an objective analysis of the relevant facts and circumstances with respect to the current sovereign credit ratings assigned to the long-term foreign currency debt of the People's Republic of China (the "PRC") by Standard and Poor's, Moody's and Fitch Ratings, there can be no valid argument against the fact that the present ratings are inappropriate and misleading to the investing public.

The present credit ratings assigned to the long-term foreign currency debt of the People's Republic of China by Standard and Poor's, Moody's Investors Service and Fitch Ratings are inconsistent with:

1. The United States' "One China" policy;
2. The PRC's claim to be the government of all China;
3. The passage of the anti-secession law by the PRC;
4. The United Nations' recognition of the PRC as the government of all China;
5. The recognition by (a majority of) the international community (i.e., by individual countries) of the PRC as the government of all China;
6. The renouncement by Taiwan to the government of all China in 1992;
7. The existence of established conventions of international law with respect to the obligation of a successor government to honor the full faith and credit sovereign obligations of a predecessor government;
8. The language which appears on the bond certificates and in the loan agreement mandating that the defaulted full faith and credit sovereign obligations of the government of China are to be binding upon any successor government (and were sold to global investors on that representation);
9. The existence of several recent precedents for settlement, including the 1987 settlement with citizens of Great Britain, current settlement negotiations involving claims of French bondholders, and Russia's recent settlement of its pre-1917 Czarist-era debt; and
10. China's invocation of international law when it suits their purpose.<sup>1</sup>

It should be apparent to any objective observer that a "selective default" classification (in the case of S&P) is clearly mandated. The failure to assign such a classification to the sovereign credit rating of the People's Republic of China represents a grave breach of the responsibility which accompanies the NRSRO designation. This is especially true in light of the fact that U.S. bondholders are victims of both selective default and a discriminatory settlement. Thank you for allowing me the opportunity to reiterate our position on this matter.

Sincerely,

/s/

Kevin O'Brien, President

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<sup>1</sup> We note with interest that the People's Republic of China demanded as a condition of support for the U.N. Security Council resolution pertaining to weapons inspections in Iraq that any successor Iraqi government be held responsible for payment of the previous government's sovereign debt.