

Summary of Complaint

Filed with the U.S. Securities and Exchange Commission on Behalf of Defaulted U.S. Creditors

Defaulted Sovereign Debt of the Government of China

American Bondholders Foundation

October 5, 2005

Summary of SEC Complaint (as Amended)

The primary specifications of complaint which we assert against the three major nationally recognized statistical rating organizations ("NRSROs"), namely the Standard and Poor's Division of the McGraw Hill Companies, Inc., Moody's Investors Service Inc., and Fitch, Inc. (the "three major NRSROs") include the following:

- ▶ That the three major NRSROs have acted, and continue to act willfully and with foreknowledge of the existence of defaulted sovereign debt of the Chinese Government under established conventions of international law in developing and maintaining credit rating classifications;
- ▶ That the three major NRSROs did intentionally develop and subsequently assign credit rating classifications to the long-term foreign currency sovereign debt of the Government of China which are provably false by the application of the agencies' own criteria and definitions to the extant facts (e.g., selective default and discriminatory settlement);
- ▶ That the actions of the three major NRSROs constitute fraudulent, deceptive, and manipulative business practices in violation of the Investment Advisers Act, under which the three major NRSROs are registered;
- ▶ That the actions of the three major NRSROs may be explained as a result of certain conflicts of interest which are endemic to the business practices of the three major NRSROs and which predict the present situation;
- ▶ That an examination of the extant facts in comparison with the criteria published by the respective agencies which describes the subject rating classifications evidences the application of a reckless standard of care in the development of the subject rating classifications;
- ▶ That the actions of the three major NRSROs have caused, and continue to cause economic injury to defaulted creditors of the Government of China in their attempt to enforce the sovereign debt contract;
- ▶ That the actions of the three major NRSROs have created a tort claim on the part of defaulted creditors of the Government of China;
- ▶ That repetitive upgrades and continued maintenance of provably false credit rating classifications assigned to the Chinese Government by the three major NRSROs constitute a pattern of deceitful and harmful actions and, in conjunction with the use of the mails and other means of interstate commerce by the three major NRSROs to disseminate their ratings, constitute violation(s) of the Racketeer Influenced Corrupt Organizations ("RICO") Act;
- ▶ That the actions of the three major NRSROs (e.g., application of a reckless standard of care, foreknowledge of contrary facts, intentional deviation from established procedures, infliction of injury on defaulted creditors, and violations of the Advisers Act under which the three major NRSROs are registrants) deprive the three major NRSROs of the protection otherwise afforded by the First Amendment; and
- ▶ That an examination of the extant facts demonstrates that immediate enforcement action is appropriate and mandated by the United States Securities and Exchange Commission.