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February 5, 2002

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Via FEDEX

People's Republic of China
Embassy of the People's Republic of China
2300 Connecticut Avenue NW
Washington D.C. 20008

Ministry of Finance
Sanlihe, Xichengqu
Beijing, China 100820

RE: Chinese Government 5% Reorganization Gold Loan of 1913 Bearer Bonds -- **DEMAND FOR FAIR SETTLEMENT OF CLAIMS**

Officials of the Government of China:

We represent over 150 American citizens from more than 25 states who are the holders of 16,795 Chinese Government 5% Reorganization Gold Loan of 1913 Bearer Bonds, £20 each, and 1,466 Chinese Government 5% Reorganization Gold Loan of 1913 Bearer Bonds, £100 each (the "Chinese Gold Loan Bonds")¹. I enclose a photocopy of one of the bonds.

These 18,261 Chinese Gold Loan Bonds are by their express terms full faith and credit obligations of the Government of China. The Chinese Government has failed to make payments on the Bonds since 1939. Principal and accrued interest are now due and payable.²

The bondholders have formed the American Bondholders Foundation, LLC and the American Bondholders Foundation (a charitable, not for profit organization)

¹ We anticipate that more bondholders who own additional full faith & credit Chinese Government bonds will join this claim.

² In addition, we represent some American bondholders who also own several hundred U.S. Dollar denominated Chinese Government general obligation bonds issued between 1925 – 1940. The Chinese Government is also obligated to pay these bonds.

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to obtain the payments to which they are lawfully entitled as bondholders and to share a large amount of their settlement proceeds with humanitarian, charitable and civic organizations located throughout the United States.

We have previously submitted a claim to the People's Republic of China under cover of my letter dated June 11, 2001 in both English and Mandarin Chinese for 991 of these 18,261 Chinese Gold Loan Bonds. Although this is a valid claim, the Chinese Government has regrettably and inexplicably failed to respond in any way.

The amount of unpaid principal and accrued interest payable on each £20 Bond is £2,614,240.752 (Two Million Six Hundred Fourteen Thousand Two Hundred Forty and 752/thousand British Pound Sterling). The amount payable for all of the 16,795 Chinese Gold Loan £20 Bonds held by our clients is £43,906,173,429.84 (Forty Three Billion Nine, Hundred Six Hundred Million, One Hundred Seventy Three Thousand, Four Hundred Twenty Nine and 84/100 British Pound Sterling).

The amount of unpaid principal and accrued interest payable on each £100 Bond is £13,071,203.76 (Thirteen Million, Seventy One Thousand, Two Hundred Three and 76/100 British Pound Sterling). The amount payable for all 1,466 Chinese Gold Loan £100 Bonds held by our clients is £19,162,384,712.16 (Nineteen Billion, One Hundred Sixty Two Million Three Hundred Eighty Four Thousand, Seven Hundred Twelve and 16/100 British Pound Sterling).

The total sum owed by the Chinese Government for all 18,261 Chinese Gold Loan Bonds (both £20 and £100 denominations) is £63,068,558,142 (Sixty Three Billion, Sixty Eight Million, Five Hundred Fifty Eight Million, One Hundred Forty Two British Pound Sterling)³.

The Chinese Government, through the administration of the Hongkong & Shanghai Banking Corporation, Deutsche Bank and three other international banks, issued the bonds in 1913 as full faith and credit obligations of the Government of China. These are bearer bonds that matured in 1960 with interest payable twice per year upon delivery of coupons attached to the bonds. No payments have been made on these 18,261 bonds since the Chinese Government defaulted in 1939 (as evidenced by the continued attachment of the 1939-1960 payment coupons). Under the terms of the instruments governing the 18,261 Chinese Gold Loan Bonds,

³ This converts to \$89,279,881,403.82 United States Dollars.

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principal and accrued interest on the bonds are delinquent and, therefore, are presently due and payable.

Paragraph 5 of the bonds provides that the Hong Kong & Shanghai Banking Corporation shall make payment in sterling upon presentation of the bonds and their attached coupons to the bank's London, England office. Our clients are prepared, and have previously provided written notice to Hong Kong & Shanghai Banking Corporation of their intention, to deliver the Bonds for payment. However, the Hong Kong & Shanghai Banking Corporation has notified us that, despite the contractual obligation of the Chinese Government to have deposited adequate funds with the Banks to make the required payments, the Hong Kong & Shanghai Banking Corporation has not received funds from the Chinese Government to honor the payment obligation. Accordingly, our clients have no alternative but to make this immediate demand to the Government of China for payment.

Under general international law principles, the People's Republic of China as the recognized government of China is fully liable for payment of these full faith and credit bonds.

The Chinese Government has, despite its clear obligations under international law and established laws of commerce, failed to fulfill its responsibility to make payment on these Bonds to American bondholders. The Chinese Gold Loan Bonds currently owned and held by our clients are not covered by either the 1979 agreement between the United States and China or the June 5, 1987 Agreement between China and Great Britain. The Government of China has no legal right under international law or otherwise to renounce full faith and credit obligations of the Chinese Government entered into prior to 1949. The 18,261 Bonds of our clients remain the valid obligation of the Government of China.

It is unreasonable for the Chinese Government and its state affiliated businesses to continue to access the lucrative American capital and commercial markets, including the broad legal protections afforded to the Chinese Government and its state affiliated companies under American business laws, if the Chinese Government continues to fail to honor its fundamental financial obligations to holders of full faith and credit bearer bonds of the Chinese Government.

The American Bondholders Foundation has communicated with many United States government officials and American charitable organizations regarding the

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legal duty of the Chinese Government to honor its obligations to pay American bondholders for the delinquent and unpaid 18,261 Chinese Gold Loan Bonds. We are receiving increasing support for our claim that the Chinese Government should honor its contractual obligations. Many Americans do not understand why the United States Government continues to pay United States Government Treasury bonds and notes held by the Chinese Government and instrumentalities of the Chinese Government at a time when the Chinese Government has defaulted on its full faith and credit bond obligations payable to Americans.

In accordance with the terms of the Bonds and the related Loan Agreement, we demand that the Chinese Government immediately deposit with the Hong Kong & Shanghai Bank in London £63,068,558,142 (Sixty Three Billion, Sixty Eight Million, Five Hundred Fifty Eight Million, One Hundred Forty Two British Pound Sterling)⁴, which is the amount that fully honors our clients' payment rights under the 16,795 £20 Bonds and the 1,466 £100 Bonds. Alternatively, contact me or Jonna Z. Bianco, President of the American Bondholders Foundation, immediately to make arrangements to remit payment directly to our clients or to enter into negotiations to reach a full, fair and prompt settlement that satisfies the Chinese Government's obligations to our clients. Thank you.

Sincerely yours,

B. Riney Green

cc: American Bondholders Foundation

Banks:

Hong Kong & Shanghai Banking Corporation
Deutsche Bank

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020702

⁴ This converts to \$89,279,881,403.82 United States Dollars.