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**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA**

**TAIWAN CIVIL RIGHTS LITIGATION  
ORGANIZATION (TCRLO),  
FORT NIGHT HOLDINGS LLC, and  
PACIFIC SENTRY ASSOCIATES LLC.,**

**Plaintiffs,**

**v.**

**KUOMINTANG BUSINESS  
MANAGEMENT COMMITTEE (KBMC)  
and DOES 1-20,**

**Defendants.**

**NO. C10-362 JL**

**VERIFIED COMPLAINT FOR:**

- 1. AN ACCOUNTING;**
- 2. UNJUST ENRICHMENT;**
- 3. RESTITUTION;**
- 4. DECLARATORY JUDGMENT.**

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**I. INTRODUCTORY STATEMENTS REGARDING COMPLAINT**

1. This is a civil action arising under international law and the laws of the United States of America on behalf of named plaintiffs hereafter referred to as *bondholders*, who have suffered monetary loss due the systematic and corrupt financial practices by an organization currently known as the Kuomintang Business Management Committee hereinafter abbreviated as KBMC, which under various names exerted substantial control over the finances of the Government of China (1912-1926) and the Republic of China (ROC) from 1927 until approximately 2000 and currently functions as a private, non sovereign entity managing banks, shipping lines, technology companies and assorted other businesses ventures worth an estimated \$6 billion dollars.

2. This action is made necessary by the refusal of the non defendant sovereign entities ROC and the Peoples Republic of China (PRC) to honor numerous defaulted securities known as *bearer bonds* and owned by plaintiff bondholders. This is a legal action against the KBMC as the ultimate beneficiary of these defaulted bonds to provide an accounting of converted assets and disgorge property in its possession and restore the profits of unjust enrichment.

3. Defendant KBMC has long been involved in the finances of both the public and private sectors of China, Hong Kong, and Taiwan. At the outbreak of the Second World War in 1939, the ROC defaulted on all of its foreign debt obligations known as “bearer bonds.” It then issued other bonds sold to overseas Chinese known as Victory and Allied bonds and similarly defaulted on these bonds in 1949 when the ROC fled into exile on Taiwan. The ROC in exile by Presidential Order on October 29, 2003 and implemented from March 1, 2004 by the Order of the Executive Yuan decreed that the following debts shall not be repaid prior to national unification:

- 1. Outstanding foreign currency bonds issued in the Mainland prior to 1949 and the short-term Gold Bonds of 1949.
- 2. Various debts owed by any government bank as well as any other financial institution accepting deposits before their retreat from the Mainland

In 2008, the United States District Court for the Southern District of New York found that

1 certain bondholder claims against the PRC were barred by the statute of limitation. *Morris v.*  
2 *PRC*, 478 F. Supp. 2d 561.

3 5. Plaintiff bondholders seek an accounting, declaratory relief, restitution, disgorgement,  
4 and other remedies from KMT regarding a cross section of Chinese bearer bonds in their  
5 possession.

## 7 II. DEFINITIONS

8 6. The term “bearer bond” refers to an unregistered debt security issued in this case by  
9 the Government of China or ROC in which no records are kept of the owner, or the transactions  
10 involving ownership. Whoever physically holds the paper on which the bond is issued owns the  
11 instrument. All the bonds mentioned herein are bearer bonds.

12 7. The term “defaulted bonds” in terms of this action refers only to the issues possessed  
13 by plaintiff bondholders for which they have paid value and in good faith that these are actual  
14 securities that may be eventually redeemed through legal or extra-legal means and in reliance  
15 on the ROC presidential decree of 2003.

16 8. Republic of China (ROC) refers to the government of China 1927-1949 and the  
17 government of the Republic of China in Exile on Taiwan 1949 to present which is still  
18 recognized by a small number of minor countries as the legitimate government of China. The  
19 ROC in exile also claims to be the government of Mongolia, and Touva, a Russian province.

20 9. Government of China refers to the Chinese government in the period after the fall of  
21 the Imperial Chinese Government in 1912 and the recognition of the Kuomintang controlled  
22 Republic of China in 1927.

23 10. Peoples Republic of China (PRC) refers to the currently recognized government of  
24 China.

25 11. Kuomintang (KMT) refers to the Chinese Nationalist Party which was the ruling  
26 party of portions of China from 1917-1927 and the ROC from 1927-2000. The Kuomintang  
27 structure was organizationally modeled on the Communist Party of the Soviet Union and thus  
28 functioned in tandem with the ROC despite being a separate entity. With the election of Chen

1 Shui-bian of the Democratic Progressive Party as president of the ROC in exile on Taiwan in  
2 2000, the symbiotic relationship between the KMT and the ROC was severed.

### 3 4 **III. JURISDICTION & VENUE**

5 12. This Court has jurisdiction pursuant to 28 U.S.C. §1332(a) in that the amount in  
6 controversy in a claim asserted and sought to be asserted herein by a plaintiff exceeds the sum  
7 of \$75,000, exclusive of interest and costs and plaintiffs herein are U.S. corporate citizens and  
8 thus diverse in citizenship from defendant KBMC which is a juridic citizen of the Republic of  
9 China in Exile on Taiwan.

10 13. This Court has supplemental jurisdiction over plaintiffs' non-federal claims pursuant  
11 to 28 USC § 1367 and for any claims not otherwise covered by the aforementioned jurisdictional  
12 bases.

13 14. This Court has personal jurisdiction over the KBMC in that the named defendant  
14 conducts for profit commerce within the State of California and under the name Kuomintang as  
15 an unincorporated non profit California association long doing business pursuant to California  
16 Corporations Code § 18020 in San Francisco and Oakland and in Chinatowns throughout the  
17 United States as well as maintaining a presence in Washington, DC.

18 15. Venue is proper in this Court because the defendant is doing business in this District  
19 and may be found in this District within the meaning of 28 USC § 1391(c) and/or, as aliens, may  
20 be sued in any district pursuant to 28 USC § 1391(d).

21 16. Defendant may be found in this District and plaintiffs are unable to pursue remedies  
22 in the places where the transaction occurred in that no adequate or available remedies exist and  
23 that such efforts would be futile in that the transactions occurred in multiple jurisdictions and  
24 plaintiffs have a well founded fear of retaliation in the PRC or ROC were they to file an action  
25 in those jurisdictions.

### 26 27 **IV. STANDING OF PLAINTIFFS**

28 17. Plaintiffs Pacific Sentry Associates LLC and Fort Night Holdings LLC possess

1 specific bearer bonds enumerated *infra* issued by ROC and the Government of China from which  
2 KBMC has been unjustly enriched.

3 18. The organizational plaintiff, Taiwan Civil Rights Litigation Organization (TCRLO)  
4 has as actual members and represents members in Taiwan and elsewhere who own bearer bonds  
5 and therefore has a direct stake and interest in an accounting of and a declaratory judgement  
6 regarding these bonds. The individuals and groups represented by TCRLO may maintain an  
7 action their own right but do not do so out of fear of retaliation by the ROC and KMT or are  
8 otherwise unable to do so.

9 19. Plaintiffs Pacific Sentry Associates and Fort Night Holdings have paid monetary  
10 consideration for their bonds in secondary or tertiary markets, often above and beyond the face  
11 value of the bonds and in expectation that these bonds may one day be redeemed.

#### 12 13 **V. PLAINTIFFS**

14 20. Plaintiff Pacific Sentry Associates LLC is a Wyoming LLC holds the following  
15 bearer bonds for which it has paid reasonable value in expectation of redemption with a current  
16 face value of approximately \$10,000 US:

17 a. One Hundred Twenty Six -1913 5% Chinese Government  
18 Reorganization Gold Loan Bonds denominated £20;

19 b. Forty Seven - 5% Chinese Government Reorganization Gold Loan  
20 Bonds denominated £100;

21 c. One - 1921 8% Government of the Republic of China Lung-Tsing-U-  
22 Hai Railway Loan bond denominated 500 Belgian Francs;

23 d. One - 1937 4% National Government of the Republic of China  
24 Liberty Bond denominated 5 Yuan;

25 e. One - 1937 4% National Government of the Republic of China  
26 Liberty Bond denominated 10 Yuan;

27 f. One - 1942 4% National Government of the Republic of China Allied  
28 Victory Bond US Dollar Loan denominated \$20 US;

1 g. Pacific Sentry Associates, LLC holds on assignment the 119,920  
2 additional defaulted bonds in **Exhibit A** with a total current face value well  
3 exceeding \$2,750,000 US for which reasonable value had been paid in  
4 expectation of redemption.

5 21. Plaintiff Fort Night Holdings LLC is a Florida LLC holder of the following bearer  
6 bonds for which it has paid reasonable value with a current face value of approximately  
7 \$213,533 US.

8 a. Thirty Two - 1898 Chinese Imperial Government 4.5 % Anglo  
9 German Gold Loan denominated £100;

10 b. Two - 1899 5% Imperial Railways of Northern China Gold Bond  
11 denominated £100;

12 c. Five - 1904 5% Chinese Imperial Shanghai Nanking bonds  
13 denominated £100;

14 d. Two - 1907 5% Chinese Imperial Canton Kowloon Railway Gold  
15 Loan Bonds denominated £100;

16 e. One - 1910 Imperial Chinese Government 5% Tientsin Pukow  
17 Railway Supplemental Loan denominated £100;

18 f. One Hundred and four - 1911 Imperial Chinese Government 5%  
19 Hukuang Railways Gold Loan denominated £100;

20 g. Four 1912 Chinese Government 5% Gold Loan denominated £100;

21 h. One 1912 Chinese Government 5% Crisp Gold Loan bond  
22 denominated £500;

23 i. Six Hundred and Fifty - 1913 Government of the Chinese Republic  
24 5% Ling Tsing-U-Hai Railway denominated £20;

25 j. One thousand five hundred and Seventy Two -1913 5% Chinese  
26 Government Reorganization Gold Loan Bonds denominated £20;

27 k. Five hundred and Fifty Nine – 1913 5% Chinese Government  
28 Reorganization Gold Loan Bonds denominated £100;

- 1                   l. Two - 1913 5.5% Government of the Province of Petchili Bonds  
2                   denominated £20;
- 3                   m. One - 1916 8% Chinese Government Loan Bond denominated £100;
- 4                   n. One - 1920 Republic of China Lung-Tsing-U-Hai Railway bonds  
5                   denominated 500 Belgian Francs;
- 6                   o. Five hundred and forty one - 1925 5% Republic of China French  
7                   Bonds denominated \$50 Gold US;
- 8                   p. One - 1937 4% National Government of the Republic of China  
9                   Liberty Bond denominated 5 Yuan;
- 10                  q. One - 1937 4% National Government of the Republic of China  
11                  Liberty Bond denominated 10 Yuan;
- 12                  r. One - 1937 4% National Government of the Republic of China  
13                  Liberty Bond denominated 50 Yuan;
- 14                  s. Two - 1937 4% National Government of the Republic of China  
15                  Liberty Bond denominated 100 Yuan.

16                  22. Taiwan Civil Rights Litigation Organization (TCRLO) is a California non profit  
17                  corporation which seeks redress for its members and supporters through civil rights litigation  
18                  regarding property interests fraudulently conveyed by the KBMC. TCRLO litigates against  
19                  defendants having legal standing to be sued under the Taiwan Relations Act in U.S. Courts as  
20                  a public policy reaffirmation of statutory requirements to preserve and enhance these human  
21                  rights objectives in Taiwan.

22

23                  **VI. DEFENDANT - KUOMINTANG BUSINESS MANAGEMENT COMMITTEE (KBMC)**

24                  23. Defendant Kuomintang Business Management Committee (KBMC) is based in  
25                  Taipei, Taiwan but does business internationally in the areas of banking, shipping,  
26                  manufacturing and other commercial ventures. KBMC controls what are known as *guomindang*  
27                  *dangyingshiye* or nationalist controlled enterprises at one time equaling 30% of Taiwan's Gross  
28                  National Product (GNP). It's assets are now valued at approximately \$6 billion US.





1 Chinese expatriates in the United States and cleared through Bank of China in New York now  
2 Mega International Commercial Bank. The redemption date for these bonds was 1953 but were  
3 in default as of approximately 1948. The current value is unknown.

#### 4 5 **VIII. FACTS PERTAINING TO UNJUST ENRICHMENT**

6 29. The KBMC acquired assets through its relationship with the Kuomintang which was  
7 the government of the ROC 1927-1949 and the government of the Republic of China in Exile  
8 1949-2000.

9 30. The assets that KBMC acquired included the remaining proceeds of the defaulted  
10 bonds which were commingled with other assets in 1950 when the KMT overhauled the  
11 financial system of Taiwan under the advisement of the KBMC which profited from the  
12 conversion of Taiwanese, formerly Japanese, and Chinese assets into KMT assets at the expense  
13 of bondholders. In 1950 the KBMC was further enriched at the expense of bondholders when  
14 the ROC converted its island currency to the New Taiwan Dollar much to the detriment of those  
15 bondholders holding gold backed bonds. Upon a loss of the gold collateral of the defaulted  
16 bonds, the KBMC wrongfully acquired the surplus gold during this fraudulent conveyance in  
17 1950 at the expense of bondholders.

18 31. KBMC has profited and continues to profit as the expense of bondholders by holding  
19 assets derived from the defaulted bond issues and that may be used to redeem defaulted bonds  
20 and pay accrued interest.

21 32. Prior to 2000, the KBMC through its relationship with the KMT dictated the  
22 economic policies of the ROC including its bond issuing and redemption policies. The  
23 Presidential Decree of 2003 by Chen Shui-bian was part of his effort to sever the KMT and  
24 KBMC from the government of the ROC.

#### 25 26 **IX. LEGAL AND EQUITABLE TOLLING & ESTOPPEL**

27 33. No statute of limitations has begun to run on the equitable causes of action stated  
28 herein because defendants' misconduct is continuing; defendants have not made any reasonable

1 attempt to disgorge their illicit profits, account for property, return property, acknowledge their  
2 wrongdoing or otherwise compensate or make amends to bondholders. Defendants have  
3 continued to reap profits as a result of their actions and have refused all requests by plaintiffs for  
4 an accounting of the funds in question. Defendants are therefore estopped from interposing any  
5 type of time bar defense to these equitable claims.

6 34. The Statute of Limitation is tolled by the ROC Presidential Order on October 29,  
7 2003 of Chen Shui-bian and implemented from March 1, 2004 by the Order of the Executive  
8 Yuan that decreed that the defaulted bonds described herein shall not be repaid prior to national  
9 unification.

## 11 X. CAUSES OF ACTION

### 12 FIRST CAUSE OF ACTION - ACCOUNTING

13 35. Plaintiffs reallege and incorporate herein, as though fully set forth, the allegations of  
14 all preceding paragraphs of the Complaint.

15 36. Defendants have never accounted for or paid the value of plaintiffs' property or the  
16 profits which defendants have derived from that property..

17 37. As a result of the value of their property having been taken from them, against their  
18 will and without just payment by defendants, plaintiffs have been unable to use or invest those  
19 assets and are lacking information about the value of their bonds including demands by the  
20 Foreign Bondholders Protective Council.

21 38. Defendants have had actual and constructive notice of past demands for an  
22 accounting and refuse to conduct an accounting.

23 39. As a result of defendants' aforesaid wrongful acts and omissions, plaintiffs have been  
24 injured and damaged and demand the equitable remedy of accounting to determine value of their  
25 property and the profits derived therefrom.

### 27 SECOND CAUSE OF ACTION - UNJUST ENRICHMENT

28 40. Plaintiffs reallege and incorporate herein, as though fully set forth, the allegations of

1 all preceding paragraphs of the Complaint.

2 41. Defendants received, retained and made use of assets given to them by members of  
3 the Kuomintang Regime, which rightfully belong to plaintiffs.

4 42. Defendants have failed to account for and/or pay to plaintiffs the value of their  
5 property and profits derived therefrom.

6 43. As a result of defendants' wrongful acts and omissions, defendants have been  
7 unjustly enriched to the detriment of plaintiffs.

8 44. Plaintiffs therefore demand restitution and judgment against defendants in an amount  
9 to be determined at trial, together with interest, attorneys' fees, and the costs of this action.

10  
11 **THIRD CAUSE OF ACTION - RESTITUTION**

12 45. Plaintiffs reallege and incorporate herein, as though fully set forth, the allegations of  
13 all preceding paragraphs of the Complaint.

14 46. Plaintiffs' assets have been taken, thus denying plaintiffs the use and enjoyment  
15 thereof; defendants have wrongfully used and profited from that property; and compensation in  
16 damages is inadequate in that the property taken cannot be replaced and the harm inflicted  
17 cannot be undone by mere compensation.

18 47. As a result of defendant's wrongful acts and omissions, plaintiffs have been injured  
19 and damaged and demand equitable remedies including restitution.

20  
21 **FOURTH CAUSE OF ACTION - DECLARATORY RELIEF**

22 48. Plaintiffs reallege and incorporate herein, as though fully set forth, the allegations of  
23 all preceding paragraphs of the Complaint.

24 49. Defendant KBMC controlled the investments of the Kuomintang which was the  
25 government of ROC 1927-2000. Plaintiffs seek a declaratory judgment that KBMC was the  
26 beneficiary of the defaulted bonds and that the assets were privatized and are controlled by  
27 KBMC.

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**XI. PRAYER FOR RELIEF**

WHEREFORE, Plaintiffs pray that the Court:

1. Order defendants to make available all information relating to the defaulted bonds in their possession including the inflows to the defendants and outflows from the defendants of such assets connected with these bonds;
2. Direct defendants to return all remaining assets belonging to plaintiffs and received by defendants and redeem the bonds in the amount of no less than \$2,973,533.00 plus interest, penalties, and gold value;
3. Award plaintiffs the value of any identified assets or their aliquot share of property deposited by defendants, plus interest compounded annually since received by defendants;
4. Order defendants to disgorge any profits earned by trafficking in, disposing of, or concealing the assets which are related to the defaulted bonds;
5. Award plaintiffs the costs of this action, including attorney and expert fees; and other reasonable expenses;
6. Grant such other and further relief as shall seem just to the Court.

DATED: January 25, 2010.

\_\_\_\_\_  
THOMAS EASTON, Esq.

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JONATHAN LEVY, Esq.  
Of Attorneys for Plaintiffs

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VERIFICATION

The undersigned John Hsieh, a citizen of California, declares under penalty of perjury of the laws of the United States that he is an officer of the Taiwan Civil Rights Litigation Organization, a California non profit corporation, and that he has read the allegations of the verified complaint and that the allegations therein are true as to the best of his knowledge.

DATED January \_22\_, 2010

s/  
John Hsieh