Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	IB Docket No. 02-286
	)	File Nos. ISP-PDR-20020822-0029;
GLOBAL CROSSING, LTD.	)	ITC-T/C-20020822-00406
(Debtor-in-Possession),	)	ITC-T/C-20020822-00443
	)	ITC-T/C-20020822-00444
Transferor,	)	ITC-T/C-20020822-00445
	)	ITC-T/C-20020822-00446
and	)	ITC-T/C-20020822-00447
	)	ITC-T/C-20020822-00449
	)	ITC-T/C-20020822-00448
GC ACQUISITION LIMITED,	)	SLC-T/C-20020822-00068
	)	SLC-T/C-20020822-00070
Transferee	)	SLC-T/C-20020822-00071
	)	SLC-T/C-20020822-00072
Application for Consent to Transfer	)	SLC-T/C-20020822-00077
Control and Petition for Declaratory	)	SLC-T/C-20020822-00073
Ruling	)	SLC-T/C-20020822-00074
	)	SLC-T/C-20020822-00075
	)	0001001014

COMMAXXESS' RESPONSE IN OPPOSITION TO THE APPLICANTS CONSOLIDATED RESPONSE TO ALL PENDING COMMENTS AND MATTERS BEFORE THE COMMISSION.

COMMAXXESS provides the following in response to the June 26, 2003 filing submitted by the Applicants as their "Consolidated Response" to matters filed before this Commission since May 22, 2003.

After close of the markets and business on Friday, June 27, 2003, Reuters ran an article about the state of affairs of the Global Crossing bankruptcy, its pleas to have the exclusivity period extended a fourth time, and various suitors interested in acquiring the assets.

The underlined parts of the following article are addressed as subjections in this Response to the Consolidated Response of the Applicants:

"Global Crossing Wants to Hold on to Singapore Deal
By REUTERS

Filed at 8:12 p.m. ET

NEW YORK (Reuters) - Bankrupt telephone company Global Crossing Ltd. on Friday made a final plea to preserve an exclusive pact to sell a majority stake to Singapore Technologies Telemedia (STT), saying it was too risky to weigh rival offers.

Global Crossing, the high-speed communications network operator that filed for bankruptcy last year, sought an extension on its exclusive agreement to sell a 61.5 percent majority stake to STT. The four-month extension would give the two companies more time to win U.S. approval for the deal.

Rival suitors and Global Crossing's lenders, however, objected to the request for an extension, saying the deal faces uncertain approval due to potential concerns about foreign ownership of strategic telecommunications assets.

STT is controlled by the government of Singapore.

Judge Robert Gerber of the U.S. Bankruptcy Court for the Southern District of New York heard closing arguments on Friday in the escalating battle to buy the bankrupt telephone company for pennies on the dollar. A ruling could come as early as Monday, lawyers involved in the case said.

If the STT deal proceeds, E.C. ``Pete'' Aldridge, who last month stepped down after serving two years as the Pentagon's chief weapons buyer, would serve on the board of the reorganized Global Crossing, a source familiar with the situation said on Friday.

Aldridge, 64, had been responsible for a wide range of weapons programs as well as research and development and international programs in the Bush administration as the under secretary of defense for acquisition, technology and logistics.

Global Crossing and STT declined to comment.

OTHER SUITORS CIRCLE

Opponents argued that Global Crossing does not have the luxury of waiting four months to see if the STT agreement gets approved, saying the bankrupt company faces a cash crunch.

XO Communications Inc., a telephone company mostly owned by billionaire investor Carl Icahn, on Thursday made an improved bid to acquire Global Crossing. Global Crossing's bank debt, making it both a creditor and a bidder. Its tender offer for the debt ended on Friday.

During testimony this week, witnesses said other companies such as telephone carrier Level 3 Communications Inc.,

investment firm Leucadia National Corp., and One Equity, a venture capital unit of Bank One Corp., also have expressed interest in buying Global Crossing.

Allan Brilliant, a lawyer with Milbank Tweed Hadley and McCloy, who represents the Global Crossing's lenders, said Global Crossing may get a better price if it took the risk of holding another auction. The company held a lengthy auction last year in which STT and a former partner won.

``You can't justify not maximizing value by saying it's inconvenient,'' Brilliant said.

Global Crossing and its unsecured creditors, however, said it would be too risky to jeopardize the STT deal.

``There is no other offer on the table, in the bush or tied to a bird's wing,'' that has a chance of being voted on or consummated, said Ed Weisfelner, a lawyer with Brown Rudnick Berlack Israels, who represents the unsecured creditors.

If Global Crossing's request to extend the exclusivity period is denied, the company said it would be ``highly probable'' that STT would walk away from the deal.

An STT lawyer also cast doubt on Thursday about whether it would stick around if the extension was denied.

Without the protection of exclusive takeover rights, STT would have no protection from rival bids and it would face additional expenses to pursue an uncertain deal. Additionally, Global Crossing said it would be difficult to pursue regulatory approval without one committed purchaser."

Unchallenged Facts are now Evidence on the Record before this Commission

It should be abundantly clear to this Commission and the required distribution parties of CFIUS, Department of Justice, and Federal Bureau of Investigation that these Applicants attempt to word their way around and evade responding directly to what has been made known by this Respondent. Their "Consolidated Response" did not challenge a single fact made known to this Commission by this Respondent during the required response time the Applicants were allowed to rebut prior comments filed by all parties.

The exact identity of parties such as CICC and links to China and the Singapore Government and Pivotal Private Equity and links to Goldman Sachs and Citigroup and both of those entities highly motivated to see a deal done that accomplishes a "reverse roll up" of AGC, Pacific Crossing and GX have been evaded by these Applicants and as such is a "*procedural game with this Commission*" that is not permissible under FCC rules and regulations.

On the basis of developments in the U.S. Bankruptcy Court regarding the Applicants proposed transaction and the application before this Commission, the Applicants have submitted a "hypothetical application" and should not be deemed or considered by this Commission as a valid application.

As pointed out on numerous occasions by ACN and by this Respondent, the Commission does not have to play procedural games with applicants before it and such applications should not be considered.

"*Rival suitors and Global Crossing's lenders, however, objected to the request for an extension, saying the deal faces uncertain approval due to potential concerns about foreign ownership of strategic telecommunications assets".*

The Applicants have gone to considerable length to characterize the SDNY bankruptcy case as a wide-open process that has been open to all parties or any bidders. However, nothing could be further from the truth.

Although the Applicants have never characterized it as such, the Global Crossing bankruptcy is a "**lock up**" bankruptcy whereby only Hutchison and ST Telemedia have been given a shot at acquiring the assets. The fact that even now suitors have to file and fight with both STT and GX regarding opening the process up with "**higher and better offers**" is abundant evidence that "Lock Up" and "Lock Out" is the exact intent of the Applicants. Notwithstanding all of the statements made by the Applicants and some of their advisors, which even this Commission has now been shown to be false, misleading and "paint a picture" style strategies, the Applicants are attempting to lock up the assets and lock out all other parties, cover up fraud and get this matter passed through the FCC.

This Application represents a grave threat to national security because the Global Crossing, Pacific Crossing and Asia Global Crossing networks were designed and constructed to be a seamless fiber optic network. Although there are ways to implement technology to protect U.S. national security interests, placing Global Crossing into the hands of a foreign government and a government that is already in bed with the Chinese via CICC / Asia Netcom is not in the best interests of the United States. "Seamless network" means that if anything other than a U.S. company is controlling Global Crossing, the inherent ability to bribe, co-opt or otherwise corrupt persons into not paying attention to national security matters, the "risks" will go up many fold and migrate from the "possible" to the "probable".

"*STT is controlled by the Government of Singapore*" but that is not the Issue.

OFII accurately stated that there was a Free Trade Agreement signed by the United States with Singapore on May 6, 2003, and on that date a separate letter promised to divest government ownership in STT. This Respondent actually does concur that Free Trade with Singapore is important, but not to the extent that the United States, this

Commission or the citizens of the United States should just roll over and accept that the Government of Singapore will protect the national security of the United States.

The Singapore Government is in bed already with China interests in CICC. That is an undisputed fact before the Commission.

The investment banks Goldman Sachs and Citigroup / Global Crossing creditors behind CICC / Asia Netcom, the Pacific Crossing Ltd / Pivotal Private Equity deal, the multiple conflicts of interest, and this GX / STT proposal have been identified and are now undisputed facts before the Commission.

The percentage of ownership of STT by the Singapore Government is not the fundamental issue. What is at issue is the Singapore Government being a co-owner in the new Asia Netcom (China Netcom dba: Asia Netcom) via a stake in CICC along with Goldman Sachs and "unnamed parties", and now having STT attempt to own all or part of both ends of a reconstituted, **reverse roll up** Global Crossing that is under Singapore and Chinese control. That in and of itself presents "*a clear and present danger to the national security interests of the United States*", which cannot be overlooked for sake of a Free Trade Agreement or investment bankers trying to engineer a sweetheart deal and otherwise to ingratiate themselves with the PRC of Red China.

This Commission has already been advised that part of the ownership of Asia Netcom is CICC[1] and that CICC is in part owned by Goldman Sachs, the Government of Singapore and "unnamed parties". Full disclosure on that matter and the identity of the "unnamed parties" is mandatory and has not been forthcoming from the Applicants.

This Commission has already been advised of the links between Pivotal Private Equity[2], Goldman Sachs and Citigroup and the "Pacific Crossing Ltd deal".

This is a "**reverse roll up**" under Singapore and Chinese PRC control. That is what they are attempting to covering up and what they are trying to accomplish. With China Netcom already controlling Asia Global Crossing and the Singapore Government as a co-owner, someone at either this Commission or CFIUS needs to see this proposed deal for what it really is and soundly reject the Applicants.

"*Mr. E. C. "Pete" Aldridge*" name-dropping is no assurance of National Security.

Mr. Aldridge being on the post-bankruptcy board of directors of GX Newco will in no way protect National Security under a "**reverse roll up**" of Asia Global Crossing (Asia Netcom is China Netcom), Pacific Crossing Ltd and Applicant STT. He will not exactly be a "line manager" on duty 24 hours a day, 7 days a week to assure that the

[1] CommAxxess Supplemental Response, June 6, 2003, page 15 of 35.
[2] CommAxxess Supplemental Response, June 6, 2003, pages 1-5.

rejoined Asia Global Crossing / Global Crossing network is not being used to penetrate United States national security interests.

Mr. Aldridge will not be stationed in any of the multiple GX hubs at any time to know if National Security is being compromised or not.

"OTHER SUITORS CIRCLE"

"Level 3 Communications Inc"

Level 3 Communications was willing to pay more for Williams Communications than the firm that would up with the assets, Leucadia National, an insurance company that owns a winery and co-investment in **Finova bankruptcy** with Berkshire Hathaway (Buffett) as Berkadia[3].

This Respondent was willing to pay a higher price for WCG than Leucadia National, $400 million versus $330 million that was the "preferred lock up deal".

The WCG Chapter 11 bankruptcy was yet another "lock up" to "lock out" investigation for fraud.

"investment firm Leucadia National Corp"

Leucadia National was the bankruptcy asset purchaser of Williams Communications in its "lock up" Chapter 11 bankruptcy. The total Purchase Price was $330 million and a $400 million offer that would have produced a higher return to all classes of creditors was not allowed in the door. The Level 3 offer on WCG was not allowed in the door.

With Berkshire Hathaway and Leucadia already behind the FINOVA bankruptcy take over as "Berkadia" and Berkshire Hathaway a major investor in Level 3 Communications and Leucadia in the takeover of WCG and both (either / or) now expressing interest in Global Crossing assets, this Commission should have its eyes and ears keenly alerted to the possibly of antitrust activity behind multiple fronts of action and anti-deregulation geared towards monopolization.

This Respondent has supplied evidence to 1,857 shareholders aligned with the Respondent holding approximately 56,000,000 WCG common equity shares that are now

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[3] http://www.nasvf.org/cdfa/press.nsf/pages/107; U.S. Bankruptcy Judge Peter Walsh in Wilmington, Del., also set an Aug. 10 hearing to approve the plan and signed off on an $8 million-a-year contract with Leucadia National Corp. to provide Finova with management services. Leucadia and Warren Buffett's Berkshire Hathaway Inc. comprise Berkadia.

worthless. Those shares were worth at one time over $1 billion in small investor accounts. These shareholders are not aligned with the class action lawsuits. These shareholders are bringing a RICO action against WCG, its current and former management, its current and former board members, and The Williams Companies, the "Lock Up Noteholders" including PPM America / Joel Kline, co-chair of the Global Crossing unsecured creditors committee, Blackstone Group and **Leucadia National,** its chairman Ian Cumming[4] and others.

This RICO action will specifically name Jack D. McCarthy, former CFO of Williams Companies, Bob F. McCoy, former general counsel of WCG and Mr. Howard Kalika, Treasurer who also headed up the pre-bankruptcy negotiations and lock up bankruptcy. Those three names appear on a document that should prove RICO fraud against Williams Companies and Williams Communications against their shareholders and many of the parties involved in the financing, take down and "lock out" of fraud investigation through the bankruptcy process and fraud on the markets to put the WCG entity into bankruptcy for a cheap "lock up" takeover of billions in assets.

This is almost the identical strategy of Global Crossing and STT in the Chapter 11 bankruptcy case and now before this Commission for change of control. It has the Blackstone trademark written all over it for people who know what to look for and what is being covered up.

This Commission should learn by example if they are to be wise and have the ability to discern what is placed before it:

Three days before the bankruptcy was filed at 9:15 pm, April 22, 2002. "Bill" referred to below is Mr. Bill Cornog, former Senior Vice President, Network Services of Williams Communications Group:

> *"Looks like the log jam may be unjamming, but still premature to speculate. Atmosphere is still closed to outside parties as our team and the creditors are locked down working on the agreement. Thanks for your patience Karl. Have a good weekend.*
>
> *Bill"*

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[4] http://www.natdemclub.org/newsletter/INSIDE_3_03.pdf; **Ian M. Cumming,** ***Leucadia National Corporation***

http://216.239.39.100/search?q=cache:yJ6rii4AbtMJ:www.publicampaign.org/ouch02_15_02.htm+leucadia+national+website&hl=en&ie=UTF-8

Other private beneficiaries with ample political connections include Ian Cumming, chairman of Leucadia National Corp., whose family owns Park City Mountain Resort, where snowboarders are throwing their gold-medal winning McTwists. Leucadia National Corp is the leading contributor to Utah's congressional delegation, giving more than $1 million in hard money since 1997.

-----Original Message-----
From: KW.Schwarz [mailto:KW.Schwarz@worldnet.att.net]
Sent: Friday, April 19, 2002 5:14 PM
To: Bill Cornog
Subject: status?
Sensitivity: Confidential

"*Hello Bill,*

Are things still log jammed in NYC? Will be available all weekend.

Regards,

Karl W. B. Schwarz
Chairman, CEO
GlobalAxxess"

Six days before WCG filed Chapter 11:

"Karl:
Appreciate your focus on this. I've forwarded to Howard Kalika (WCG Treasurer) and Michael Hoffman (Blackstone) for review. Per our discussion yesterday, the next 48 hours are critical. If we don't have a deal by then the playing field will open up. Give me a call on Wednesday and I'll provide a progress update.

Bill"

-----Original Message-----
From: KW.Schwarz [mailto:KW.Schwarz@worldnet.att.net]
Sent: Tuesday, April 16, 2002 7:27 AM
To: Bill Cornog
Subject: Ch 11 petition
Sensitivity: Confidential

"*All that is required to commence a Chap 11 is the filing of Form B1 as shown on this link. The other First Day order suggestions by Jones Day, we would want to review and all agree if we are going at this as a pre-pack. We are not into doing Chap 11 and having all kinds of management bonuses, buyouts or Golden parachutes going into effect before the lease and contract issues are addressed under 11 USC 365.*

http://news.findlaw.com/nytimes/docs/globalcrossing/glblx012802ch11pet.pdf

What is important is that all subs are listed and assigned separate case numbers, all consolidated as a Jointly Admin case under 1 case heading. Global Crossing for example is 43 cases – 1 case as consol.

Please bear in mind that Dynegy bid $150 mil for Viatel and we bid $98 and beat them hands down. The difference was in the deal we struck with the creditors and it was easy to do. There are radical differences between 363 auctions and 363 subject to Ch 11 plan. The former is just a chapter 7 liquidation without trustee.

I am in all day and will have a pre-pack doc ready by tomorrow morning just in case.

Regards

Karl"

These email and telephone communications between this Respondent and WCG management went back to early January 2002. When CFO Scott Schubert filed his affidavit on the April 22, 2002 bankruptcy filing that "*WCG had explored every possibility and it was unfortunate that the equity holders would not receive any distribution under the plan of reorganization*", that statement was a blatant misstatement of fact. The WCG management team looked at no alternatives.

The WCG bankruptcy was totally under control of Blackstone, Secured Lender Bank of America and the unsecured "Lock Up Noteholders", one of which was PPM America, Mr. Joel Klein, now co-chair of the Global Crossing Unsecured Creditors Committee.

The following list of "unsecured WCG noteholders" were then designated in the bankruptcy lock up[5] as the "Lock Up Noteholders" and is synonymous to LOCK OUT:

AEGON USA
Brian Elliott and Rick Perry
Capital Research & Investment
Mark Lindan
Collins & McIlheny, Inc.
Patrick Collins
Franklin Templeton Investments
Dick Kuersteiner and Ken Masters
PPM America
Joel Klein and Jim Schaffer (co-chair of Global Crossing Unsecured Creditors Committee)
PIMCO
Cyrille Conseil and David Bahenna
Putnam Investments
Jim Miller
R2 Investments/Q Investments (Richard Rainwater and Sid Bass)
Guillaume Boccara and Michael Diament
Sun America AIG
Jerry Howard and James Lee
Goldman Sachs
Caroline Berton

CG Investment Company, LLC Senior Redeemable Notes $551,000,000
(a WCG affiliate)

CG Austria, Inc.

CG Austria, Inc., says it has no unsecured claims against it. CG Austria is a guarantor under the secured bank credit facility of its non-debtor affiliate Williams Communications, LLC. Approximately $988 million is outstanding under the Credit Facility. CG Austria provides the Court with this list of creditors:

[5] http://bankrupt.com/williams.txt

Some of the foregoing named "Lock Up Noteholders" now have persons sitting on the post-bankruptcy board of WilTel Communications, a Nevada corporation where abusive shorting schemes can be stopped by dissolving all shares and starting over. That makes it hard to return the "favor" that was done to the WCG shareholders and most of the smaller noteholders.

See Attachment 1 for full list of CG Austria creditors, which includes Pacifica Partners I, LP, a managed CLO / CDO fund of ICII, and those shown in **bold** are also Global Crossing Creditors.

This Respondent spent from August 1 to September 20, 2002 assisting Weiss & Yourman[6] in the preparation of the class action stock fraud lawsuits against Williams Companies and former WCG top management. Williams Communications Group was exculpated by bankruptcy and not named in the class action lawsuits. They even went so far as to get a "channeling injunction" to protect non-debtor persons and entities. See Attachment 3. Former WCG management persons that had come to the Respondent shared information with Weiss & Yourman in their case preparation. Even though RICO matters are known to class action counsel, they do not plead that since it would give the D&O insurers two possible means of avoiding payment under the Directors and Officers Insurance policies.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

Dated: September 27, 2002

Respectfully submitted,

MORREL, WEST, SAFFA, CRAIGE & HICKS, INC.

_____

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Liaison Counsel for Class

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[6] http://www.wyca.com/complnts/wcg-acom.htm; Class action securities fraud lawsuits filed in U.S. District Court, Northern District of Oklahoma and currently pending.

New York, NY 10119
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Co-Lead Counsel for Class

The only apparent reason that the name of Mr. William S. Lerach[7], senior partner in Milberg Weiss appears in the Imperial Credit Industries records at the SEC is that ICII (Imperial Credit Industries, Inc.) has already been found guilty in securities fraud in the matter of a class action lawsuit brought in the State of California involving Southern Pacific Bank, a subsidiary of ICII.

The point in this information being provided to the Commission is because if inquiry is made into the WCG bankruptcy and in media reports during April through August 2002 regarding the WCG Chapter 11 bankruptcy any reader would draw the conclusion that Blackstone Group was contacting every investor[8] in the world in its attempt to find an "investor" to save WCG[9] from the jaws of Chapter 7 bankruptcy and liquidation. Again, that was all a "*paint a picture*" strategy just as Global Crossing and Blackstone have attempted in the SDNY Bankruptcy Court regarding STT and Global Crossing.

Leucadia National signed the Confidentiality Agreement with WCG on or about May 16, 2002 less than one month after the Chapter 11 was filed and well before all of the hand wringing and eleventh hour suspense that appeared to be going on as to "*where are we going to find an investor to save WCG?"* The similarities between the WCG – Blackstone led bankruptcy and the GX – Blackstone led bankruptcy are striking due to the similarities alone and not because they were both telecoms. They are both "Lock Outs" and they are both covering up fraud.

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[7] http://www.edgar-online.com/auth/people/doc_frame.asp?first=WILLIAM+S%2E&last=LERACH&qcompname=&searchpage=%2Fbrand%2Fyahoo%2Fpeople%2Fdefault%2Easp&fname=0000898430%2D01%2D001322&qcik=&qlastname=LERACH&qfirstname=WILLIAM+S%2E&qftype=ALL&nad=0;
Imperial Credit Industries Edgar / SEC list of filing persons

IMPERIAL CREDIT INDUSTRIES INC
The following names appear in **IMPERIAL CREDIT INDUSTRIES INC**'s SEC filings. Click on an individual's name to show a list of all documents containing a discussion of this individual. You will then be able to use ***EDGAR Online People*** to explore **inside** each document to find executive compensation, corporate biographies, stock options - anywhere an individual's name is mentioned!

LERACH, WILLIAM S. at the above link. Specifically see the April 11, 2001 S-3 filing with the SEC by ICII.

[8] http://biz.yahoo.com/e/020731/wcg.html

[9] http://home.earthlink.net/~tirock/NewInvestment.html; Tulsa World article, May 25, 2002

The offices of Blackstone Group are located at **345 Park Avenue**, New York, NY. The offices of Leucadia National are located at **315 Park Avenue**, New York, NY. They did not look as far as they made the press and readers believe, or even the bankruptcy court.

In the Global Crossing bankruptcy they had to look no further than ST Telemedia and Hutchison as co-owners of Asia Global Crossing. They get paid millions in professional fees for such easy "investor searches" and creating the "paint a picture" illusions to make the record appear just as they want it.

Just as in the Global Crossing bankruptcy, there were all kinds of threats[10] that if things did not go the way of WCG management they would have to be "impaired" some more and all kinds of bad things would happen to WCG and its poor management team.

Also this apparently unrelated information is to demonstrate the extent that certain "bankruptcy insiders" go to concerning "exculpation" and "injunction" powers under the Bankruptcy Code to get away with fraud on the creditors and shareholders of publicly traded companies. See Attachment 3, Tulsa World news article about the final stages of the WCG bankruptcy. The objection that was filed and explained in this article was summarily dismissed by the U.S. Bankruptcy Court.

Even though readers, most of the creditors and all of the shareholders outside of WMB and WCG were led to believe that Leucadia was yet another Blackstone "**11th Hour Save**", Leucadia[11] had relationships with ICII[12] long before the bankruptcy was even filed, and after the Pacifica Partners I, LP CDO / CLO deal was struck between Pacifica Partners and WCG that was never reported to the SEC or the shareholders or most of the **non-lock up noteholders**. How WCG reported it and what it really was were two entirely different matters. See Attachment 2 and footnotes.

An additional importance of this information is to disclose to the Commission what all of these people are really hiding. They are not hiding "capacity swap fraud" for the most part. They are not hiding "IRU capacity sales" fraud for the most part.

What they are hiding is fraud upon the markets, fraud upon the shareholders and many of the creditors, investors, non-lock up note and bondholders or that our bankruptcy courts are being abused, manipulated and otherwise used as a haven from fraud by these high-paid experts that are much better at the "paint a picture" strategy than they are the "tell the truth" responsibility.

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[10] http://www.wiltelcommunications.com/investors/2002/1Q02_10Q-A.pdf

[11] http://216.239.39.100/search?q=cache:a3aOEA-jfx8J:www.icii.com/docs/pr_Mar2999.htm+Leucadia+Imperial+Credit&hl=en&ie=UTF-8

[12] http://www.icii.com/docs/pr_Mar2999.htm; dead link that needs to be seen any way. The largest contract with WCG is SBC. Existing company, recently a dead link when Respondent investigations focused on them.

The following are excerpts from a document that was sent by this Respondent to The White House and majority leaders in the U.S. Senate and U.S. House of Representatives on June 23, 2003:

"Proposed Revisions
to the United States Bankruptcy Code

Objective: To Protect the Investing Public from Irresponsible and Self Serving Corporate Officials who are using the Bankruptcy Courts to Serve Their Own Goals, Evade Accountability by using bankruptcy as a Haven from Fraud Repercussions, and Disenfranchise the Stockholders."

"<u>Overview</u>

It is the responsibility of government to provide an environment in which the citizens can build up economic resources (wealth) in anticipation of retirement. This is particularly important in light of the possibility that Congress may pass legislation to allow citizens to place a portion of their Social Security funds in an investment account.

If this objective is to be accomplished, it will be necessary to insure that self-serving individuals cannot take advantage of the investing public by stripping investors of their assets; i.e. retirement. By the Bush Administration and Congress providing a framework of protection, the general public will experience a greater sense of personal economic security, however that has to be security in the real sense and not just an illusion of security.

It has been suggested that an additional $60 to $90 billion dollars a year would be directed into our capital markets by allowing part of individual Social Security benefits to be invested in the capital markets. Such volumes of money are an overwhelming enticement to certain people in the securities industry to do wrong and the government should take any and all steps to prevent even the slightest bit of wrongdoing from ever occurring. The fate of many millions of Americans and their financial security in retirement depends on that.

This document addresses an abuse that is occurring right now and one that would be an ideal vehicle for stripping American citizens of much of their SS investments if certain precautions are not taken. This unrecognized threat is a <u>methodology</u> that has already been used to strip investors of other money assets in the past and at present for tens of billions of dollars, so the threat is very real until it is corrected.

The United States Constitution contains clear and unambiguous provisions regarding the rights of all U.S. citizens to due process, equal protection under the law, and their Constitutionally protected right of life, liberty and property. There is a methodology that denies that right and it is correctible. Failure to act to correct the problems would mean that all investment dollars and any future SS investment funds authorized for investment into the capital markets

would be unduly "at risk" to either fraud or the methodology of how bankruptcy is being engineered to wipe out shareholders stakes in the companies.

The well-known Fifth Amendment of the U.S. Constitution[13] clearly states "nor be deprived of life, liberty, or property, without due process of law.[14]" The Constitution guarantees that no person in the United States shall be denied that right.

What is going on in the current practice of bankruptcy is in fact a "deprivation of money property rights without due process of law" with regards to the many investors who place their "money property" into our capital markets and into the companies that are planning to wipe them out in bankruptcy and deprive them of that money property that was invested into the stocks of those companies. It is a planned abuse not only of the bankruptcy process but also of a Constitutional right. The shareholders of many companies are routinely being denied the right of due process of law in the bankruptcy courts.

What is being done is clearly a violation of the Fifth Amendment rights of those shareholders by debtors and other collaborating persons and creditors who are willfully depriving shareholders of their property.

It is so blatant in some bankruptcy cases and "lock up" bankruptcy cases that planning is started well in advance of filing the Chapter 11 to affect that very end on shareholders (owners) of the companies. It is in part stock fraud and it is in many cases racketeering up to levels of qualifying for the RICO Act and the intent of that act to stop such conduct.

When the prospect of an additional $60 to $90 billion a year of SS driven investment into the capital markets may be added into the potential losses being inflicted upon shareholders through the bankruptcy process, we trust that U.S. leadership will grasp the reality of this threat and see the need for change.

That should give the White House and every U.S. Senator and Representative cause to be suspect of certain parties on the "market makers" side of the lobbying effort that are pushing so hard to get Social Security funding directed into the capital markets. As recent history has so clearly demonstrated, there are some "bad stewards" that just cannot seem to control their human nature of greed when large amounts of money are to be made legally or illegally, or through outright manipulation of the processes in the gray areas between legal and illegal or through schemes to frustrate jurisdiction and justice. Until certain structural deficiencies are corrected, such could become a huge financial calamity for persons relying on investments and Social Security for their retirement years."

"This proposal puts forth the proposition that: i.) what is being done to shareholders in bankruptcy is a blatant violation of the Constitutionally protected rights of those citizens who invest in companies and are completely wiped out in the form and substance of how debtor's are being allowed to

[13] http://www.law.cornell.edu/constitution/constitution.billofrights.html
[14] http://caselaw.lp.findlaw.com/data/constitution/amendment05/

reorganize and wipe out the shareholder owners of the companies without due process of law; and ii.) failure to correct the problems will have staggering implications to the U.S. and many of its citizens; and iii.) although steps have been taken additional steps are urgently needed to correct the problems of what led to so much fraud and what it will take to bring it to a complete halt. It is the methodology referred to above that is the underlying threat and the end results are the Constitutional violations regarding money property and denial of due process."

Ladies and Gentlemen of the Commission, the following is what they are all hiding. There is fraud on the market happening right under the noses of the regulators. There is fraud on investors and bankruptcy is being used as a haven from fraud. There is even anti-trust and undermining of deregulation happening behind a myriad of alter egos, corporate veils, frustration of jurisdiction and venue and "nesting-doll arrangements":

"This would require a fine tuning of 18 U.S.C § 1964(c) that was amended to prevent shareholder actions from being brought under that section of RICO as a civil RICO action for violations of 18 U.S.C. §§ 1961, et seq and 18 U.S.C. §§ 1962, et seq. The legislative intent of the RICO Act is to both discourage fraud and racketeering conduct and put an end to such conduct with stiff penalties including treble damages and disgorgement of ill-gotten gain. Much of what is transpiring prior to the filing of these "mega-bankruptcy cases" is racketeering more so than stock fraud and RICO should be an available option if that is in fact what occurred. In many bankruptcy cases the recovery of fraudulently transferred assets and disgorgement would be a huge benefit to the debtor estate and every creditor involved and the shareholders that are otherwise being abused by the "low bid, no due diligence" schemes".

"In fact, where fraud can be shown in companies that recently underwent a "lock up" bankruptcy, certain portions of this remedy should be justifiably retroactive and possibly with legislative authority to pierce the Final Order of Bankruptcy if RICO level fraud can be shown to have occurred. The provision of bankruptcy to object to discharge on the basis of fraud is 11 U.S.C. § 523(b)(2) and that section and motions filed pursuant to that section are regularly overruled by the bankruptcy courts. An Adversary Proceeding brought under RICO is not so easily pushed aside if based on hard evidence and is plead with specificity".

"There are many different ways that companies and their investors are being subjected to the equivalent of financial assault. The following only highlights some of the better-known abusive ways of doing so.

***Naked shorting** of stocks is illegal in the United States, however that practice is legal in Canada[15] and the Caribbean in jurisdictions such as the*

[15] [15] Matthew McClearn, *Predator or Prey?* Canadian Business, October 28, 2002

Bahamas, Bermuda, BVI and Cayman Islands. Our own FBI conducted a sting operation in 2002 named Operation Bermuda Shorts and arrested 58 persons for illegal market manipulation including Mark Valentine of Toronto[16], son of a former Canadian ambassador. That effort rounded up the little fish, not the larger predators that are doing the most damage to U.S. investors. U.S. citizens naked shorting through offshore locales should be a felony act against a publicly traded company and its debt and equity securities holders whether done directly, indirectly or through proxies or alter egos.

*"**Death Spiral Financing**" transactions entered into with publicly traded companies for the purpose of putting them out of business should be forbidden and the penalty for violation should be a felony act. These can be in the form of exploding warrants, toxic convertibles, and tiered tranche funding dates keyed to "per share price" and shorting of the stock can easily make certain that the "price per share" is not reached and the toxic provision of the death spiral or takeover features go into effect and the second or third round of funding never occurs. These are very secretive deals intended to harm or takeover companies and disclosure should be mandatory if the company is publicly traded. Such transactions are intended and should be considered to be intentional acts to be commercially abusive.*

*"**Collaborative Shorting Schemes**" through offshore tax havens or Canadian operators that are designed to devalue U.S. publicly traded companies should be disallowed and the penalty should be a felony. Many major investors and even Wall Street firms working through offshore subsidiaries and affiliates are engaging in collaborative shorting schemes to devalue companies, put them into bankruptcy and take over the assets cheap and in all known instances, push the shareholders aside and provide them $0 recovery or any ownership interest in the post-bankruptcy newly reconstituted corporation. There are huge differences in using offshore hedge funds to take advantages of statistical glitches in the global markets to increase returns and using such offshore entities as a means to launch hostile acts towards publicly traded companies.*

*"**Vulture Capitalist**" should be specifically barred from "manufacturing distressed debt" through collaborative stock and debt shorting schemes intended to devalue companies and eventually either trigger "debt covenant defaults" or bankruptcy for cheap takeovers. Any such actions should be required to be noticed to the SEC and to the investing public through the wire services. Additionally, Wall Street and some publicly traded companies are usually the first to learn of such activity and do not report it to the debt and shareholders. Such reporting and providing of disclosure and notice should be mandatory when such activity is known to be occurring.*

*"**PIPES**" [Private Investment in Public Enterprises] that are assembled as vulture funds and deployed to devalue and take over publicly traded companies should be a felony act for any American citizen undertaking such acts,*

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http://www.canadianbusiness.com/features/article.jsp?content=49390&page=1

[16] Mark Brown, *Blame it on Canada*, Canadian Business, October 28, 2002
http://www.canadianbusiness.com/features/article.jsp?content=49408

many times with foreign investment capital fueling the private equity fund. There are legal and illegal ways to do PIPES but too many seem to prefer the underhanded way because the potential upside is bigger, the returns higher.

***Pre-IPO Valuations** should have to meet the same level of financial accountability and scrutiny that post-IPO firms now have to meet. The reason being that we have tracked multiple companies where the "touted" price per share at time of IPO was in the $15 to $20 per share range and had it not been for "inflated valuations" during pre-IPO or during pre-IPO "roll up", the fair market valuation of the shares should probably have been in the $5 to $10 dollar range. Falsification of pre-IPO valuations should be closely monitored and punishable for creating artificial appearances of valuations. We believe that multiples of book for pre-IPO "roll up" companies when EBITDA is grossly negative (in the red) should be evaluated as possible fraudulent intent on the market.*

All convertible transactions that are registered with the SEC and then placed offshore without disclosure should require a full accounting by any securities firm, hedge fund, private equity fund that is domiciled in the U.S. or registered to do business in the U.S. Mandatory disclosure of how such transactions are placed and with whom should be required. The disclosure of such steps to shareholders and bondholders should be mandatory. The use of alter egos, veils, nesting-doll arrangements to circumvent disclosure should be prohibited and the penalties harsh.

*Where registered convertible transactions are then restructured without disclosure to debt and equity holders in publicly traded companies into **CDO [collateralized debt obligations]** and **CLO [collateralized loan obligations]** structures and placed offshore to facilitate hedging of any kind, full mandatory disclosure to the SEC and to public debt and shareholders should be required. The use of alter egos, veils, nesting-doll arrangements to circumvent disclosure should be prohibited and the penalties harsh.*

There are many major U.S. investors that are engaged in such business practices and the harmed parties are the publicly traded companies and the shareholders of those companies and in many instances the smaller debtholders that prefer bonds to stocks. Many of these people are even making considerable amounts of money while they are shorting companies into the grave and undermining the personal economic security of small investors.

No one expects a guarantee of profits in the stock market, but what they do expect is that it is not a gambling house of ill repute and the tables are all rigged to harm the investor. U.S. citizens also expect to have the right of due process in the bankruptcy courts to defend their legitimate investments."

If the Commission does not believe the foregoing, just sit back and watch who objects to what this Respondent has sent to The White House and majority lawmakers on Capitol Hill and where the battle lines are drawn and by whom on these matters. Wall Street and some of their abusive buddies have been lobbying and hoping that Washington, DC never figured out that the Blackstone, Concord Coalition, Council for Foreign Relations, Wall Street, etc lobbying effort to route $60 to $90 billion dollars a

year of Social Security funds into a "bankruptcy black hole" would ever be figured out before they could plunder most of those investors too.

We have all heard of the Spitzer fines of $1.44 billion in December 2002 and the SEC fines of $1.4 billion on April 28, 2003 for "*artificial fluffing up of valuations*", and the pending fines for IPO fraud. Yet to be addressed is "**artificially melting companies down**" to take assets over cheap, manufacturing "distressed assets", conduct of fraud against the market and securities holders, and then hide behind the bankruptcy code as a haven from fraud.

The following is a very small part of a 100-page plus RICO complaint being prepared by the WCG[17] shareholders and abused "non-lock up bondholders". A similar complaint is being prepared against Global Crossing at this time. See Attachment 2 to ascertain how far back ICII and Leucadia go; 1999 to be exact.

> **"Imperial Credit Industries Reports Fourth Quarter And Year Ended 2001 Results Of Operations**
>
> TORRANCE, Calif., Feb. 8 /PRNewswire-FirstCall/ -- Imperial Credit Industries, Inc. (Nasdaq: ICII) reports results for the quarter and year ended December 31, 2001.
>
> Fourth Quarter and Year End Results
>
> Imperial Credit Industries, Inc., (the "Company" or "ICII") reported a net loss for the fourth quarter ended December 31, 2001 of $67.6 million or $1.60 diluted net loss per share including an operating loss from discontinued operations of $1.8 million or $0.04 diluted net loss per share and an extraordinary gain on the early extinguishment of debt of $4.4 million or $0.10 diluted net income per share.
>
> The fourth quarter losses were primarily attributable to the impacts on our airline and airline related loans from the events of September 11, 2001 and the continued decline in the U.S. economy which resulted in increased loan losses concentrated at the Coast Business Credit ("CBC") division of Southern Pacific Bank ("SPB") and the Company's investments in the Pacific Partners I CLO.
>
> Mark-to-Market and Impairment Charges
>
> For the fourth quarter ended December 31, 2001, net mark-to-market and impairment losses on loans and securities were $20.7 million as compared to net mark-to-market and impairment losses of $4.8 million for the same period last year. The mark-to-market losses for the fourth quarter of 2001 were primarily related to a $20.0 million decline in the value of the Company's investments in the senior subordinated bond and the total return swap of the junior subordinated bond of the Pacifica Partners I CLO. The decline was due to an increase in the market interest spread on similar securities as well as increased defaults and a deterioration of credit quality in the CLO's $490.6 million loan and bond portfolio. The **Pacifica Partners I CLO[18] is managed by Imperial Credit Asset Management, a wholly-owned subsidiary of ICI**I.

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[17] http://www.icii.com/docs/PR_2-8-02.htm, dead link, html link is the next footnote.

[18] http://216.239.37.100/search?q=cache:0b3uAvfOCB8J:www.icii.com/docs/PR_2-8-02.htm+Imperial+Credit+Pacifica+Partners+I&hl=en&ie=UTF-8

This Pacifica Partners I, LP deal is reported as a CDO and CLO structure depending on source and is so organized to represent a form of DEATH SPIRAL FINANCING and offshore trading techniques specifically designed to abuse unsuspecting Main Street investors who purchase smaller lots of stocks, notes and bonds. This fact was not disclosed by Defendants WMB or WCG to the WCG stockholders, noteholders and bondholders.

The Pacifica Partners I deal was put into place at some point in Year 2000 and not reported in any WMB or WCG SEC filings as being a CDO or CLO structure or that it was placed offshore. Even after Defendant Blackstone was retained in November 2001 to commence preparing the Lock Up bankruptcy structure, Defendant ICII attempted to distance itself from the Pacifica Partners deal because of the fact that Milberg Weiss Bershad Hynes and Lerach and Weiss & Yourman had filed a class action lawsuit against Williams Companies and WCG on or about January 29, 2002 and the investigation by the RICO Plaintiffs was inquiring into areas and matters that were becoming known to ICII and Pacifica Partners.

Even while the Chapter 11 bankruptcy was being prepared and statements and press releases being issued up to February 2002 that "bankruptcy" was not going to happen, Defendant ICII sold the asset management business on March 28, 2002 to yet another offshore operator, which included the Pacifica Partners I account management.

Alcentra[19] Acquires Imperial Credit Asset Managers (ICAM) Hamilton, Bermuda (March 28th 2002) **-** *Alcentra acquired Imperial Credit Asset Managers (ICAM) from Imperial Credit Industries, a diversified financial services company in California. Alcentra is an asset management group focused on the leveraged debt markets. The Alcentra Group is majority owned by the Alchemy Investment Plan, a Guernsey based private equity investment plan with the balance held by Alcentra's management team. Alchemy is a private equity asset management group specializing in buy-outs, buy-ins and the provision of later stage development capital.*

ICAM was established in 1997 and is the Portfolio Manager of Pacifica Partners I, a collateralized Debt Obligation fund ("CDO"). Through its strong relationships within the US leveraged finance market and a focused and disciplined credit process, ICAM has established an enviable track record managing broadly diversified pools of non-investment grade loans and securities. [**emphasis added, in 2000 and most of 2001 WCG was considered investment grade securities and was being touted as such**.]

Christopher Damico, previously a Managing Director within Morgan Stanley's European Financial Sponsors group, and Stephen Bruce, founder and Managing Director of ICAM, manage Alcentra.

Christopher Damico is group Chief Executive Officer and responsible for the London based operations while Stephen Bruce is the group's Chief Operating

[19] http://www.alcentra.co.uk/index.html

Officer and manages the US team. During the next year, the group will create two additional CDO funds, one in Europe and one in the United States. As is the case with Pacifica, the group will invest primarily in leveraged loans.

March 28, 2002

As of April 11, 2001 ICII had to settle in a class action stock fraud case, file an S-3 with the SEC creating new "settlement shares", and the WCG tax free spin-off from the Williams Companies was set for April 23, 2001 and an ICII managed fund already in bed with WCG as a CDO / CLO and never reported as such with the shareholders or noteholders. The Blackstone firm was hired by WCG in November 2001, ICII dumped Pacifica Partners to another offshore group March 28, 2002, the Chapter 11 was filed as a Lock Up on April 22, 2002 at 9:15 pm with the Lock Up Noteholders (including Pacifica Partners firmly in place and all other parties locked out). Just a little bit over 365.25 days from when the April 23, 2001 spin off occurred and the petition filed on April 22, 2002. Under the bankruptcy laws, the court could only go back one year in time.

"One Equity, a venture capital unit of Bank One Corp"

One Equity was the controversial buyer of Polaroid in its Delaware bankruptcy. The artwork of Polaroid dating back to inception of the photographic process was sequestered away from the debtor estate, taken over cheap in bankruptcy in that Delaware bankruptcy case and then became the property of the post-bankruptcy owners One Equity.

One Equity has a larger problem and conflict of interest. Its head Richard Cashin[20] is a former Citigroup Venture Capital person and was directly involved in the IXNet and IPC Communications "roll up" [21] into Global Crossing and then practically "gifted away" less than one year prior to filing of the Chapter 11 petition. IXNet Asia and IPC Asia transferred to Asia Global Crossing for 26.8 million shares of stock that were probably known to be worthless on the date of that transfer and are in fact now worthless and no longer exist or traded. This Commission has been sufficiently advised on what the underlying agendas are for Goldman Sachs and Citigroup in this matter.

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[20] http://corporate-law.widener.edu/documents/complaints/17814-001.pdf; **defendant Richard Cashin** in IXNet and IPC, Global Crossing securities fraud case in Delaware. Same person, former Citigroup Venture Capital. Also includes Peter A. Woog of Pivotal Private Equity, the purported "arms length" buyer of Pacific Crossing Ltd. See GlobalAxxess Response, June 6, 2003 disclosing Woog and Cashin.

[21] http://contracts.corporate.findlaw.com/agreements/globalcrossing/ipc.option.2000.02.22.html; AGREEMENT, dated as of February 22, 2000 (the "Agreement") among Global Crossing Ltd., a company formed under the laws of Bermuda ("Global Crossing"), IPC Communications, Inc., a Delaware Corporation ("IPC"), IXnet, Inc., a Delaware Corporation ("IXnet") and a subsidiary of IPC, and the individuals signatory hereto (each, a Holder").

This Respondent reiterates yet again, these persons cannot find an un-conflicted person or company to bring to this feeding trough of hogs that are plundering American investors and hiding behind the bankruptcy cases so carefully contrived to deceive all.

This Respondent has already pointed out to this Commission on June 4, 2003 the inherent ties between Blackstone's Leon D. Black and Carl Icahn[22]. Merely more conflicts and parties all trying to take advantage of the shareholders, most of the creditors, and take over Global Crossing "on the cheap" and under "color of law" to hide the extent of fraud.

The company held a lengthy auction last year in which STT and a former partner won.

On the day Global Crossing filed Chapter 11 bankruptcy, Hutchison Whampoa and ST Telemedia also submitted a $750,000,000 offer[23] to acquire all assets of Global Crossing.

The United States Bankruptcy Court ordered on March 25, 2002 that the assets would be auctioned under section 363 of the United States Bankruptcy Code. Those bids were originally due on June 20, 2002 and HW and STT had until May 21, 2002 to increase their bid as directed by the Court. Within hours after that March 25 order, both HW and STT declined to increase their bid but did not withdraw from the process.

All bids were rejected on July 10th without being reviewed by the U.S. Bankruptcy Court and it was announced that HW and STT were the "highest and best" offer at $250,000,000. This Respondent's bid was higher than that amount as were others that conditioned "due diligence" so the cause of the massive hemorrhaging at Global Crossing could be determined and put to a stop.

The group went before the bankruptcy court on August 9, 2002 to announce that they had arrived at a deal with Hutchison and ST Telemedia, while all other bidders were not even notified[24] or their section 363 bids ever being presented to the Bankruptcy Court. There was no auction of the assets; that was a sham.

Global Crossing and its unsecured creditors reject

This is the same group that contains the creditors that have tried to not only hide the $600,000,000 in Frontier debt still on Global Crossing books but also to attempt to hold the entire bankruptcy process hostage to get their way in the deal as the GC Noteholders and the GCNA Noteholders.

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[22] GlobalAxxess Supplemental Response, June 4, 2003, page 18, footnote 35 , Icahn and Leon Black, Blackstone links.
[23] http://edition.cnn.com/2002/BUSINESS/asia/01/28/hk.hutch.biz/
[24] GlobalAxxess Response, December 3, 2002.

If the Disclosure Statement filed by Global Crossing is examined and fully analyzed with the known fact that there is still $600,000,000 of Frontier debt on the books of Global Crossing, and that the Class C, D, and E creditors that had to have been involved directly and indirectly in that action are receiving the preponderance of the $200,000,000 in non-cash consideration as 11% Senior Notes under the ST Telemedia plan, it is really not much of a stretch to say that the "weighted advantage" these classes of creditors are getting in Senior Notes is a bribe to get their approval of the Chapter 11 plan.

To get plan confirmation under the bankruptcy code it requires i.) majority vote of each class of creditors; and ii.) that vote representing 2/3rds of the total debt in each class. That is not very hard to achieve with "insider interests" and "future interests" aligning to abuse all other parties in interest in the bankruptcy case. The preponderance of the $200 million in 11% Senior Notes are to be given to creditors that: i.) can create the 2/3rds "dynamic" to slam dunk the plan confirmation; and ii.) represent some creditors that may well have bogus claims against Global Crossing; i.e. the $600,000,000 that seems to be placed with the wrong company.

Global Crossing Ltd.[25] Confirms Hutchison Whampoa and Singapore Technologies Telemedia Unable to Reach Agreement With Creditor Constituencies

May 25, 2002

Global Crossing Ltd. confirmed that its major creditor constituencies were unable to reach agreement on definitive documentation with Hutchison Whampoa Ltd. and Singapore Technologies Telemedia Pte. Ltd. for an investment in Global Crossing. This agreement would have resulted in the two companies securing a break-up fee and other bidding protections. Global Crossing is continuing discussions with other interested potential investors as the process moves forward.

Hutchison Whampoa and Singapore Technologies Telemedia Will Not Raise Bid For Global Crossing Ltd.-WSJ

May 23, 2002

The Wall Street Journal reported that Hutchison Whampoa and Singapore Technologies said that they will not increase their $750 million bid for Global Crossing Ltd.

Global Crossing Ltd.'s Lead Suitors To Seek Extension-WSJ

May 21, 2002

The Wall Street Journal reported that the two leading candidates to buy Global Crossing Ltd. are likely to let the May 21deadline for a merger agreement pass even as they continue negotiations over their initial $750 million offer for the Company. The two Asian companies -- Hutchison Whampoa Ltd. and Singapore Technologies Telemedia Pte. Ltd. -- are expected to file for an extension with the U.S. Bankruptcy Court in New York as they try to work out a deal, according to the Journal.

[25] http://news.moneycentral.msn.com/ticker/sigdev.asp?Symbol=GBLXQ

``There is no other offer on the table, in the bush or tied to a bird's wing,'' that has a chance of being voted on or consummated, said Ed Weisfelner, a lawyer with Brown Rudnick Berlack Israels, who represents the unsecured creditors.

Under United States bankruptcy law, unsecured creditors committees have a fiduciary responsibility to all unsecured creditors regardless of size. In short, they all have by law both equal voting rights and equal right to protection under the law, fundamentally a Fifth Amendment Constitutionally guaranteed protection and protection under the Bankruptcy Code. The shareholders have the same legal rights but that oversight and constitutional violation of removal of property without due process continues until the Code is either amended or the bankruptcy courts wake up the fundamental abuse of the process that is going on right in front of them.

This Commission has already been advised that there is $600,000,000 of Frontier debt left on Global Crossing books after the sale of Frontier to Citizens Communications. If they can so easily breach "bond financing" contracts and show that no one should have "faith" in the words or contracts of Global Crossing, one can only wonder the contempt and cavalier attitude they have for stockholders and their money.

This Commission has been shown how they contrived numbers[26] to keep the shareholders out of the process so they could paint this pretty picture, call it a pretty deal for this Commission and now, according to the OFII, one that we are "honor bound" to let it happen due to a treaty.

What Mr. Weisfelner fails to mention is that some of his "clients" representative of the Unsecured Creditors Committee are fully deserving of a "full examination" as to whether their claims should be: i.) subordinated for fraud and non-voting on plan confirmation; or ii.) completely disallowed based on fraud as a claim in the Global Crossing bankruptcy case whatsoever and non-voting on plan confirmation; or iii.) $600,000,000 removed from the books of Global Crossing and transferred to Frontier Communications / Citizens Communication and non-voting; or iv.) seek full and complete recovery of IXNet Asia, IPC Asia, Frontier Communications and IPC Information Systems as "assets of the estate", instead of trying to bully control of the bankruptcy case via creditors that may not be Global Crossing creditors and get exculpation for that fraud.

As indicated in the Reuters article, Mr. Weisfelner is with the law firm of Brown Rudnick, Berlack & Israels, counsel for the Global Crossing Unsecured Creditors Committee. Mr. John Biedermann works with that firm too and is part of the BRBI team assigned to the Global Crossing Unsecured Creditors Committee.

-----Original Message-----
From: KWB.Schwarz [mailto:KW.Schwarz@worldnet.att.net]
Sent: Friday, September 06, 2002 7:55 AM

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[26] GlobalAxxess Response to Third Application, May 26, 2003, pages 12, 13.

To: Biedermann, John P.
Cc: Michael Conway; John Hovel; Mary.Tom@usdoj.gov; Carolyn.S.Schwartz@usdoj.gov; Pamela.Lustrin@usdoj.gov
Subject: RE: Update
Sensitivity: Confidential

Hello John,

It is good to hear that you do recognize and support such fiduciary responsibilities.

First, we are prepared to offer $450 million and put into place a working plan (non-debtor supported) that would impair the creditors less. How the HW offer is preferable to that, I would love to hear your rationale on the comparative merits.

Additionally, we would open the process to due diligence to get to the bottom of the GC issues and resolve them. I trust you can well imagine how unfashionable that would be with some.

Are you aware that there are approximately 50 class action ROW lawsuits that could represent a huge liability to WCG and GC for they are named in most of them? Additionally, are you aware that those same lawsuits and the telecom defendants were heavily sanctioned for FORUM SHOPPING while they were in bankruptcy? See US Dist Ct Portland, Judge Anne Aiken.

The offer on the table for WCG is $330 million and we have been prepared since March 2002 to offer $400 million. Again, a question of best interest of ALL CREDITORS.

Second, have you verified if HW is or is not an insider, is or is not still a creditor of GC or has this evolved into a minority shareholder takeover with preference?

COMPANY DATA:
COMPANY CONFORMED NAME: GLOBAL CROSSING LTD
CENTRAL INDEX KEY: 0001061322
STANDARD INDUSTRIAL CLASSIFICATION: TELEPHONE COMMUNICATIONS (NO RADIO TELEPHONE) [4813]
IRS NUMBER: 980189783
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: POS AM
SEC ACT:
SEC FILE NUMBER: 333-94805
FILM NUMBER: 637379

BUSINESS ADDRESS:
STREET 1: WESSEX HOUSE 45 REID ST
STREET 2: HAMILTON HM12
CITY: BERMUDA
STATE: D0
ZIP: HM12
BUSINESS PHONE: 4412968600

MAIL ADDRESS:
STREET 1: WESSEX HOUSE 45 REID STREET
STREET 2: HAMILTON HM12
CITY: BERMUDA
POS AM

POST-EFFECTIVE AMENDMENT NO.1 TO FORM S-3
As filed with the Securities and Exchange Commission on May 16, 2000
Registration No. 333-94805

D. RHETT BRANDON, ESQ. JAMES C. GORTON, ESQ.
Simpson Thacher & Bartlett

(a) $500 million of our 7% cumulative convertible preferred stock which we issued in a private placement on December 15, 1999 and **(b) $400 million of our 6 3/8% cumulative convertible preferred stock, series B, which we issued to Hutchison Whampoa Limited upon completion of the transaction described in the second paragraph under "-- Selected historical financial information" on page 5**; and

I see the potential for numerous conflicts. We are well aware of the relationships between Simpson Thacher Bartlett and Blackstone. The ST&B web site is full of such relationships. It has been a while since I have seen a Rule 2004 examination of a creditors committee or a financial advisor. As for responding to the rest of your inquiry, we will reserve that for actions we intend to take on behalf of ourselves and other interested parties. We do not wish to give them time to bury facts even deeper. In talking to other 363 bidders it is becoming increasingly clear that HIGHER AND BETTER offers are being hidden from view or consideration.

Thank you for your email. The Committee recognizes its fiduciary responsibilities to all unsecured creditors and therefore has agreed to support the Hutchison/Singapore transaction because the Committee believes that it provides unsecured creditors with the best recoveries under current conditions. If you have any verifiable information or evidence of the improprieties that you allege surround the Hutchison/Singapore transaction in particular and the bidding process in general, please provide us with such information or evidence and we will review same.

-----Original Message-----

From: *KWB.Schwarz [mailto:KW.Schwarz@worldnet.att.net]*

Sent: *Wednesday, September 04, 2002 11:36 AM*

To: *John P. Biedermann*

Cc: *Michael Conway; John Hovel; Mary.F.Tom@usdoj.gov; Carolyn.S.Schwartz@usdoj.gov; Pamela.Lustrin@usdoj.gov*

Subject: *Update*
Sensitivity: *Confidential*

Hello John,

I personally cannot believe that you and your creditor clients would look the other way on the games that Blackstone, GC, HW and STT have been playing with you and all other parties. Does your committee not have a fiduciary responsibility to all creditors regardless of size to get the best deal for the creditors?

I advised you long ago that we were in direct contact with STT, Soon Eng-Kek, Theng Kiat Lee and others through their parent Singapore Technologies. Do you not find it incredible that STT would remain loyal to this STT-HW bid solely because of Stephen Green, a Clinton appointee as ambassador to Singapore, a Winnick and Legere friend and now defendant in the ERISA fraud actions lodged against GC?

I have always believed that bankruptcy is not a haven from fraud, but the actions I have seen over the past 60 days in the GC and WCG bankruptcy cases have changed my mind on that matter. In fact, my faith in the system from initial venture capital to IPO to bankruptcy is suspect.

As of yesterday, I have given our attorneys limited permission to disclose all that we know to the US House Financial Service Committee investigation regarding Global Crossing, HW and Li Ka-shing and what we have been provided by parent ST.

By way of this email, I am notifying Pamela Lustrin, Asst U.S. Trustee that the WCG bankruptcy information, witnesses and evidence has also been made available to the US House committee if they wish to look into that matter as well.

We have been approached by one of the GC bidders that was not announced in the media. They are reluctant to move forward with us on a better deal for you and your clients until they get some form of written commitment from you and the US Trustee that they are not standing up alone against the undermining Blackstone and GC did to the 363 bid process.

They share our concerns that the E-room provided by Global Crossing and Blackstone was woefully insufficient on information to prepare a proper bid and analyze how to remedy the cash flow and operating problems at GC. If the bid process was legitimate John, why was the e-room deficient of information for bidders?

I frankly think all bidders should petition the court and demand a refund of the expenses incurred in what was obviously a sham auction process.

The private equity partners that came to me did sign the Confidentiality Agreement and are NOW being instructed that they CANNOT come forward with a restructured bid as it would violate the confidentiality provisions. That is exactly why we did not sign the document for it attempts to control HOW one would bid on the matter. It attempts to suppress rather than shed light on the problems.

I have provided you a copy of the Blackstone Confidentiality Agreement that we refused to sign, why we refused to sign it, a detailed list of documentation that we know is prudent to conduct due diligence on a telecom and Blackstone refused to sign off on our request for documentation.

If you and your clients wish to entertain a higher and better offer for all parties to consider, we need written commitments from you and from the US Trustee that

such a higher offer will be considered, notwithstanding GC and Blackstone's desire to undermine due diligence on behalf of their client and affiliates of that client that are also affiliates of Blackstone.

The lawful entitlements that most of the Global Crossing creditors have are not being protected by the current Unsecured Creditors Committee. They are using the 2/3rds majority of "total debt" to literally force this bankruptcy settlement on many parties. The Unsecured Creditors Committee group is so replete with conflicts of interest (Chanin Capital Partners as financial advisor[27], former Winnick co-worker, former Milken co-defendant) and fraud they are trying to cover up that the other creditors are being abused. That is exactly why this Respondent sent that email to one of the attorneys for the unsecured creditors committee and copied the U.S. Trustee's office.

This Commission need not be reminded that Hutchison and Li Ka-shing, a known front for the PRC[28], was embedded in these matters since June 25, 2001 and before this Commission since August 2002. Now that the fate of Asia Global Crossing and the identity of the new owners is known, the proposed fate of Pacific Crossing is known and the proposed fate Global Crossing is known, the math is really quite easy to do. All that is needed is to turn the lights on and put a little clarity on the matter.

The issue is not one of the Singapore Government divesting itself from STT. The Singapore Government has attempted or is collaborating with an end run on national security and has clearly gotten into bed with the PRC in China Netcom[29], dba: Asia Netcom and its part owners being Goldman Sachs and the Singapore Government via CICC[30].

Competition is not the issue. Alleged "*significant benefits*" that could be produced (according to OFII solely by STT and GX) in many ways other than STT is not the fact issue. National Security is the issue and absolutely nothing "*precludes*" this Commission from saying "NO" to the ST Telemedia and GX application for cause and based on the nature of the proposal and the application now before the Commission.

If Global Crossing's request to extend the exclusivity period is denied, the company said it would be ``highly probable'' that STT would walk away from the deal.

What is incredible is that STT does not seem to grasp that as an owner holding less than 25% and teamed up with a non-conflicted party such as this Respondent that is a U.S. based company to insure that national security matters are being guarded, this required FCC review process and contentiousness would not even be required. This

[27] CommAxxess Supplement Response, June 13, 2003, page 4; Milken co-defendants, Chanin.
[28] GlobalAxxess Objection to Transfer of Control, October 21, 2002, Attachment 1 and Attachment 2.
[29] CommAxxess Supplemental Response, June 6, 2003, page 15 of 35
[30] CommAxxess Supplemental Response, June 6, 2003, page 15 of 35

Respondent has made that known to STT and they did not seem to like the idea preferring instead to stick with the "reverse roll up" charade.

Marcus Aurelius was attributed as saying long ago: "***Of each and every thing ask but this; in its purest essence, what is it?***"

What is before this Commission is a willful attempt to mislead and circumvent national security for the sake of money that Goldman Sachs, Citigroup and others hope to make in the Pacific Rim and specifically mainland China. Notwithstanding that Clinton hails from Arkansas and so does this Respondent, many here would call that treason against the United States of America.

What is being presented to CFIUS is a "rose colored glass" so they cannot see this charade for what it really is.

We submit that this Commission and CFIUS have a Constitutional duty to say no to protect the national security of the United States and reject anything and everything about this "reverse roll up" of Asia Global Crossing, Pacific Crossing and Global Crossing.

Ladies and Gentlemen of the Commission, this really is about right and wrong. It always has been and it always will be until resolved through the Courts and certain persons and firms are held accountable. It is also about protecting the national security of the United States.

STT could have teamed up with an American company at less than 25% ownership and this review process would not even be required and would be the equivalent of a done deal in very short order. However, that would run contrary to the agenda of Global Crossing, some of its creditors and certain investment bankers we all now know are behind this charade.

We suggested that very approach over a year ago to STT and this entire matter is still stuck on high center based on Global Crossing demands and threats, STT miscalculations, hand-wringing about the poor Global Crossing management team that had plundered hundreds of thousands of investors and its own employees, and an Unsecured Creditors Committee representing some parties that may well not be legitimate creditors of this bankruptcy but are being allowed to unduly influence it.

When Global Crossing was first started it went by the name of "GC Partners". That was just before it was formed in the Cayman Islands as Global Crossing Ltd LDC with CIBC and others. Then Global Crossing moved its domicile to Bermuda and CIBC stayed with the Cayman Islands entity.

This Respondent has pointed out all former Milken co-defendants that it knows of that were involved in Global Crossing from any side of the deal except one; **GC**

Partners[31]. ***"In its purest essence, what is it?"*** Quite possibly a "transfer of wealth scam" dating back to at least 1992. If this is the same entity that evolved into Global Crossing, it may have started under Milken and Drexel Burnham & Lambert.

Respectfully submitted,

Karl W. B. Schwarz
Chairman, Chief Executive
501-663-4959

Dated: June 30, 2003

[31] http://csmail.law.pace.edu/lawlib/legal/us-legal/judiciary/second-circuit/test3/95-9072.html; Presidential Life Insurance Company and TLC Beatrice International Holdings, Inc. v. Milken, et. al.; UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT, No. 1371 August Term, 1995; (Argued: May 3, 1996 Decided: August 26, 1996); Docket No. 95-9072, Michael R. Milken, et al, **GARY WINNICK,** GALWAY INVESTMENTS ASSOCIATES LP; **GC PARTNERS**; GENERAL FINANCIAL, and Winnick controlled entities **PACIFIC ASSET ADVISORS**; **PACIFIC ASSET CORPORATION**; **PACIFIC ASSET HOLDINGS L.P**.; **PACIFIC ASSET MANAGEMENT INC**.; **PACIFIC ASSETS PARTNERSHIP**; **PACIFIC CONTINENTAL PARTNERS** (possibly in conjunction with Continental Casualty and Hillel Weinberger, see Frontier Communications transaction. See CommAxxess Supplemental Response, June 4, 2003, page 27, 28 and Hillel Weinberger as signatory for "GLOBAL CROSSING PARTNERS".

CERTIFICATE OF SERVICE

I, Karl W. B. Schwarz, hereby certify that on this 30th day of June 2003, I caused a true and correct copy of the foregoing Supplemental Response In Support of National Security Issues to be served on the following parties in the manner indicated:

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J. Breck Blalock
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ACN
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ATTACHMENT 1

The following is the list of creditors of CG Austria; an SPE that WCG formed so their investors would not know what was being done that was adverse to their financial interests. The matters in WCG are being brought under a shareholder initiated RICO action for fraud and racketeering that pre-dated the WCG spin off and shares even being in the hands of the shareholders.

Bank of America, N.A.
Pete Joost
John Woodiel
Patrick G. Honey
Mickey McLean
Mail Code: TX1-492-66-01
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Banc of America Securities LLC
Steve Ayala
Kevan Corbett
James D. Jeffries
Peter M. Sherman
Elton R. Vogel III
Richard Arendale
NC1-007-07-03 and NC1-007-07-04
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Charlotte , North Carolina 28255

Banc of America Securities LLC
Craig Kennedy
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Citibank / SSMB
Citicorp USA Inc.
John Dorans
David Mode
250 West Street, 8th Floor
New York, New York 10013

Citigroup, Inc.
Christopher Teano
388 Greenwich St., 20th Floor
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Salomon Smith Barney Inc.
Christopher Blake
8700 Sears Tower
Chicago, Illinois 60606

Salomon Smith Barney Inc.
Timothy Freeman
John P. Judge
390 Greenwich Street
New York, New York 10013

JP MORGAN CHASE
JP Morgan Chase Securities, Inc.
Carlos E. Gomez
270 Park Avenue
New York, New York 10017

JP Morgan Chase Securities, Inc.
Houston Stebbins
James Stone
270 Park Avenue
New York, New York 10017

JPMorgan Chase Bank
Constance M. Coleman
270 Park Avenue, 37th Floor
New York, New York 10017

Lehman
Lehman Brothers Inc.
Larry Band
200 Vesey Street
New York, New York 10281

Lehman Brothers Inc.
Kenny Gunderman
D. Hetherington
Glenn Medwar
Alex Sade
200 Vesey Street
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Lehman Commercial Paper Inc.
Thomas Bernard
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Lehman Commercial Paper Inc.
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Andrew Keith
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New York, New York 10017

Lehman Commercial Paper Inc.
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Merrill Lynch Capital Corporation
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Merrill Lynch Capital Corporation
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New York, New York 10281

ABN AMRO Bank N.V.
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David C. Carrington
Bryan J. Matthews
Steven Wimpenny
55 East 52nd Street
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Ark II CLO 2001-1, Limited
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William Enszer
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Bank Austria Creditanstalt Corporate Finance Inc.
c/o HypoVereinsbank
Peter Halter
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Bank One, N.A. (see note above Richard Cashin, Bank One venture capital arm interested in GX)
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Bank of Montreal
Geoffrey R McConnell
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Bank of New York
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Bank of New York
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Michael Masters
Brendan Nedzi
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Steven Rich
Deborah Apfelbaum
Aldo Cicilia
Jeremy Horn
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David Sawyer
Mark Cook
Brand Hosford
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Fleet National Bank
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Matthew Speh
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Fuji Bank Ltd. (The)
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John Doyle
Natasha Kazmi
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Hamilton CDO, Ltd.
c/o Stanfield Capital Partners LLC
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Elizabeth Mutton
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New York, New York 10017

IBM Credit Corporation
Steven A. Flanagan
North Castle Drive
Armonk, New York 10504-1785

IBM Credit Corporation
Bruce B. Gordon
Mail Stop NC317, office 3D-62C
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Industrial Bank of Japan Limited (The)
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Shiro Shiraishi
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KBC Bank N.V.
Kyle Cruel
Filip Ferrante
Marquis One Tower, Peachtree Center
245 Peachtree Center Avenue, Suite 2550
Atlanta, Georgia 30303

KBC Bank N.V.
Maria Rodriguez
125 West 55th St.
New York, New York 10019

Merrill Lynch Global Allocation Fund, Inc.
c/o Merrill Lynch Investment Managers, L.P.
Lisa O'Donnell
800 Scudders Mill Rd., - Equity
Plainsboro, New Jersey 08536

Merrill Lynch Series Funds, Inc. Global Allocation Strategy Portfolio
c/o Merrill Lynch Investment Managers, L.P.
Lisa O'Donnell
800 Scudders Mill Rd., - Equity
Plainsboro, New Jersey 08536

Merrill Lynch Variable Series Funds, Inc. Global Allocation Focus Fund
c/o Merrill Lynch Investment Managers, L.P.

Lisa O'Donnell
800 Scudders Mill Rd., - Equity
Plainsboro, New Jersey 08536

Pacifica Partners I, L.P. ($550 million CDO / CLO some or all of which was on WCG)

Dean Kawai
Suite 230
150 South Rodeo Dr
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Pequod Investments LP
Jon Gallen
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R2 Top Hat, Ltd = Richard Rainwater, former Bass Brothers executive.
c/o Mayer Brown Rowe & Maw
Nazim Zilkha
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Sankaty High Yield Asset Partners, L. P.
c/o Sankaty High Yield Asset Partners, L. P.
Diane Exter
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Sankaty High Yield Partners II, LP
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Diane Exter
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ScotiaBank, Inc.
William Brown
Joe Latttanzi
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Standard Bank London Limited
Fiona Geoffroy
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c/o Stanfield Capital Partners LLC 6944495
Lisa Conrad
Elizabeth Mutton
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Stanfield CLO Ltd.

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Lisa Conrad
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Stanfield/RMF Transatlantic CDO, Ltd.
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ATTACHMENT 2

Imperial Credit Industries, Inc. Responds to Imperial Bank/ Leucadia Announcement

TORRANCE, Calif., March 29 /PRNewswire/ -- Imperial Credit Industries, Inc. ("Imperial Credit" or "ICII") (Nasdaq: ICII) responded today to the announced termination of the letter agreement between Imperial Bank (NYSE: IMP) and Leucadia National Corporation (NYSE: LUK) regarding the possible sale to Leucadia of Imperial's 24% holding of ICII's common stock.

H. Wayne Snavely, ICII's Chairman, President and Chief Executive Officer, said that Leucadia had professed an interest in taking a control position in ICII, rather than merely acquiring the shares held by Imperial Bank. He stated:

"We have the highest regard for Leucadia and believe there would have been good opportunities to work together on projects of mutual interest. However, now is not the time to redeem our shareholder rights plan or in any other way accommodate a new investor's acquisition of a control position in our stock at current prices. We believe that the implementation of our business plan for 1999 and our longer-range strategic plan should increase shareholder value for all shareholders. We will, of course, continue to work with Imperial Bank to facilitate its disposition of its shares in our Company in keeping with Imperial Bank's previously announced intentions."

Imperial Credit, a diversified financial services company, was formed in 1991 and has its headquarters in Torrance, California. The Company's major business activities consist of the operation of five wholly owned subsidiaries: Southern Pacific Bank, an industrial loan company specializing in lending to small and medium sized businesses; Imperial Business Credit, Inc., a commercial leasing company specializing in equipment leasing to small businesses; Imperial Credit Worldwide, Ltd., which manages Imperial Credit's international activities; Imperial Credit Advisors, Inc. and Imperial Credit Commercial Asset Management Corp., the manager for Imperial Credit Commercial Mortgage Investment Corp. (Nasdaq: ICMI). The Company also holds a 38% interest in Franchise Mortgage Acceptance Company (Nasdaq: FMAX), a lender specializing in loans to franchisees. Imperial Credit and its subsidiaries offer a wide variety of financial services and investment products nationwide.

This Press Release contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which can be identified by the use of forward-looking terminology such as "may," "will," "intend," "should," "expect," "anticipate," "estimate" or "continue" or the negatives thereof or other comparable terminology. The Company's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in ICII's Registration Statements and Form 10-K filed with the Securities and Exchange Commission.
SOURCE Imperial Credit Industries, Inc.

ATTACHMENT 3

The following is from the first draft of the RICO action that the WCG shareholders are bringing against WCG, WMB, Leucadia and others. This is part of how they seek and get exculpation for fraud and in the case of WCG, RICO level fraud.

The following is an excerpt from Tulsa World article about an objection to plan confirmation filed in SDNY bankruptcy court Monday, September 16, 2002:

> *In particular, shareholders object to a "channeling injunction" that is part of the settlement agreement.*
>
> ***The injunction limits shareholders' and creditors' abilities to pursue and recover for securities fraud claims against Williams Communications' executives, officers, consultants and non-debtor third parties, including executives and officers of Williams Cos****. It provides that holders of securities-related claims will be "channeled" into a fund made up of 2 percent of the equity of the reorganized company.* ***Shareholders also would be eligible to pursue claims against company insurance policies covering executives and directors****.*
>
> ***"The effect of the channeling injunction will be to accomplish just what Section 524(e) (of the U.S. Bankruptcy Code) seeks to prevent, which is to allow non-debtors to escape their own liability," lawyers for shareholders assert in their brief.***
>
> *"Specifically, the channeling injunction: would not provide meaningful recovery for the plaintiff that would be affected by the injunction; is neither integral to the debtor's settlement with third parties nor essential for an effective reorganization; and would be neither fair to the plaintiffs nor in exchange for reasonable consideration from the released parties," the document states.*
>
> *Based on an estimated reorganization value of $725 million for the new Williams Communications, the channeling injunction would provide $14.5 million for shareholders, lawyers for shareholders say. Considering that shareholders lost billions in the company's bankruptcy, the proposal is unreasonable, they allege.*
>
> *Citing a 1988 case in the 2nd Circuit in MacArthur Co. vs. Johns-Manville Corp., lawyers for shareholders said the channeling fund in that case was $770 million against claims of about $2 billion (about 40 percent).*

"The 2 percent of stock being provided to plaintiffs is not being provided by any of the released parties, but is coming directly from the shares to be otherwise issued to holders of Class 5 senior redeemable notes and Class 6 unsecured claimants," lawyers for shareholders argue. "Thus, even the de minimis consideration being provided to plaintiff is still not being provided by the released parties, as required by the applicable case law."

Shareholders also assert that Williams Communications and its lawyers have failed to show how discharging executives, officers and third parties from legal liabilities is necessary to implement the reorganization plan.

Two other parties to the Williams Communications bankruptcy have filed objections to the reorganization plan.

Lawyers for Wilfrid Aubrey Growth Fund L.P., which holds $2.5 million of Williams Communications' bonds, and Jeff Kavy, a San Antonio bondholder, allege that a select group of bondholders known as the "lock-up noteholders" would receive favorable treatment under the plan.

Lawyers for the bondholders argue that the lock-up noteholders entered into a restructuring agreement with the company April 19, three days before the company filed for Chapter 11. They allege that in return for their participation in the first restructuring agreement, the lock-up noteholders will receive 5 percent of the new Williams Communications common stock in addition to the shares they are entitled to as bondholders.

"This disparate treatment between the members of the Ad Hoc Committee (of bond holders) and other members of Class 5 violates the equality principle of Section 1123(a)(4) of the Bankruptcy Code, thereby rendering the plan unconfirmable under Section 1129(a)(1)," argue lawyers for Wilfrid Aubrey Growth Fund.