



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE  
IN AND FOR NEW CASTLE COUNTY

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IN RE INTEGRATED TELECOM EXPRESS,  
INC.  
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C.A. No. 2215-N

**FIRST QUARTERLY REPORT OF RECEIVER**

James Williams, in his capacity as Receiver for Integrated Telecom Express, Inc. files this quarterly report.

1. On June 29, 2006, this Court appointed me as Receiver for Integrated Telecom Express, Inc. a dissolved Delaware corporation, pursuant to Section 279 of the Delaware Corporation Law.
2. As more fully described in the Verified Petition for the Appointment of a Receiver for a Dissolved Delaware Corporation, Integrated Telecom Express, Inc. ("ITeX") ceased operations approximately three years ago. On April 18, 2002, ITeX's board adopted a plan of dissolution which provided for the complete liquidation of all of ITeX's assets. Prior to the adoption of the dissolution plan by ITeX's shareholders, on October 8, 2002, ITeX filed a petition pursuant to Chapter 11 in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Action"). Pursuant to a Plan of Liquidation (the "Plan"), approved by the Bankruptcy Court on April 16, 2003, a distribution of approximately \$75 million was made to ITeX's creditors and equity holders, ITeX's equity holders tendered their stock certificates, which were canceled, and ITeX's directors and officers were discharged.

3. On November 8, 2005, the Bankruptcy Action was dismissed. The order dismissing the Bankruptcy Action (the “Dismissal Order”) provided, among other things, that all actions previously taken in accordance with the Plan remained valid but that any further payments or distributions are to be determined not according to the Plan or the Bankruptcy Code, but according to otherwise applicable law. The Dismissal Order also appointed petitioner James E. Williams as trustee or receiver of ITeX pursuant to sections 226, 291 and 303 of the Delaware General Corporation Law (“DGCL”), as well as the Bankruptcy Court’s equitable powers, and vested Mr. Williams with the authority to, among other things, commence proceedings in this Court and dissolve and wind-up ITeX under section 275, *et seq.*, of the DGCL.

4. Pursuant to the powers granted in the Dismissal Order, Mr. Williams adopted a Certificate of Dissolution of ITeX which was filed with the Delaware Secretary of State on June 9, 2006.

5. As of the end of the quarter ended June 30, 2006, the liquid assets of ITeX were \$1,578,000 of cash located at Silicon Valley Bank in Santa Clara, California. The liabilities of ITeX at June 30, 2006 were \$426,000, consisting primarily of cash not distributed during the initial distribution for shares, which were not tendered, to the transfer agent, and prior years federal income tax accruals. Prior years Federal Tax returns on extensions are being reviewed by ITeX’s independent accountants and when filed may reduce or eliminate the accrued liability.

6. In addition, a class action lawsuit has been filed against ITeX, and certain of its directors and officers and its investment bank underwriters for violation of the federal securities laws in the United States District Court for the Southern District of New

York. These cases have been coordinated for pretrial proceedings as *In re Initial Public Offering Securities Litigation*, 21 MC 92 (SAS). The issuer defendants and plaintiffs in this litigation have reached agreement on the terms of a settlement between the plaintiffs and all of the issuers and individual defendants. Under the terms of the settlement, it was agreed that the individual defendants associated with the “Bankrupt Issuers,” as defined in the settlement, would receive a dismissal without the need for payment of any money or admission of any liability, and the Bankrupt Issuers would receive a covenant not to sue. The insurance carriers would potentially remain liable, but the individuals would be released from further liability. The settlement agreement was submitted for the required approval of Judge Scheindlin in 2003. Judge Scheindlin responded to the request by asking that changes be made to the bar order provisions of the agreement. She said nothing about the “Bankrupt Issuer” provisions of the settlement. The parties have changed the Settlement Agreement to address Judge Scheindlin’s concerns and resubmitted the revised settlement agreement to the Judge for her approval. Since submission of the proposed settlement agreement for approval, all parties have been proceeding with the litigation in a manner consistent with approval of the settlement. Judge Scheindlin issued the order confirming preliminary approval of the settlement on September 1, 2005. Final approval of the settlement, however, is not expected to occur prior to this year’s end. To date, ITeX has been treated as a “Bankrupt Issuer” under the settlement and for the purposes of the litigation. The settlement agreement defines “Bankrupt Issuer” to include any Issuer that (i) *has been* the subject of bankruptcy proceedings during the pendency of the Actions but prior to the Coordinated Litigation District Court Approval Date (the date as of which District Court orders


approving this Issuers Settlement have been entered in each and all of the Actions (unless waived as to any of the Actions)) or (ii) was the subject of bankruptcy proceedings prior to the Coordinated Litigation District Court Approval Date and was not named as a defendant in an Action. We expect ITeX to continue to be treated as a Bankrupt Issuer throughout the settlement process.

7. For a period that covers over one year ITeX has been in discussions with the State of California Franchise Tax Board. The Tax Board has requested information on the status of the previous Bankruptcy filed in 2002 by ITeX to determine whether an audit of the company's sales tax returns was appropriate. At this time the Franchise Tax Board has not scheduled an audit, however it has left open the possibility that any audit of years 2002 through 2005 could take place. During the audit period ITeX had no sales activities and all documents have been filed with the State of California, and are in good order.

8. ITeX will continue to maintain its web site until a final distribution of cash occurs and the office is officially closed. The web site is the major information source for remaining shareholders.

Respectfully submitted,

Dated: September 11, 2006

  
James E. Williams