

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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In re: : Chapter 11
: :
: Case No. 12-10069 (CSS)
TRIDENT MICROSYSTEMS, INC., *et al.*,¹ :
: (Jointly Administered)
Debtors. :
: :
-----X

**MOTION OF THE DEBTORS FOR AN ORDER DIRECTING
REDACTION OF MARCH 2, 2012 HEARING TRANSCRIPT**

Trident Microsystems, Inc. and Trident Microsystems (Far East) Ltd. (collectively, the “Debtors”), by and through their counsel, DLA Piper LLP (US), hereby move the Court (the “Motion”) for the entry of an order pursuant to section 105(a) of the United States Code (the “Bankruptcy Code”), Rule 9037 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Redaction Procedures as set forth by the Judicial Conference of the United States, for the entry of an order redacting certain confidential information from the written and audio transcript of a hearing held in this Court on March 2, 2012. In support of their Motion, the Debtors respectfully state as follows:

¹ The Debtors are the following two entities (the last four digits of their respective taxpayer identification numbers, if any, follow in parentheses): Trident Microsystems, Inc. (6584) and Trident Microsystems (Far East) Ltd. The mailing address of each of the Debtors, solely for purposes of notices and communications, is 1170 Kifer Road, Sunnyvale, California 94086.



Jurisdiction and Venue

1. The Court has jurisdiction over these cases and this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

2. On January 4, 2012 (the “Petition Date”), each of the Debtors filed with this Court a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors are in possession of their properties and continuing to operate their business as debtors in possession under sections 1107 and 1108 of the Bankruptcy Code.

3. On January 4, 2012, the Debtors filed their *Motion of the Debtors and Debtors in Possession Pursuant to Sections 105(A), 363 and 365 of the Bankruptcy Code for an Order (I)(A) Approving Procedures in Connection with the Sale of Certain of the Debtors' Assets Related to Their Set Top Box Business; (B) Approving the Stalking Horse Protections; (C) Scheduling the Related Auction and Hearing to Consider Approval of Sale; (D) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; (E) Approving the Form and Manner of Notice Thereof; and (F) Granting Related Relief; and (II)(A) Authorizing the Sale of Certain of the Debtors' Assets Related to Their Set Top Box Business Pursuant to Successful Bidder's Asset Purchase Agreement Free and Clear of Liens, Claims, Encumbrances and Other Interests; (B) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases Related Thereto; and (C) Granting Related Relief* (the “Bid Procedures Motion”) [Docket No. 14].

4. On January 18, 2012, the Office of the United States Trustee (the “US Trustee”) appointed the Official Committee of Unsecured Creditors in the case of Trident Microsystems (Far East) Ltd. (the “Creditors Committee”).

5. On February 7, 2012, the Court entered an order approving the Bid Procedures Motion, ordering, among other things, for an auction with respect to the sale of certain assets as set forth in the Sale Motion to take place on February 23, 2012 (the “Auction”).

6. On February 14, 2012, the US Trustee appointed the Committee of Trident Microsystems, Inc. Equity Security Holders (the “Equity Committee”). No trustee has been appointed in these cases.

7. On February 23, 2012, two bidders participated in the Auction. At the conclusion of the Auction, Entropic Communications, Inc. (“Entropic”) was ultimately selected as the winning bidder. At the request of the second bidder, Entropic, the Debtors and all parties present at the Auction, including NXP Semiconductors Netherlands B.V and NXP B.V (collectively, “NXP”) agreed to keep the identity of the second bidder confidential.

8. On March 1, 2012, the Equity Committee filed its *Emergency Motion of the Statutory Committee of Equity Security Holders to Compel NXP Semiconductors Netherlands B.V. and NXP B.V. to Respond to Discovery Requests* (the “Discovery Motion”) [Docket No. 269], and the Discovery Motion was heard by the Court on an expedited basis at a hearing on March 2, 2012 at 3:00 p.m. (Eastern).

9. At the March 2, 2012 hearing, counsel to NXP Semiconductors inadvertently revealed the identity of the second bidder. The identity of the second bidder appears on page 41, line 7 of the transcript.

Relief Requested and Basis Thereof

10. By this Motion, the Debtors request that the identity of the second bidder be redacted from both the written transcript and audio recording of the March 2, 2012 hearing. While it was not technically the Debtors who revealed the identity of the second bidder, the Debtors, in their best efforts to protect the identify of the second bidder as agreed upon by all parties in attendance at the Auction, request redaction of the written and audio transcript of the March 2, 2012 hearing.

11. Bankruptcy Rule 9037(d) provides that the court may require redaction of certain confidential information or limit or prohibit a nonparty's remote electronic access to a document filed with the Court. An order approving the sale of assets to Entropic has been entered [Docket No. 319], and the Debtors submit that there is no potential for any party to be prejudiced by redacting the identity of the second bidder to allow the second bidder to remain anonymous in accordance with the agreement amongst the second bidder and all participants at the Auction. Therefore, the Debtors request entry of an order redacting the identity of the second bidder from both the written transcript and audio recording of the March 2, 2012 hearing. In accordance with the this Court's redaction procedures, a redacted version of the March 2, 2012 written hearing transcript is attached hereto as Exhibit A and the Debtors request that only such redacted version of the written transcript and audio recording be available to the public.

WHEREFORE, the Debtors request entry of an order, substantially in the form attached as Exhibit B (i) redacting the identity of the second bidder from both the written transcript and audio recording of the March 2, 2012 hearing, and (ii) such other relief the Court deems necessary and appropriate.

Dated: March 26, 2012
Wilmington, Delaware

Respectfully submitted,

/s/ Stuart M. Brown

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ATTORNEYS FOR DEBTORS AND DEBTORS IN
POSSESSION

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

-----X
: :
In re : Chapter 11
: :
Trident Microsystems, Inc., *et al.*,¹ : Case No. 12-10069 (CSS)
: :
Debtors. : (Jointly Administered)
: :
: **Objection Deadline: April 13, 2012 at 4:00 p.m.**
: **Hearing Date: April 20, 2012 at 10:00 a.m.**
: :
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**NOTICE OF MOTION OF THE DEBTORS FOR AN ORDER DIRECTING
REDACTION OF MARCH 2, 2012 HEARING TRANSCRIPT**

PLEASE TAKE NOTICE that, on March 26, 2012, the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”) filed the **Motion of the Debtors for an Order Directing Redaction of March 2, 2012 Hearing Transcript** (the “Motion”) with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”), a copy of which is attached hereto.

PLEASE TAKE FURTHER NOTICE that any responses to the Motion must be in writing, filed with the Clerk of the Bankruptcy Court, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801, and served upon and received by the undersigned counsel for the Debtors on or before **April 13, 2012 at 4:00 p.m. (Eastern Standard Time)**.

PLEASE TAKE FURTHER NOTICE that if a response is timely filed, served and received, you or your attorney must attend the hearing on the Motion scheduled to be held before The Honorable Christopher S. Sontchi at the Bankruptcy Court, 824 North Market Street, 5th Floor, Courtroom 6, Wilmington, Delaware 19801 on **April 20, 2012 at 10:00 a.m. (Eastern Standard Time)**.

IF NO REPONSES TO THE MOTION ARE TIMELY FILED, SERVED AND RECEIVED IN ACCORDANCE WITH THIS NOTICE, THE BANKRUPTCY COURT MAY GRANT THE RELIEF REQUESTED BY THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

¹ The Debtors are the following two entities (the last four digits of their respective taxpayer identification numbers, if any, follow in parentheses): Trident Microsystems, Inc. (6584) and Trident Microsystems (Far East) Ltd. The mailing address of each of the Debtors, solely for purposes of notices and communications, is 1170 Kifer Road, Sunnyvale, California 94086.

Dated: March 26, 2012
Wilmington, Delaware

Respectfully submitted,

/s/ Stuart M. Brown

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ATTORNEYS FOR DEBTORS AND DEBTORS IN
POSSESSION

Exhibit A
(Redacted Transcript)

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UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE:) Case No. 12-10069 (CSS)
) Chapter 11
Trident Microsystems, Inc.,)
et al.,)
) Courtroom No. 6
Debtors.) 824 Market Street
) Wilmington, Delaware 19801
)
) March 2, 2012
) 03:00 P.M.

TRANSCRIPT OF HEARING
BEFORE HONORABLE CHRISTIOPHER S. SONTCHI
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

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For NXP Semiconductors: Sullivan & Cromwell, LLP
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1 THE COURT: Hello.

2 MR. MARTIN: Hello, Your Honor, Craig Martin from
3 DLA Piper, LLP. I also have Mr. Rick Chesley on the phone.
4 I just wanted to let you know that Mr. Chesley was on the
5 phone and then turn it over to the movants; if that's the way
6 you'd like to proceed.

7 THE COURT: I need a little instruction if we could
8 start with this to tell me the background. The alphabet
9 soup, frankly, is too much for me. So if we could actually -
10 - if I could get a little breakdown about who the Debtors are
11 in connection with the Netherland Entities that are involved,
12 the equity, how that all shakes out, and Mr. Chesley is
13 probably the best to do that.

14 MR. MARTIN: Yes, Mr. Chesley is on the phone and is
15 the best person to do that, so I'll turn it over to him.

16 THE COURT: Mr. Chesley, you there?

17 MR. CHESLEY: Thank you, Your Honor, I appreciate
18 you allowing me to participate by phone today. With respect
19 to just setting forth who the various entities are, the
20 Debtors, are Trident Microsystems, Inc. which is the U.S.
21 parent and Trident Microsystems (Far East) which is the
22 Cayman Entity. Those are the only two Debtors.

23 THE COURT: And what's the relationship between TMI
24 and what do you call the other one?

25 MR. CHESLEY: TMFE.

1 THE COURT: TMFE, right.

2 MR. CHESLEY: Yes, wholly owned subsidiary.

3 THE COURT: Of TMI?

4 MR. CHESLEY: Yes.

5 THE COURT: Okay. Thank you, go ahead.

6 MR. CHESLEY: Certainly. Now the party that's --
7 the subject to the dispute and the discovery dispute is NXP
8 which is a Dutch entity. NXP sold Trident the Set-Top Box
9 and the TV business in a stock deal that took place 2009 and
10 2010. As a result of that NXP became 60% owner of TMI which
11 is the publically traded entity. At a point in time had two
12 board seats, but they have, for some time, relinquished those
13 board seats.

14 NXP is also the largest supplier to the Debtors to
15 the tune of about a \$120 million dollars a year in components
16 to both the Set-Top Box and the TV businesses. So while it
17 is an equity owner, it also wears the hat of the largest
18 supplier and a critical supplier with respect to the ability
19 to run the business to the point that as this became a
20 significant issue with respect to the Entropic sale, Your
21 Honor, in that obviously reaching an agreement with NXP so
22 that they would continue to supply and produce was a critical
23 issue for Entropic and its willingness to buy the assets at
24 the price that it did at the auction.

25 So I'm not sure if that helps Your Honor understand

1 sort of who the parties are here in terms of setting the
2 issue and then we can, perhaps, move into the discovery if
3 the Court wishes or has any other questions on who the
4 parties are.

5 THE COURT: I'm sorry what is the difference between
6 NXP Semiconductor and NXP and NXP? Wait a minute, we got
7 three: NXP Semiconductor, NXP TV, and NXP, is that right?

8 MR. CHESLEY: I would probably defer that to Mr.
9 Cobb, Your Honor.

10 THE COURT: Yeah let me hear from NXP.

11 MR. COBB: Good afternoon, Your Honor, Richard Cobb
12 of Landis Rath & Cobb on behalf of the respondents to the
13 motion to compel, NXP Semiconductors and NXP. On the line,
14 Your Honor, is my co-counsel Michael Steinberg of the
15 Sullivan Cromwell firm. Your Honor, NXP is the parent of NXP
16 Semiconductors. NXP Semiconductors is actually the -- sorry.

17 THE COURT: Start over.

18 MR. COBB: Sorry, Your Honor, I'm trying to be
19 mindful of the late hour on a Friday afternoon.

20 THE COURT: We'll get it done as long as it takes.

21 MR. COBB: Thank you, Your Honor. NXP
22 Semiconductors is the actual, let's call them, the
23 manufacturer of the wafers and they provide the wafers. They
24 sell them to the Debtors. They also provide related services
25 that, essentially, allow the Debtors to conduct their

1 business. NXP is the parent of NXP Semiconductors, and is
2 the shareholder, as I understand it. I also will defer to my
3 co-counsel on the phone if I have somehow misstated that.

4 THE COURT: Okay I was saying, I was doing NXT
5 before, but when Mr. Chesley and I were talking it should
6 have been NXP, correct?

7 MR. COBB: That is correct, Your Honor. And I
8 appreciate that in our response we define them both as NXP.
9 And Your Honor may not have had an opportunity to look at the
10 motions filed, I guess yesterday afternoon or evening.

11 THE COURT: I looked at the Equity Committee's
12 papers, but I just got your papers, I think.

13 MR. COBB: Yes, Your Honor, they were filed after
14 lunch. But in any event, Your Honor, so that we're -- in
15 your head its framed neatly. NXP Semiconductors produces the
16 stuff that the Debtors buy and provides services they need.
17 And NXP is the equity owner to the extent of 60%, as we
18 understand it, the outstanding stock.

19 THE COURT: And TMI is the owner of TMFE and NXP
20 Semiconductor is the supplier to the Debtor?

21 MR. COBB: Correct, Your Honor.

22 THE COURT: And NXP is just the equity holder, at
23 least, for present purposes. NXP is the one that owns the
24 stock in TMI.

25 MR. COBB: That's correct, Your Honor.

1 THE COURT: All right ABC we got it. Okay. I have
2 another question. No that's it. So, Mr. Glassman, I'll give
3 you an opportunity to speak at this point. It's your motion.

4 MR. GLASSMAN: Thank you, Your Honor. To add a
5 little bit more color in this case in case Your Honor doesn't
6 know the Equity Committee, obviously, is formed only with
7 respect to TMI. And the Creditor's Committee has been
8 appointed only the TMFE case. And to make matters even a
9 little odder, the largest owned secured creditor of TMFE is
10 probably TMI because of an intercompany claim. And at TMI,
11 in terms of the Equity Committee, the largest shareholder is
12 NXPBV, as I understand it.

13 THE COURT: Say that last thing again; I'm sorry.

14 MR. GLASSMAN: The largest shareholder is NXPBV so,
15 in some respects, you know, it's to a certain extent one of
16 the constituents of the Equity Committee.

17 THE COURT: Is there an NXP Entity on the Equity
18 Committee?

19 MR. GLASSMAN: No, Your Honor.

20 THE COURT: Okay. Very good; thank you.

21 MR. GLASSMAN: Thank you. In fact, Your Honor, I
22 was just commenting to people before I started that it seems
23 much longer than a week since we were last here on the
24 results of the auction. Your Honor, on the phone with me is
25 my co-counsel from Dewey LeBoeuf Tim Karcher and Vincent

1 Indelicato and also Ben Finestone from Quinn Emanuel who most
2 very recently has been retained to be litigation counsel for
3 matters that should the sale be confirmed or not, I suppose,
4 it might be forthcoming in this case.

5 The Equity Committee was appointed February 14th. It
6 retained co-counsel Dewey LeBoeuf and a financial advisor
7 Alvarez & Marsal very promptly. Co-counsel at Dewey served
8 discovery requests naturally fairly broad as is normally done
9 in cases on the Debtors on February 16th including requests
10 regarding corporate governance matters, avoidance actions,
11 financial statements and information.

12 During the first week and a little bit thereafter,
13 our initial focus, of course, was trying to get our arms
14 around and under the APA, the avoidance actions that were
15 being dealt away, the Debtors' current operations including
16 NXP's rather pervasive roles as majority shareholder, IP
17 provider and its role in the Debtors' actual operations.
18 Materials in the Debtors' data room were helpful, but still
19 left a lot of questions unanswered. And then the auction
20 took place on the 23rd and concluded the early morning of the
21 24th.

22 We all came down to Delaware before Your Honor and
23 that same day, we served notices of deposition and formal
24 discovery requests on the Debtors and NXP Semiconductor, the
25 subsidiary. And then the following Monday, we served very

1 similar requests on NXPBV. There were notices of deposition
2 and 30(b)(6) requests and NXP has said in its response that
3 they were somewhat deficient because we didn't include
4 subpoenas. So just a preview if Your Honor hasn't read the
5 response.

6 Promptly, Mr. Cobb advised us that NXP would not
7 produce documents or witnesses. And they told us pretty
8 quickly and didn't wait. And later on, he advised that they
9 would -- he would accept service of the NXP requests, and
10 there I'm referring to both together. We continued to work
11 with the Debtors to get a better understanding of what was
12 being sold and not sold and received materials from the
13 Debtors such as their analysis of the Debtors' preference
14 claims and other avoidance actions. But very little analysis
15 of the fraudulent transfer claims which, of course, would
16 include claims relative to the original share exchange
17 transaction, as well as pricing levels under the MSA and TSA.
18 MSA is manufacturing services agreement and TSA is transition
19 services agreement.

20 THE COURT: And who are they?

21 MR. GLASSMAN: I think I got that right.

22 THE COURT: Who are they between? Who are the
23 parties to the MSA?

24 MR. GLASSMAN: I believe their Semiconductor and NXP
25 Semiconductor and -- here I need help. It's TMFE, I think --

1 MR. CHESLEY: TMFE, Your Honor.

2 MR. GLASSMAN: Yeah TMFE.

3 THE COURT: Okay. And, obviously -- well not
4 obviously, whose providing the management agreement services
5 to whom?

6 MR. CHESLEY: It's not management, Your Honor; it's
7 master services.

8 THE COURT: Master --

9 MR. CHESLEY: It's the supply of goods. It's the
10 supply contract.

11 THE COURT: Okay. Let me write that down.

12 MR. GLASSMAN: I may be wrong, but --

13 THE COURT: Who's doing the supply and who's the
14 buying there? Semiconductors is the supplier --

15 MR. CHESLEY: The Debtors are purchasing from NXP.

16 THE COURT: Mr. Chesley, you're going to have to
17 talk louder.

18 MR. CHESLEY: I'm sorry the Debtors are purchasing
19 from NXP.

20 THE COURT: Okay that's what I thought. And what's
21 the other thing you were saying TSA transition services?

22 MR. GLASSMAN: Management services, back office
23 services are being provided, I think, pursuant to the
24 transition services agreement. But, there again, Mr. Chesley
25 would have to confirm.

1 THE COURT: I'm not sure, are there two contracts,
2 Mr. Chesley?

3 MR. CHESLEY: I'm not sure what Mr. Glassman is
4 talking about with respect to the transition services
5 agreement. There are transition services agreements that are
6 being negotiated as a result of the sale to Entropic.

7 THE COURT: Oh all right. So they would be between
8 Entropic and --

9 MR. CHESLEY: Correct and those are forward looking.

10 THE COURT: Right and whose, Entropic and whom?

11 MR. CHESLEY: NXP.

12 THE COURT: NXP okay.

13 MR. CHESLEY: And there's also going to be a reverse
14 TSA with the Debtors who will continue to provide certain
15 transition services to Entropic as they transition the
16 business.

17 THE COURT: Say that one again.

18 MR. CHESLEY: There will also be another transition
19 services agreement. You know, unfortunately, we're still in
20 the process of negotiating all of these points.

21 THE COURT: I understand.

22 MR. CHESLEY: But there will also be an agreement
23 between the Debtors and Entropic where we will continue to
24 provide certain transition services to Entropic as they
25 transition the Set-Top Box business. But I don't think any

1 of that is really germane to the motion before the Court.

2 THE COURT: Well it's germane that I understand
3 what's going on.

4 MR. CHESLEY: I'm sorry, Your Honor.

5 THE COURT: No, no, that's fine. So the TSA that's
6 between Entropic, and the Debtors and a TSA between Entropic
7 and NXP possibly.

8 MR. CHESLEY: On a go forward basis.

9 THE COURT: On a go forward --

10 MR. CHESLEY: Now originally when the share purchase
11 was done in 2009 there was a transition service between NXP
12 and the Debtors as they transitioned certain services from
13 NXP to the Debtors, but those were all completed.

14 THE COURT: Okay got it.

15 MR. CHESLEY: And then the Debtors ran the Set-Top
16 Box and TV businesses and are continuing to run those today.

17 THE COURT: Got it. All right.

18 MR. GLASSMAN: With the help of the Debtors'
19 analysis of the preference actions, we did become more
20 comfortable with our understanding of the avoidance actions
21 to a large extent, but to some extent, not. Because,
22 frankly, Your Honor, my client has concerns of, you know, the
23 extent to which the dominant shareholder itself or through
24 affiliates has controlled the operations or affected them to
25 the detriment. And I'm also not here to say that that's not

1 the case because I don't know that that's the case at all. I
2 mean it is concern, that's all. An awful lot of money went
3 back to I think Semiconductor. You know, in purchases and
4 sales of product and for management services, but I can't
5 tell you that anybody did anything wrong; just can't.

6 Contrary to NXP's statements in its papers which
7 Your Honor hasn't even read yet that the Debtors provided the
8 Equity Committee with many other documents. I don't think
9 that's a fair, in terms of due diligence, I don't think
10 that's really a fair description. We did just receive
11 corporate minutes from the Debtor; redacted, I believe. I
12 saw an email from Mr. Chesley to that effect, but we did not
13 receive from the Debtors materials relative to communications
14 between NXP and the Debtors and between bidders and relative
15 to corporate governance matters. And I understand, Your
16 Honor, that this is just a sale motion right now, but where
17 the sale started and where it ends is not that clear to us --
18 really when it started because it's been quite a process, I
19 think, getting the Debtors to the point and what was done and
20 what not done and why it waited so long.

21 Ironically, there was not a lot -- this company,
22 after the share exchange, did not have secured debt or not
23 much if I know of it. So it was a, you know, in that sense a
24 bit odd from the normal scenario. As we move forward
25 recognizing that it would be difficult for the Debtors. Now

1 we've served, you know, all of our discovery requests and got
2 some help from the Debtors with respect to understanding
3 avoidance actions. We knew it would be difficult for the
4 Debtors to comply with, you know, the full panoply of
5 discovery requests so we -- and also to do the tremendous
6 amount of work that they had to get, you know, in order to
7 get a sale done. And knowing that NXP wouldn't respond to
8 our existing discovery requests, we narrowed them to the four
9 areas that we put in our papers. And we asked the Debtors to
10 produce in those four areas and Mr. Chesley indicated
11 yesterday by phone that they didn't have anything responsive.
12 And it was then that we filed the motion to compel.

13 We didn't do discovery from the buyer. And what the
14 discovery is really, you know, targeted to is if I had to
15 describe it, it's really documents relating to NXP's
16 involvement in the Debtors decision making process to enter
17 into the sale and NXP's communications with bidders, and any
18 ownership or interest that NXP has in Entropic or any of the
19 bidders.

20 THE COURT: How would that be relevant?

21 MR. GLASSMAN: It's relevant to the good faith and
22 the business judgment.

23 THE COURT: And why? What is it that makes you
24 nervous with regard to NXP's involvement with the bidding,
25 with the auction, and with the final transfer?

1 MR. GLASSMAN: It's a good question, Your Honor, and
2 I wish I had an answer that said these are the facts about
3 which we are worried, but the process -- one thing that is
4 worrisome is considering this Debtor didn't have much debt
5 and how long it took to get to the point of selling and did
6 it wait too long. Was there any -- for want of a better word
7 -- were there any machinations between NXP and any of the
8 directors who were not NXP designated with respect to that
9 process.

10 THE COURT: Well the bid and auction process was
11 approved by me. I mean I wrote and signed an order to that
12 effect.

13 MR. GLASSMAN: I understand, Your Honor.

14 THE COURT: So is there a concern that there may
15 have been -- somebody was hiding the ball in connection with
16 getting that approved?

17 MR. GLASSMAN: I can't say that there's concern as
18 to that, Your Honor. There may have been concern as to how
19 many -- not so much how many bidders, but who could bid.
20 Bidders could only bid if they could cut a deal with NXP.

21 THE COURT: All right see I think that -- I get it.
22 I mean it's -- what you're saying is, of course, that NXP,
23 the majority shareholder of the Debtor basically had a veto
24 on who or who -- who could or who couldn't be in the sale.

25 MR. GLASSMAN: Yes, Your Honor --

1 THE COURT: Even if they weren't improperly doing
2 something as a member of the board of directors, they
3 necessarily could be by negotiating with the buyer could be
4 playing around with their fiduciary duties.

5 MR. GLASSMAN: Yes, the short answer is yes, Your
6 Honor. But also with respect to -- not so much with respect
7 to potential subordination down the road because, frankly,
8 that comes later should that occur.

9 THE COURT: Well you don't have equitable
10 subordination until you have an allowed claim, so.

11 MR. GLASSMAN: Well this is not necessarily claim,
12 Your Honor. This may be interest; interest to interest not
13 claims to claims. We may have multiple subordination matters
14 in this case. But we did do discovery for Entropic because
15 it's one of the things NXP says is that we should have gotten
16 it from the Debtors, we should have gotten it from the
17 bidders. Frankly, Your Honor, I find that a little bit
18 disingenuous because nobody could really bid unless they cut
19 a deal with NXP. And we're told that the avoidance actions
20 had to be dealt away because that's what the buyer insisted
21 on.

22 THE COURT: All right, tell me a little bit about
23 that?

24 MR. GLASSMAN: Well I don't really -- I can only
25 tell you what I've been told.

1 THE COURT: Well what's being transferred you're not
2 happy with?

3 MR. GLASSMAN: Oh well the avoidance -- the
4 preference actions and the fraudulent transfer actions and
5 549 actions.

6 THE COURT: Against everybody?

7 MR. GLASSMAN: Everybody that sold anything to the
8 desktop [sic] business except - not desktop, Set-Top, excuse
9 me and maybe TV too, but I'm not sure where that is right
10 now.

11 MR. COBB: Your Honor, can I clarify a couple of
12 these points that Mr. Glassman has made? I think it may be
13 helpful.

14 THE COURT: Okay.

15 MR. CHESLEY: First of all with respect to -- let me
16 try and carve this out if I could. With respect to the issue
17 of the sale of avoidance actions, that has been in the asset
18 purchase agreement. This was Entropic driven provision that
19 was not an NXP only. This is for everybody that their
20 contracts that they're taking to people, they're doing
21 business with. They don't want them subject to fraudulent
22 conveyance or preference action which is not an atypical
23 provision. It's been in there from the beginning. Entropic
24 was adamant that this was a term and condition of the sale,
25 as was the alternative bidder when they submitted their asset

1 purchase agreement.

2 So with respect to that issue, I think it is the
3 proverbial red herring especially because as Mr. Glassman has
4 articulated, we have now gone through with the Equity
5 Committee and the Creditor's Committee and their advisors the
6 Debtors' analysis of what those claims are, if any, and the
7 relative de minimis nature of those and compare those to the
8 value achieved here. So I do not think the Equity Committee
9 that's standing before Your Honor and saying they challenge
10 the Debtors' business judgment today with respect to selling
11 those assets as part of the sale to Entropic. If they do,
12 that's an issue they can raise on Tuesday, but I think we've
13 already dealt with that.

14 With respect to these other candidly vague actions
15 that Mr. Glassman is talking about whatever they may be the
16 important thing is, is those are reserved for another day.
17 They're not being released. They're not being sold. It has
18 nothing to do with good faith. The only good faith we're
19 looking at here with the sale is, is that of Entropic. And
20 all of those issues and we spent, unfortunately, the better
21 part of all day yesterday negotiating a complete carve out
22 for these types of claims, whatever they may be.

23 So the Equity Committee can investigate now with
24 sets of law firms apparently all of these claims that may
25 exist, but it's not an issue that's ripe for Tuesday. It's

1 not an issue that in any way relates to the sale. So I'm
2 still not sure what it is the Equity Committee is seeking.
3 And with respect to what the Debtors indicated concerning the
4 documents that were sought, NXP had no role in the Debtors
5 governance and have not for the better part of the last seven
6 months. They stepped off the board and had no role what so
7 ever. We produced the board minutes as they requested and
8 had no involvement what so ever from an equity or fiduciary
9 standpoint with respect to the Debtors' decisions to proceed
10 here.

11 Now Mr. Glassman's statements with respect that the
12 Debtors may have waited too long, we'll deal with that in
13 discovery because I think as everybody knows, the Debtors
14 acted as quickly as they can, as aggressively as they could
15 to move forward with this process. And as to NXP holding a
16 veto, NXP did not hold a veto. It was for the buyer of the
17 asset. If the buyer wanted to deal with NXP because of their
18 unique role in the Semiconductor business then they had to
19 reach an appropriate arrangement with NXP.

20 If a buyer of the Set-Top Box asset had no need for
21 NXP's supply of goods and services, NXP had no role in the
22 process. And with respect to what NXP did and how they did
23 it, all the Debtors can advise the Court is, you know, we
24 brought multiple bidders in. NXP was ready, willing and able
25 to negotiate with any of those bidders. So this alleged veto

1 right to the extent it existed or is anyway cognizable, the
2 Debtors never saw. And, look, if the Equity Committee wants
3 to discover this once we get through this process, you know,
4 obviously they have whatever rights they have. But it has
5 nothing to do, again, with what we're trying to accomplish
6 next week.

7 And, unfortunately, this has served as an enormous
8 distraction to every professional on this call. So that's
9 sort of the Debtors' background and view on this without
10 trying to stop them from doing discovery. They can go along
11 their merry way and do all this, but it needs to be done in
12 due course and due time, but it's relevant to the issues at
13 hand.

14 THE COURT: Well I mean I think their counter on
15 when it has to be dealt with would probably include the fact
16 that once the sale is approved the bullet is out of the gun
17 before some of these issues.

18 MR. CHESLEY: Well for preference and avoidance
19 claims, it is, Your Honor. And that's why the Debtors and
20 their professionals spent considerable time with the Equity
21 Committee and the Creditor's Committee this week going
22 through their analysis. Now, you know, if Mr. Glassman is of
23 the view that the Equity Committee believes that the actions
24 that are being sold which are very limited, their preference
25 and avoidance actions, are worth more than the sale of this

1 asset because it is a very binary decision the Debtors have
2 made, then they can challenge the Debtors' business judgment
3 on Tuesday. I do not believe based upon every discussion we
4 have had this week, that that is their position.

5 Everything else, Your Honor, has been reserved. And
6 so those bullets, to the extent they exist, are still in the
7 gun.

8 THE COURT: Is the Debtor granting -- well actually
9 it wouldn't be. Let me think. Is the Debtor or the buyer
10 granting NXP with a release in connection with the 2009
11 transaction?

12 MR. CHESLEY: No.

13 THE COURT: So that will still exist for whatever it
14 is worth?

15 MR. CHESLEY: For whatever its worth. Well other
16 than, Your Honor, to the extent there's a claim of a
17 fraudulent conveyance. What Mr. Glassman's been seeking to
18 preserve are fiduciary duty claims.

19 THE COURT: Okay I understand. Mr. Cobb --

20 MR. CHESLEY: Which we're happy to preserve. There
21 was never the intent to sell those because we couldn't sell
22 those.

23 THE COURT: Okay, Mr. Glassman? This is a free form
24 --

25 MR. GLASSMAN: No, no, no, it's fine --

1 THE COURT: -- it was, but it's --

2 MR. GLASSMAN: Frankly, Mr. Chesley is making great
3 arguments for all of us as is Your Honor. As a practical
4 matter, we have very strong reason to believe that Entropic
5 insisted on the sale of, not just the preference action, but
6 the fraudulent transfer action relative to the 2010
7 transaction because NXP insisted on it. We have reason to
8 believe that.

9 THE COURT: Well, I mean --

10 MR. GLASSMAN: And it is -- I'm sorry, Your Honor.

11 THE COURT: Is it in the order? Is that release in
12 the order?

13 MR. GLASSMAN: It's being sold, yes, Your Honor.

14 MR. CHESLEY: It's the asset purchase agreement.

15 THE COURT: I was just told it wasn't.

16 MR. CHESLEY: No, Your Honor, breach of fiduciary
17 duty claims to the extent they exist remain.

18 THE COURT: But fraudulent conveyance claims in
19 connection with the same transaction --

20 MR. CHESLEY: Have been sold to Entropic.

21 THE COURT: So it's the -- is it 2009 when the
22 transaction was --

23 MR. CHESLEY: Yes, Your Honor.

24 THE COURT: So if the 2009 transaction was a
25 fraudulent conveyance that's being waived?

1 MR. CHESLEY: Correct what's being sold and then
2 waived. But, Your Honor --

3 THE COURT: But if it's a breach of fiduciary duty
4 claim -- okay.

5 MR. CHESLEY: Any breach of fiduciary duty claim,
6 Your Honor, I'm sorry, that relates to anything that NXP did
7 from the time of the sale, from the time of the stock sale to
8 the time of this sale with respect to their role in the
9 company are preserved.

10 THE COURT: Well I mean if NXP participated in a
11 fraudulent conveyance in connection with the sale to TMI by
12 which NXP became 60% shareholder of TMI was a fraudulent
13 conveyance it's going to also be a breach fiduciary duty. So
14 I say is it a --

15 MR. CHESLEY: Your Honor, I don't -- and I'll ask
16 Mr. Glassman to clarify an issue, Your Honor, because with
17 respect to fraudulent conveyance there was no conveyance to
18 NXP other than stock. They gave us cash. We went through
19 this analysis with his financial advisors now and we were --
20 I thought we had put this issue to bed with respect to
21 fraudulent conveyance. I'm now hearing that there may be
22 those claims out there.

23 THE COURT: What you're hearing is me trying to get
24 my head around it.

25 MR. CHESLEY: I'm sorry, Your Honor.

1 THE COURT: Before the transaction NXP owned the
2 Set-Top Box business?

3 MR. CHESLEY: Before the 2009 transaction, yes.

4 THE COURT: Okay. And NXP provided the new buyer or
5 well the new Company with cash and in exchange received stock
6 that gave them 60% of the stock?

7 MR. COBB: Correct -- they transferred the assets
8 which gave them 6.7 -- gave them, I'm trying to remember how
9 many shares, Your Honor. But that gave them a large chunk
10 and then they also bought an additional seven million shares
11 at \$4.50 a share, so they gave the Debtors assets and cash in
12 exchange for stock.

13 THE COURT: Okay.

14 MR. GLASSMAN: Your Honor, I might be able to help
15 with this interface a little bit.

16 THE COURT: Okay.

17 MR. GLASSMAN: I hope I don't make it worse, but.
18 Basically back then, from what I understand, NXP loaded the
19 business in and conveyed it to a then publically traded
20 company, I think Trident Microsystems. Maybe it wasn't, but
21 I think it was.

22 MR. CHESLEY: They were both publically traded, Mr.
23 Glassman.

24 MR. GLASSMAN: Yes. And put more cash in and also
25 provided some lines of credit what are called the wit notes,

1 there's one left, and got back 60% of the stock and the right
2 to put four out of nine people on the board. They also got
3 some preferred stock that insured those corporate governance
4 rights. And we have looked at that -- I mean we're not happy
5 about all this being dealt away.

6 We understand it's binary. And it's against that
7 backdrop that we've been trying to make sure that other than
8 fraudulent transfer claims and preference claims and
9 apparently 549 claims too, because, you know, there's been a
10 lot of money that's moved post-petition from non-debtor subs,
11 as well as Debtors. You've approved, I think, critical
12 vendor payments by some of them on the part of TMFE, but that
13 doesn't account for the entirety of, you know, what the non-
14 debtor subs have transferred as well.

15 THE COURT: Let me -- I know asserting that there
16 may have been sectarian post-petition transactions i.e., that
17 were done in the access of business would that be approved by
18 the Court?

19 MR. GLASSMAN: Not by Debtors, Your Honor; not by
20 Debtors, Your Honor. The cash management order has a
21 procedure for transfer by non-debtor subs, I think, at the
22 time on notice to the, but I don't know that. I mean the
23 Creditor's Committee counsel can say whether or not they got
24 notice of. We weren't even around then.

25 THE COURT: What is the post -- what are the 549

1 claims that you're worried about?

2 MR. GLASSMAN: I'm not really worried about any of
3 that if I can get to the -- I'm not here to talk about
4 whether or not the Court should approve sale of the avoidance
5 actions. That is binary as part of -- we're not happy about
6 selling any of it. We would rather the estate keep it. But
7 what we have been focused on is making sure that if they go
8 that it doesn't affect any claims that there might be against
9 directors or anybody else including NXP for aiding and
10 abetting wrongful conduct.

11 So, on the one hand, we're trying to make sure that
12 a sale -- not make sure, but trying to let a sale go through.
13 And at the same time, we're trying to make sure that,
14 frankly, that we're not schnooks. That's why we're here
15 asking for documents to make sure there isn't anything that
16 would make us change our business decision ultimately as to
17 whether or not to say yes or no to the sale. And we ask for
18 those things, those four categories.

19 We skinned it down because I was looking for
20 interface between NXP and the board of TMI and NXP's
21 connection with bidders seeing if there was anything
22 untoward. And that's the reason why at the last minute when
23 we couldn't get it from the Debtors, we asked for it. Now,
24 we've been negotiating with the Debtors and the buyer
25 language to put in the sale order that basically says this is

1 without prejudice and it won't be *collateral estoppel* or *res*
2 *judicata* with respect to any of these other claims because we
3 have concerns about whether it's explicit or implicit the
4 consequence of a 363 order on other claims and causes of
5 actions.

6 There's case law out there that, you know, makes it
7 difficult sometimes to get around a 363 order. So we're
8 negotiating language to present to Your Honor. We haven't
9 been able to reach agreement with NXP on that, although I
10 think we could, but I don't want to get into the particulars
11 of negotiations, but I think we could. In any case, we ended
12 up where we were yesterday without any production of
13 documents relative to those interface areas and that's how
14 we're pushing here now.

15 They're very limited. We thought we skinned them
16 down. And Mr. Chesley has said that the Debtors don't have
17 anything responsive. This is not --

18 MR. CHESLEY: Your Honor, that's not accurate, Your
19 Honor.

20 THE COURT: Okay I'll give you a second on that in a
21 second. I just want to look up something for a minute.

22 MR. STEINBERG: Your Honor, this is Michael
23 Steinberg from Sullivan & Cromwell representing NXP along
24 with Mr. Cobb. I'd be happy to provide a little bit more
25 information because I'm very concerned that there's a host of

1 misinformation that is being brought before the Court that
2 doesn't address the matters that you are considering today.

3 THE COURT: Well I'm definitely going to give you a
4 turn okay. I'm trying to read something right now which you
5 may not have heard.

6 MR. STEINBERG: Thank you, Your Honor.

7 MR. GLASSMAN: I think page 6, Your Honor.

8 THE COURT: Yeah, page 6.

9 MR. GLASSMAN: Or at least the one I'm looking at.
10 I'm looking at NXP's response; sorry.

11 THE COURT: I think I know what I'm -- I got what I
12 want. So hang on. I'm going to turn it over in just a
13 second. But, Mr. Glassman, is this on page 6 of your motion
14 there was this assertion that your Committee is aware that
15 well over \$10 million dollars has been paid post-petition to
16 NXP by the Debtors and certain Debtor affiliates with
17 estimated post-petition payments expected to exceed \$35
18 million through April. A substantial amount of the
19 information is on account of prepetition debt. Now where's
20 that come from?

21 MR. GLASSMAN: I believe that the payments made by
22 non-debtors -- this is my understanding. That payments made
23 by non-debtor subs and Debtor payments approved by the Court,
24 amounted on account of prepetition claims, amounted to more
25 than \$10 million dollars. And that, we're not saying there's

1 \$35 million, but that paying through because there assume --
2 the intention is to assume and assign the MSA. And I believe
3 that in order to cure those there's some payments that are
4 going to have to be made that bring it all to a grand total
5 of like \$35 million. That's a rough understanding.

6 THE COURT: All right let me hear from NXP for a
7 while.

8 MR. STEINBERG: Your Honor, it's Michael Steinberg.
9 I can give you some background on some of this, but there's
10 much that is sort of imagined, unfortunately.

11 THE COURT: Can you hold on for a sec?

12 MR. STEINBERG: Yes.

13 THE COURT: I want to hear from Mr. Cobb.

14 MR. COBB: Thank you, Your Honor. I certainly defer
15 to my co-counsel at Sullivan & Cromwell. I'm been sitting
16 here patiently and the Court has listened to Mr. Glassman and
17 it's been quite a tale that's been woven. And I think Your
18 Honor has been careful to kind of unwrap some of the things
19 that have been said at the podium.

20 I mean fundamentally there are some background
21 points that I think should, that bare underlining and bare
22 clarification first. With respect to the 2009 transaction, I
23 believe Mr. Glassman said that with respect to a fraudulent
24 conveyance claim, his committee is uncomfortable but
25 comfortable to the extent that they will allow the sale to go

1 through and allow the particular claims that are being sold
2 to actually be transferred.

3 Your Honor, my client paid cash and got paper back
4 and gave this business over to the Debtors. If the Debtors
5 are saying or Mr. Glassman, I should say more properly, his
6 clients are saying they would prefer to give the assets back
7 and get the paper in return, we might consider that. Your
8 Honor, there's no fraudulent conveyance that arises out of
9 that transaction in any respect.

10 Your Honor, there were some allegations with regard
11 to payments that were made prepetition under the various
12 agreements that NXP entered into with the Debtors in order to
13 facilitate the operation of the Debtors' business
14 prepetition. Your Honor, what Mr. Glassman didn't advise you
15 of because he didn't take discovery of Entropic in this case
16 is that the new MSA is going to have different pricing,
17 pricing that was filed under seal with the Court yesterday, I
18 believe.

19 THE COURT: Yeah didn't I just get that?

20 MR. COBB: Yes.

21 THE COURT: Okay.

22 MR. COBB: And I will say this I may be out of
23 school saying it, I am not going to waive anything with
24 respect to that motion, but it wouldn't surprise -- it would
25 surprise Mr. Glassman, perhaps, but it wouldn't surprise

1 anyone else that that pricing is actually at market. It's
2 actually higher. So, Your Honor, there's a lot of smoke
3 that's been blown around this room today and, unfortunately,
4 this is a confusing case with respect to the various
5 entities, the contracts that are involved.

6 Another point I'd like to address, Your Honor, is
7 this veto concept. Your Honor, the Debtors don't
8 manufacturer these chips that are sold, okay that are sold,
9 the wafers. And so the only source of wafers at this point
10 for the Debtors is through NXP and under the manufacturing,
11 the MSA as it's been described through the documents. And
12 so, Your Honor, the potential bidders that NXP spent a number
13 of hours with and invested enormous sums of money paying its
14 professionals and taking its business persons out of their
15 normal business, Your Honor, they got it.

16 If they want to buy the business and the particular
17 purchaser isn't a producer, a manufacturer of these chips
18 they've got to do just what the Debtors have done. They need
19 to enter into an agreement with us. There's no mystery about
20 that. There's nothing magical or improper or unlawful. It
21 is what it is. Now that may, Your Honor, present different
22 business leverage points or different opportunities for
23 negotiations in the course of this sale process, but there's
24 nothing untoward about that in any respect and Mr. Chesley
25 confirmed that.

1 So rather than take discovery of the Debtors or of
2 Entropic and, you know, ask these questions to get to really
3 simple answers, they decided to take a different path, Your
4 Honor.

5 THE COURT: I'm sorry but I thought I heard that you
6 sought discovery from Entropic, am I wrong?

7 MR. GLASSMAN: We did not, Your Honor. The reason
8 we wanted it from NXP is because NXP is the one dealing with
9 all the bidders.

10 THE COURT: Okay. I'm sorry, Mr. Cobb, anything
11 else?

12 MR. COBB: I actually had a number of prepared
13 remarks, but, Your Honor, I just want to make certain that
14 the record is clear. Let me speak to a technical point, Your
15 Honor. NXP is located in the Netherlands. And these
16 discovery requests would need to be answered or responded to
17 through a process that would involve searches and production
18 of in the EU.

19 And very straightforward, Your Honor, if this
20 discovery in any respect is approved by the Court and the
21 motion to compel in any respect is granted, that would
22 involve a process whereby we would need to obtain the
23 personal consent of every custodian of any of this
24 potentially responsive information. It is incredibly time
25 consuming and lengthy, Your Honor, and it would -- it is not

1 a process that would take place in any sort of short time
2 period and certainly not before next Tuesday.

3 And so, Your Honor, the actual mechanics of
4 complying with any of this production would push the sale
5 hearing out well beyond next week and likely for several
6 weeks. And as Your Honor may be aware, we have a witness
7 that is available to testify by telephone to describe to the
8 Court, you know, how long and how extensive this process
9 would be. I think the Court is relatively familiar with the
10 privacy laws and directives that apply in the European Union
11 and in their nation states that.

12 And so, Your Honor, I don't want it to be lost on
13 the Court that if there's any thought to allowing any
14 discovery to go forward this sale process is off the tracks.
15 It is not going to go forward under the timeline that both
16 Entropic and the Debtors need it to go forward. And I'm sure
17 Mr. Chesley will speak when I'm done about why this process
18 needs to stay on track from a timely perspective.

19 But, fundamentally, Your Honor, the claims that the
20 Committee is concerned about, fiduciary, breaches of
21 fiduciary duty involving NXP's role in connection with the
22 governance of the Debtors, those claims are preserved. We
23 thought we reached agreement on language that clearly carve
24 out -- although it's not a carve out. It's just stating what
25 is left over after the, you know, the assets that involve

1 these particular claims and actions are sold to Entropic.
2 It's simply stated to, frankly, pacify Mr. Glassman's clients
3 that these fiduciary duty claims they survive.

4 Aiding and abetting claims with respect to breach of
5 fiduciary duty, they survive. Equitable subordination, re-
6 characterization -- I'm not sure how that could possibly
7 apply in connection with an equity investment, but they all
8 survive. And that is wholly irrelevant to next week's sale
9 hearing. And I can't emphasize that point enough, Your
10 Honor.

11 It is unfortunate that we are where we are. But if
12 you balance, Your Honor, the Debtors extreme need to move
13 forward a pace and close this sale next week and Entropic's
14 desire like every other purchaser in a bankruptcy sale
15 process where there is an important or critical vendor that
16 they need to take along with them, Entropic is buying causes
17 of action claims that might lie against that particular
18 vendor. A normal, you know, absolutely understood and
19 expected request --

20 THE COURT: I'm going to interrupt you for just a
21 second so I don't forget my question. That's why Judge's do
22 that by the way. What is it that -- oh I'm not going to
23 articulate this well. Behind your remarks, I think, is the
24 inference that if MVF -- and where does that go back -- oh my
25 goodness.

1 MR. COBB: Your Honor, we haven't even gotten into
2 the particular details of these of the debtors do. This case
3 is -- it's a big sandwich, Your Honor.

4 THE COURT: All right let me see if I can articulate
5 it correctly. I think implicit in your remarks is that if
6 NXP has to do what the Equity Committee wants it to do that
7 the sale can't go forward. So my question is what is it that
8 your client has to do or has to agree to or has a condition
9 that would keep the sale from going forward on Tuesday?

10 MR. COBB: Well, Your Honor, in the asset purchase
11 agreement between Entropic and the Debtors, Entropic is
12 purchasing all claims, causes of action, fraudulent
13 conveyance actions with respect to NXP, not, again, carving
14 out all the fiduciary duty and causes of action and related
15 claims. Your Honor, that sale needs to close and those
16 assets need to transfer. And next Tuesday Entropic and the
17 Debtors are going to ask you approve an asset purchase
18 agreement that provides for that sale. And that sale has to
19 close very quickly, Your Honor.

20 THE COURT: All right I'm just --

21 MR. CHESLEY: Your Honor, if I might I don't mean to
22 cut off Mr. Cobb. It goes back to the point where, at least,
23 the Debtors began on this process. And that is that, and I
24 think we have clarification from Mr. Glassman, but the Equity
25 Committee, and I believe the Unsecured Creditor's Committee

1 they'll speak to themselves are not objecting to the sale of
2 the avoidance or the preference actions because information
3 that they have received has made it clear to everybody that
4 the value of those, to the extent there is any, is
5 substantially outweighed by the value to the estates from the
6 sale process.

7 So what we're looking at is discovery relating to
8 claims that have been preserved, carved out, left for another
9 day. And that's why when we began this, Your Honor, it was
10 the Debtors' view that this is an issue for another day
11 because I don't think Mr. Glassman is saying I have to have
12 this discovery which relates to claims that are not going to
13 be resolved, sold or disposed of in any way on Tuesday for
14 Tuesday. I'm not still quite sure why we had to burden the
15 Court with an issue for today that is not an issue for today.

16 But I think Mr. Cobb's comments and I believe Mr.
17 Glassman's comments confirm exactly what the Debtors' view of
18 it is as we got a lot of important things to do that are
19 Tuesday matters: litigation, discovery with respect to claims
20 that are expressly preserved including claims against our
21 directors whatever those may be are claims that discovery
22 should take place in due course.

23 THE COURT: Okay here's all I'm trying to ask. If
24 we're going at discovery [indiscernible] as Mr. Cobb
25 represents which is [indiscernible] that it's not something

1 that [indiscernible]. I like a specific answer as to why
2 does that -- how does that affect approval and closing of the
3 transaction between Entropic and the Debtor.

4 MR. COBB: Sure I understand that entirely, yes,
5 Your Honor. Your Honor, it's our belief that the discovery
6 that has been now narrowed as it relates to breach of
7 fiduciary duty claims, aiding and abetting, a breach of
8 fiduciary duty and remedies such as equitable subordination,
9 any discovery with respect to those sorts of claims that can
10 go on either in the near future or in the distant future.

11 I mean, Your Honor, there's a process. And the
12 Committee knows how to exercise their rights. They file a
13 motion for 2004 examination. They, you know, they can file a
14 motion in order to take any -- these sorts of claims away
15 from the estate because there may be a fear they'll never be
16 prosecuted. But Your Honor is well aware that there is a
17 process and a timeline under which claims such as these
18 should be both, you know, put into someone's hands to control
19 and then litigated or not.

20 Your Honor, that discovery can go forward outside of
21 the sale process over a time period that's appropriate given
22 the privacy laws that apply. Assuming, Your Honor that,
23 again, that discovery is applied for with the Court in an
24 appropriate way. And assuming the party that has control of
25 those claims believes it's appropriate to take discovery.

1 But, Your Honor, we believe that with the carve out
2 and we believe the Committee is not really objecting to the
3 sale of the particular actions that are the subject to the
4 Entropic APA, there should be no conflict. Your Honor, I'm
5 frankly a bit surprised I'm here this afternoon before you
6 because we thought we made this clear.

7 THE COURT: All right okay, wait, because we're off,
8 we're --

9 MR. COBB: Your Honor, may I just -- I understand.
10 Your Honor, may I just defer if Mr. Steinberg has anything
11 that he prefers.

12 THE COURT: Well let me get -- I get your position
13 which is that the carve out or left behind or the language
14 deserves a lot of claims or some claims for the future and,
15 thus, there's no reason to expedite anything. But I'm still
16 struggling with an answer to the question that if I approve
17 the APA and if the APA does not have the release of those
18 claims what is it -- what effect does that have on your
19 client to the extent that it would delay the closing? What
20 happens, what doesn't happen if you don't agree specifically?

21 MR. COBB: Your Honor, the way this is designed to
22 unfold is that the asset purchase agreement will be approved
23 by the Court. There will be a closing. And at the closing
24 those claims will be sold to Entropic. In connection with
25 that sale there will be agreements entered into between my

1 client and entropic where those claims will be released.
2 We're not going to enter into a business agreement, Your
3 Honor, in the, you know, looking forward down the road with
4 an entity that holds an ax over our head, right. I mean,
5 Your Honor, that is just fair and reasonable business
6 practice. And in the context of this transaction, it makes
7 sense.

8 THE COURT: Okay so to a certain extent there are
9 two things here. One, it's up to Entropic to decide whether
10 the granting of the release is or not is such an important
11 factor that they may not go to close. Second, there is the
12 MSA and probably a TSA, etc., that you have that has to be
13 entered affected for the close to go effective.

14 MR. COBB: Exactly.

15 THE COURT: And your client is going to be reluctant
16 to enter into those new agreements if in the future they have
17 the risk of being a defendant in a fraudulent conveyance
18 action?

19 MR. COBB: That's just about dead on, Your Honor.
20 And by the way, we have been spending time in negotiating
21 entirely new MSA's right and TSA's with the Debtors because
22 the TV business is being left behind at this point. So it's
23 a lot of work and a lot has been asked of our client, and we
24 have participated in good faith through the entire process.
25 Mr. Glassman's clients are protected here. Those claims are

1 preserved for another day as is the discovery.

2 THE COURT: All right let me hear from your co-
3 counsel if you wish.

4 MR. STEINBERG: I think Mr. Cobb has correctly and
5 identified the issues for our client. I would just add one
6 other item which is that the both Entropic and the other
REDACTED bidder were both very fervent in their view that these
8 claims should be transferred to them so they can be released;
9 precisely, because NXP can and has been taking all efforts to
10 make sure that the production facilities keep running because
11 if they stop running, it would be enormously expensive to get
12 things up and running again. And so this has required an
13 enormous effort from the clients in order to make sure that
14 this transition will be seamless because that's part of the
15 value that's being purchased, this ongoing ability to have
16 goods being delivered.

17 And in that regard, I would say one thing the asset
18 purchase agreement which was, you know, filed in this case on
19 January 4th was arrived out without any participation by NXP.
20 And in that agreement that's where this notion arose in the
21 first place. Entropic had it at Section 1.1(r) that they
22 negotiated with Trident over which would be that any of these
23 avoidance and fraudulent conveyance claims would be
24 transferred.

25 And that was the state of play without our

1 involvement at all and that was obviously an inducement by
2 Entropic to come to and approach NXP to see if there couldn't
3 be an arrangement that could be reached where we could keep
4 the silicon wafers flowing. And so, you know, this is their
5 business judgment. It was a nice inducement on their half.
6 It was a very nice peace offering, quite frankly, on this
7 point. And it is -- we are taking them up on that offer.

8 And that's the only other background I have to add.

9 MR. CHESLEY: And, Your Honor, Richard Chesley if I
10 could just close that loop. This is not a matter that the
11 Debtors, for lack of a better term, simply gave in. We
12 negotiated very hard with Entropic to carve this out, to
13 limit this provision. This was a dead stop issue for them as
14 we negotiated price and other matters. So it is not as if
15 the Debtors did not negotiate as hard as they could to retain
16 these claims for whatever value they might have so that,
17 obviously, the creditors could look at these. But, again,
18 this was a term and condition that we negotiated. Negotiated
19 hard, very hard with Entropic; negotiated very hard with the
20 alternative bidder and, you know, was again an arm's length
21 discussion, negotiation and a provision that is not
22 inconsistent with provisions in other asset purchase
23 agreements.

24 THE COURT: All right you negotiated that with
25 Entropic?

1 MR. CHESLEY: Yes just only Entropic. We have no
2 discussions with NXP as we've indicated with the discovery
3 that we have produced to Mr. Glassman.

4 THE COURT: Of course Entropic is not here today.
5 All right, I'm going to turn it over to the Official
6 Committee of Unsecured Creditors.

7 MR. GROHSGAL: Good afternoon, Your Honor, Bruce
8 Grohsgal with Puchulski Stang for the Official Committee of
9 Unsecured Creditors in the TMFE case. Your Honor, we spoke
10 with the Committee about this hearing this afternoon before
11 the hearing. And the Committee does not take a position on
12 whether the discovery should proceed or not. It is the
13 Committee's view, however, that it would be preferable given
14 the nature of the discovery and the timing of the sale that
15 it occur later and not happen over the weekend between now
16 and the time of the sale.

17 THE COURT: It would be all right if the sale went
18 forward before or after?

19 MR. GROHSGAL: Yes.

20 THE COURT: Really no position?

21 MR. GROHSGAL: Correct in light of the parties'
22 conversations, negotiations, and what we expect the order
23 will look like.

24 THE COURT: Yes. Okay thank you.

25 MR. GROHSGAL: Thank you.

1 THE COURT: Okay whose next? Anyone else? Mr.
2 Glassman.

3 MR. GLASSMAN: Frankly, Your Honor, I don't actually
4 have that much to add. I think you got a pretty clear
5 picture right now. The only thing that's new to me is that
6 the NXP is unable to respond with documents in that
7 timeframe. That is new. I've not heard that before.

8 THE COURT: Let me in the context of that, Mr. Cobb,
9 maybe you could flesh out your motion with, I'm sorry I have
10 not had an opportunity to read. I was out of the office for
11 a little while.

12 MR. COBB: Perfectly fine, Your Honor. I appreciate
13 this.

14 THE COURT: For the protective order. I guess it's
15 related to what we've been talking about.

16 MR. COBB: It is, Your Honor and, frankly, it was
17 done prophylactically. The motion to compel sits out there.
18 Our concern was that there might be something falling through
19 the gaps. We wanted to make it clear that in connection with
20 the current discovery sought and the timing with regard to
21 that discovery as it overlays with the sale approval process
22 and the closing that's anticipated, that we were seeking the
23 protection of the Court concerning this discovery.

24 Now, Your Honor, I think it's appropriate given the
25 privacy issues. We've had no discussions, for example, Your

1 Honor, regarding search terms and custodians and where that
2 information, you know, particularly lies. We know it is the
3 vast majority of it likely is in Holland. But, Your Honor, I
4 am very hesitant if the Court is going to order that simply
5 production be made and there be some sort of inference or
6 expressed provision that we have waived any sort of rights or
7 lost any rights with respect to compliance of law. I mean we
8 can't do what's not, you know, what's not permissible. So
9 I'm happy to meet and confer if the Court is going to allow
10 discovery at some point to go forward and try to work this
11 out. So, Your Honor, that's the extent of our motion. We're
12 not seeking truly independently a protective order here.
13 It's in the context of the timing.

14 THE COURT: Okay.

15 MR. COBB: Thank you.

16 THE COURT: And I assume your client contact is in
17 the Netherlands?

18 MR. COBB: Yes, Your Honor.

19 THE COURT: Thank you. Mr. Glassman.

20 MR. GLASSMAN: One more fact. I don't know where
21 NXP has its operations, NXP Semiconductor, but my
22 understanding is that they have qualified to do business or
23 registered to do business in California. I think Your Honor
24 has gotten a picture of the context in which the Equity
25 Committee, while trying to get up to speed, has also tried to

1 figure out what's behind the curtain. And as I started out
2 saying before we don't know there's anything wrong behind the
3 curtain. We just don't know. And so we thought it most
4 appropriate to try to take this discovery. Sorry for the
5 timing.

6 THE COURT: Well it is what it is.

7 MR. COBB: Your Honor, if I may just close the
8 thought then. Your Honor, and I alluded to this earlier in
9 my comments and I want to make sure this is perfectly clear.
10 There is a process that this Court expects with regard to
11 claims that are held by the Debtors: who prosecutes them, how
12 they are managed, how they are handled. If outside of that
13 context there is discovery that someone would like to take,
14 there is the 2004 process. That allows for formalities, the
15 exchange and the informalities and negotiations with regard
16 to how the production will occur and how it will occur.

17 Your Honor, NXP believes it's most appropriate to
18 turn this back to the Committee and NXP and the Committee has
19 all of its rights. This discovery is being taken
20 particularly in connection with the sale. Your Honor, I
21 think it is most important to allow NXP the ability to, you
22 know, exercise whatever rights it may have with regard to
23 this discovery. And, again, I'm very sensitive to these
24 privacy issues in the EU. I'm very concerned that, you know,
25 this discovery propounded with a specific goal in mind and a

1 specific timeframe is now going to suddenly become morphed
2 into something different. Your Honor, they know how to file
3 a 2004 motion.

4 THE COURT: Yeah but it's a contested matter.
5 They're entitled to -- it's a contested matter so they're
6 entitled to discovery in matters relevant to the contested
7 matter. It really becomes a timing issue.

8 MR. COBB: Your Honor, I think it takes it away from
9 the contested matter context if the Court is going to say I'm
10 going to hear the sale hearing next week, the sale motion
11 next week. I am also going to not order anyone to comply
12 with the discovery in that very, very tight timeframe. But I
13 understand what the Committee is saying. They have a right
14 to kick the tire, so to speak, but that's now not discovery
15 in connection with the sale motion. That's now a different
16 discovery. It's the kick the tire 2004 discovery or it's
17 specifically related to these claims that the Debtor holds at
18 this point. So, that's all I wanted to close with, Your
19 Honor. Thank you.

20 MR. CHESLEY: Your Honor, Richard Chesley, I'm sorry
21 to do this, but I do want to clarify a point Mr. Cobb said
22 which I don't believe is correct. I think where we now
23 everybody has settled is this discovery is not related to the
24 sale on Tuesday which is where we started. I think we now
25 clarified what it relates to and now as Your Honor indicated

1 it's a matter of timing.

2 THE COURT: Well you and Mr. Cobb have clarified
3 that. I don't think Mr. Glassman would agree it's been
4 clarified.

5 MR. CHESLEY: Well and I like -- I mean I think
6 that's important clarification because we're getting a lot of
7 equivocation from the Equity Committee on this. We've now
8 heard at this hearing that while they may not love it,
9 they're okay with what we're selling to Entropic. So if
10 they're okay with what we're selling to Entropic this
11 discovery is not relevant to the sale hearing.

12 THE COURT: Well that's okay that's fine. I know
13 it's hard when we're on the telephone. Mr. Glassman, I think
14 if I heard right it's your position that you need this
15 discovery in order to do due diligence by the propriety and
16 value of the release that's being given to NXP other than the
17 fiduciary duty stuff that they're willing to give you.

18 MR. GLASSMAN: The short answer is yes, Your Honor,
19 but also with respect to the sale itself in terms of the good
20 faith nature of --

21 THE COURT: Of Entropic.

22 MR. GLASSMAN: Of Entropic yes.

23 THE COURT: And the Debtor.

24 MR. GLASSMAN: No not as to the Debtor I don't
25 think. But the -- Your Honor, we would be faced if we don't

1 have discovery with having to make the decision do we say yes
2 or no. And I think Your Honor has a pretty good idea, you
3 know, what probably would end up saying if we don't get any
4 discovery at all. But and I'd rather not go there right now
5 because I'm not authorized to go there. But, you know, we're
6 not trying to make the sale go away by any means. And we're
7 not trying to blow it up.

8 We are trying to get some very limited discovery and
9 if they're saying it can't be done in the timeframe so be it,
10 but they can at least give us responses as to why it can't be
11 done. Because we think as fiduciaries it's our job to make
12 sure that nothing untoward has happened; to do our best.

13 THE COURT: And you're the Equity Committee of TMI?

14 MR. GLASSMAN: Correct, Your Honor.

15 MR. CHESLEY: And, Your Honor, Richard Chesley,
16 hopefully for the last time. The problem we've got is the
17 timing is the timing. So we're faced with virtually
18 impossible situation of obviously negotiating all week to get
19 the documents done and get in front of Your Honor on a sale
20 hearing. But if the discovery is now a precondition to that
21 sale hearing which I did not believe it was walking into
22 today, we won't have a sale hearing and there won't be a
23 sale.

24 So, I mean I believe the Equity Committee is going
25 to have to make that decision because Mr. Glassman as

1 everybody does wants it both ways. He wants discovery but he
2 wants the sale. I think what we've heard today is we can't
3 have them both.

4 MR. COBB: Your Honor, I thought we had -- it
5 suddenly went sideways in the last three minutes. I'm not
6 certain what happened here. As I understood this Mr.
7 Glassman's clients were begrudgingly willing to allow the
8 claims and causes of action to be sold to Entropic so the
9 sale could close. Then there's vague references to the
10 release that Entropic may be giving which has nothing to do
11 with the estate. That's it, Your Honor. I mean it was
12 bought by Entropic. These are Entropic assets.

13 Then there's, you know, 30 minutes of these vague
14 fiduciary duty obligations and claims that Mr. Glassman
15 concedes they're not part of the sale. And so I'm not really
16 sure what he wants and when he wants it. When I sat down I
17 thought Your Honor it was look there are potential claims and
18 causes of action the Committee is concerned about. The
19 Committee needs to investigate those claims. The Committee
20 is going to be able to investigate those claims and, perhaps,
21 take discovery on them. That's where I thought we left this.

22 Now I heard him saying oh no I need to challenge,
23 you know, any fiduciary, perhaps breaches of fiduciary duty
24 that existed in connection with the sale. I don't know what
25 that means. And, Your Honor, Mr. Glassman can take the

1 depositions of the board of directors. He could have done it
2 this week. He could have done it, you know, a week ago in
3 the connection with the sale. What he's saying, Your Honor,
4 it doesn't make sense. And, frankly, it's very hard to pin
5 down. You know, I'll turn it over to you so we can hear the
6 --

7 MR. CHESLEY: I'm sorry, Your Honor, I said it was
8 the last time. This is the last time. This is an issue with
9 respect -- I think we're now back to the Debtors' business
10 judgment. And we have articulated and we have spent
11 considerable time with the Equity Committee's advisors and
12 the Creditor's Committee's advisors as to the Debtors'
13 business judgment with respect to the value of the sale which
14 we now know is a tangible substantial value versus de minimis
15 preference and avoidance claims which the Debtors looked at
16 and which I'm not sure which counsel for NXP articulated.
17 But if you look at the avoidance claim, the fraudulent
18 conveyance claim I don't think that the, you know, Debtors
19 looked at that as well went through our business judgment.

20 So the issue with the Debtors' business judgment
21 that's a Debtors' issue and we've articulated that with the
22 Equity Committee and I don't believe they challenged that.
23 So I concur with Mr. Cobb it is difficult to pin down, but
24 the most important thing walking out today is do we have a
25 sale hearing on Tuesday or are we held hostage by the Equity

1 Committee while, you know, they kick the tires some more and
2 a deal that everybody I believe on this call wants to have
3 consummated fails.

4 THE COURT: Well there's a lot of hostage taking
5 here. I mean I think Mr. Glassman's point might be that and
6 NXP is holding the sale hostage by saying it won't go forward
7 with the MSA and TSA unless this release is in which releases
8 issues related to the sale, right? Help me out here. And
9 then Entropic is probably the innocent bystander and it's a
10 shame they're not here, but it is what it is, who won't close
11 unless there's a new MSA. And NXP won't sign a new MSA if it
12 results in a delay of the hearing. I'm speculating. And,
13 meanwhile, the Debtor is going OMG, you know, with a little
14 colon parenthesis frown. What's happening.

15 MR. CHESLEY: There's a -- and the timing issues and
16 the delay issues, Your Honor, are really the Debtors and
17 Entropic because the business is suffering, liquidity is a
18 substantial issue. Getting the sale closed as quickly as we
19 can is imperative for the Debtors. We've been negotiating
20 with NXP on the documents and, you know, candidly they're not
21 the ones who are pressing the foot on the accelerator with
22 respect to the timing. It is the Debtors and Entropic. And
23 it is Entropic that, you know, demanded with the APA and
24 demanded on the record at the auction that the issues with
25 respect to buying the avoidance claims and the preference

1 claims with respect to everybody they do business with was
2 non-negotiable.

3 So, again, I hate to say this we're back to where we
4 started and we're as confused as sort of everybody as to what
5 the Equity Committee is asking for. Because if the issue is
6 they want all of this discovery, whatever it may be, and
7 they've gotten the Debtors' responses already. If they want
8 what they can get from NXP recognizing their issues and
9 failing that, they're not willing to go forward with the sale
10 hearing that's obviously a massive issue for the Debtors and
11 everybody on this call.

12 If the issue is, as I believe it actually is, they
13 want to take this discovery and they want to press as hard as
14 they can to get it so they can rattle the cage, we understand
15 that. That's why we have negotiated hard with everybody to
16 make sure these claims were severed out and that they would
17 be investigated and prosecuted in due course to the extent
18 they exist.

19 THE COURT: Okay. All right I'm going to ask one
20 more question of Mr. Glassman and then that's going to be it.
21 What is it as precisely as you can tell me exactly what your
22 client wants between now and sale hearing date?

23 MR. GLASSMAN: I want NXP to answer the discovery.
24 Frankly, Your Honor, I'm a little bit -- it's news to me that
25 they couldn't give us some discovery in the next three or

1 four days. That is a new fact to me. And, as I said, I
2 wasn't here to blow up the sale. I was here to try to drill
3 down. And I'm not authorized to ask you to move the sale.
4 That's not my purpose here today.

5 On the other hand, we really think that the Debtor
6 and in this instance NXP should provide the discovery. So I
7 sound like, you know, the first person on the sun in some
8 respects, but it is a new fact to me that they say there
9 can't be any discovery before the sale hearing.

10 THE COURT: And Mr. Chesley on behalf of his client
11 may not have produced anything, but he has given you
12 responses.

13 MR. CHESLEY: And we produced documents, Your Honor.

14 MR. GLASSMAN: We're not -- well --

15 MR. CHESLEY: No you just --

16 MR. GLASSMAN: The Debtor has --

17 THE COURT: No, listen, it is up to me not you two.
18 You can do that out in the hallway.

19 MR. GLASSMAN: Right the Debtor has responded to a
20 lot of our requests with respect to avoidance actions. And
21 has also provided and I just saw it before the hearing came
22 in minutes, redacted minutes of board meetings and
23 documentation relative to what's going on now with the
24 negotiations of the MSA and the TSA and everything that's in
25 their data room.

1 THE COURT: Well my question wasn't whether you
2 liked what they had given you or said; was whether they had
3 actually thoroughly responded. And I believe the answer is
4 yes.

5 MR. GLASSMAN: Yes.

6 THE COURT: Okay let's take about five minutes.

7 (Recess 4:30:41 to 4:41:09)

8 THE CLERK: All rise.

9 THE COURT: Please be seated. Okay I think I got it
10 figured out. Just for the record, the Court has a sale
11 hearing scheduled for next week whereby certain assets are
12 being sold to Entropic in exchange for monetary and non-
13 monetary provisions. Included in the non-monetary provisions
14 is a general sale of avoidance actions, loosely defined, to
15 Entropic and Entropic is not going to pursue them. The
16 Debtor or is it generally or what not. It doesn't really
17 matter. The bottom-line is as part of the sale certain
18 fiduciary -- excuse me, certain bankruptcy avoidance actions
19 will cease to exist.

20 Some of those actions will possibly be against NXP
21 or NXP Semi. NXP being the 60% shareholder of TMI and TMI
22 being the 100% shareholder of TMFE which is the Cayman Entity
23 within NXP Semi a wholly owned subsidiary of NXP are the
24 largest unsecured creditor of TMFE. In addition, NXP had a
25 transaction in 2009 in connection with a sale to TMI of the

1 Set-Top and the TV, and the TV business. That transaction
2 was both a transfer of assets and cash by NXP to TMI in
3 exchange for stock in TMI.

4 The Debtors have gone through a sale process since
5 they've been filing. They've have been operating under Court
6 approved cash management procedures. They've been operating
7 under Court approved critical wage, etc. kind of procedures.
8 And they've been conducting a sale under Court approved APA
9 asset sale procedures.

10 That all resulted in an auction. I guess it was
11 last week. Was it last week; wow. And a bidding procedures
12 order that -- well it's not an order, excuse me, but a
13 discussion at which time it was announced that a player to be
14 named later. It turned out to be Entropic, was purchasing
15 the assets. And there's been a very substantial increase in
16 the amount of compensation to the Debtors as a result of the
17 auction.

18 The sale hearing is next Tuesday, the 6th, correct.
19 Okay. And a corporate piece of the transaction as its been
20 represented to the Court is Entropic's requirement that the
21 avoidance actions be sold or released so that Entropic will
22 not have the problem of dealing with potential or, excuse me,
23 dealing with important creditors going forward. And, at the
24 same time, have an issue that those creditors might be
25 subject to avoidance actions and which, of course, would put

1 a strain on the relationship of Entropic with those
2 creditors.

3 NXP as part of the sale to Entropic is entering into
4 a revised master servicing agreement or supply agreement, I
5 think, doesn't really matter, and is entering into a TSA
6 agreement between Entropic and NXP. No I'm sorry Debtor NXP
7 transition services agreement. Okay. That's all lined up
8 and that's where the players are as the Court understands it.

9 And now we have the answer that the Equity Committee
10 which was only filled on Valentine's Day February 14th has
11 been trying to get up to speed with the transactions with the
12 history of this Debtor, what the data room has, what the
13 history, what the ownership structure is, etc., etc. And
14 they have sought expedited discovery from NXP and NXP Semi
15 for the production of documents in four categories which are
16 fairly narrowly tailored, I might add before we have a sale
17 hearing which means they need the documents by Monday.

18 The problem we have is that it is Entropic's
19 condition that the avoidance actions be sold as well as the
20 TSA and MSA be entered into. NXP or NXP Semi, I'm not sure
21 which, however, isn't in the mindset to enter into that MSA
22 and TSA if they have outstanding discovery pending. And
23 given the laws applicable in the European Union which I can
24 only take as a representation of Mr. Cobb, and I certainly
25 trust him on this, that can take a while. And that was a

1 factor that the Equity Committee was not aware of.

2 So I kind of having said all that I'm sort of
3 between a rock and a hard place, of course, which is why I
4 get paid to do this kind of thing. I can force the
5 production which will have the effect of putting NXP in a
6 position of having to make a decision about whether to go
7 forward with the MSA and the TSA which are conditions
8 precedent to entry into the APA. And then that would flip it
9 to the -- flip it to Entropic to decide whether or not they
10 still want to go to a closing without a definitive agreement
11 with NXP.

12 It also arguably puts -- well it puts the Equity
13 Committee in a difficult position because the Equity
14 Committee is facing a release of certain avoidance actions,
15 etc. by the Debtor that will no longer be available to the
16 Equity Committee to potentially pursue and those claims may
17 have some merit because of the complex intertwine nature of
18 NXP and the Debtor. I'm not saying -- I'm not trying to say
19 whether they're colorful claims, anything like that, but that
20 issue is out there.

21 You know, anytime you have insiders wearing multiple
22 hats the Court really perks up its ear because there are
23 potential of abuse. I haven't seen anything one way or the
24 other on this issue for me to make a decision. That's the
25 Equity Committee's point as well. They don't have enough

1 information to make these hard decisions about whether or not
2 to try to hold up a sale based on the avoidance actions or to
3 insist on not necessarily to file an objection to the sale,
4 but to stop it, but to insist on certain actions that will
5 have the effect of stopping the sale or possibly blowing up
6 the sale.

7 I'm going to deny the motion and here's why. And by
8 the way I'm denying this without prejudice. The Debtor has
9 responded to discovery. Now it may not be exactly what the
10 Equity Committee would like, but the Equity Committee is in a
11 position to, if appropriate, negotiate with the Debtors. The
12 Debtors probably are going to want to satisfy the Equity
13 Committee to the extent they can because they need the sale
14 and they're here. They can't hide in Holland. I'm not
15 saying you're hiding in Holland. That was a bad joke.

16 MR. COBB: Very cold there, Your Honor. It's not
17 the place to hide.

18 THE COURT: You know I don't want a letter from the
19 Ambassador. I apologize. So the Debtor really has a strong
20 motivation to do what they can to do to satisfy the Equity
21 Committee to go through the sale process. And it sounds as
22 if there have been substantial negotiations over language in
23 the order and also the production of the documents, etc.
24 which is clearly designed to make this sale happen and not
25 blow it up.

1 So I think that Equity Committee has really gotten
2 as much as its -- well I haven't seen the responses, but has
3 been put in a dialogue with the entity that has the highest
4 incentive to produce documents. And also has the greatest
5 ability to produce documents. There may come a day down the
6 road, sooner or later, I don't know when the Equity Committee
7 will want discovery from NXP and NXP Semiconductor. I'll
8 cross that bridge when I come to it. But it's not something
9 that needs to be done in the next three days in order to go
10 forward with the sale.

11 And I understand this may serve as a basis or put
12 the Equity Committee in a difficult position to decide
13 whether or not to object to the sale; however, that's going
14 to be the case pretty much no matter what. I mean if you got
15 the documents you'd still be in a hard position to make that
16 decision. So all of that is a long way of making sure, you
17 know my findings on the record and my basis for denying the
18 motion without prejudice.

19 In addition, I am going to deny without prejudice
20 this moved the motion for protective order. I also have a --
21 okay that's my ruling. Next, moving on; any questions?

22 MR. GLASSMAN: No, Your Honor.

23 THE COURT: Next I have and this is for you, Mr.
24 Chesley, I think. I received a motion to short notice in
25 connection with the MSA assumption. And what do you want me

1 to do with that? I'm not quite sure when you want that
2 heard?

3 MR. CHESLEY: Well, Your Honor, Richard Chesley on
4 behalf of the Debtors. What that is, is this is the new MSA
5 that will be entered into between the Debtors and NXP and
6 then assumed and assigned to Entropic. So we've been in
7 discussions with both Committees with respect to the terms of
8 that MSA and support agreement. And we would obviously like
9 that to be heard on Tuesday in conjunction with the sale
10 hearing because it's part and parcel of the sale hearing.

11 THE COURT: All right is it a condition presigned to
12 the close?

13 MR. CHESLEY: It is, Your Honor.

14 THE COURT: And what's the closing requirement?

15 MR. CHESLEY: Closing requirement is the new
16 agreement with -- that the Debtors -- I'm sorry, so that
17 Entropic has a new agreement with NXP.

18 THE COURT: Yeah I'm sorry I meant time-wise?

19 MR. CHESLEY: Oh we're going to be -- when we're
20 going to close, you know, we're hoping about the middle of
21 the month.

22 THE COURT: All right that one I'll think about. I
23 don't think I need to hear. I don't need to hear anymore
24 argument. I think I know the background. So I'll make a
25 decision on the motion to shorten before the end of the day.

1 Okay.

2 MR. CHESLEY: Thank you, Your Honor. I mean I would
3 ask -- I don't know that any of the parties have objections
4 to the motion to shorten, but.

5 THE COURT: Well I might.

6 MR. CHESLEY: That was the one party, Your Honor, I
7 was not comfortable calling and asking.

8 THE COURT: Very good. Well in Court is there
9 anyone has -- well I guess, Mr. Glassman, I'm looking at you,
10 you don't have a problem with that?

11 MR. GLASSMAN: I don't think so, Your Honor, not as
12 far as I know.

13 THE COURT: I'll enter that order then. Make sure I
14 have the right order. Just on the objection deadline, Mr.
15 Chesley, I'm saying that no written objection is required.
16 Objections may be presented at the hearing.

17 MR. CHESLEY: That's fine for the Debtors, Your
18 Honor. Thank you.

19 THE COURT: I've signed the order as revised.
20 Anything else?

21 MR. MARTIN: Your Honor, just real quickly. Mr.
22 Glassman is asking for an extension of a deadline to file a
23 response to the sale motion, and I need to defer to Mr.
24 Chesley. And I thought for the sake of efficiency perhaps
25 Mr. Chesley could address that issue or we can do it

1 afterwards but I just while we have everyone --

2 MR. GLASSMAN: While Mr. Chesley was on the line I
3 simply wanted to advise that we will get an, you know, a
4 response whatever it is. We filed a reservation of rights.
5 We wanted to wait until this hearing was done before, you
6 know.

7 THE COURT: You're going to file a written response?

8 MR. GLASSMAN: Yeah to the sale motion. We'll do it
9 as quickly as possible, but I didn't want the Court to be
10 prejudice and I wanted to let Mr. Chesley know and if had any
11 issues with that, I'll try to get it done tonight.

12 THE COURT: Try to get it done by --

13 MR. CHESLEY: Would you like to see it by Monday,
14 Your Honor.

15 MR. GLASSMAN: Yeah I mean as early as Monday as
16 possible. If we can get it over the weekend, we'll get it.

17 THE COURT: Okay Monday at noon.

18 MR. GLASSMAN: Thank you, Your Honor.

19 MR. CHESLEY: Thank you.

20 THE COURT: Anything else? All right we're
21 adjourned.

22 (Court Adjourned)

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CERTIFICATE

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I certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter.

/s/Mary Zajaczkowski
Mary Zajaczkowski, CET**D-531

March 6, 2012
Date

Exhibit B
(Proposed Order)

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

-----X
In re: : Chapter 11
: :
TRIDENT MICROSYSTEMS, INC., *et al.*,¹ : Case No. 12-10069 (CSS)
: :
: (Jointly Administered)
Debtors. :
: :
-----X

**ORDER GRANTING MOTION OF THE DEBTORS FOR AN ORDER
DIRECTING REDACTION OF MARCH 2, 2012
HEARING TRANSCRIPT**

Upon the *Debtors' Motion for the entry of an order pursuant to section 105(a) of the United States Code (the "Bankruptcy Code")*, *Rule 9037 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules")*, and *the Redaction Procedures as set forth by the Judicial Conference of the United States*, for the entry of an order redacting certain confidential information from the written and audio transcript of a hearing held on in this Court on March 2, 2012 (the "Motion"); and it appearing that this Court has jurisdiction over these cases and the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of these chapter 11 cases and the Motion in this district is proper pursuant to 28 U.S.C. § 1408 and 1409; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and this Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, their

¹ The Debtors are the following two entities (the last four digits of their respective taxpayer identification numbers, if any, follow in parentheses): Trident Microsystems, Inc. (6584) and Trident Microsystems (Far East) Ltd. The mailing address of each of the Debtors, solely for purposes of notices and communications, is 1170 Kifer Road, Sunnyvale, California 94086.

creditors and other parties in interest; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and after due deliberation thereon; and good and sufficient cause having been shown;

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.
2. The identity of the second bidder, identified on page 41, line 7 of the written transcript of the March 2, 2012 hearing, shall be redacted, and only such redacted version of the March 2, 2012 written transcript shall be available to the public.
3. The identity of the second bidder shall also be redacted or otherwise deleted from the audio recording of the March 2, 2012 hearing, and only such redacted version of the March 2, 2012 audio recording shall be available to the public.
4. This Court shall retain jurisdiction over any and all matters arising from the interpretation or implementation of this Order.

Dated: _____, 2012
Wilmington, Delaware

The Honorable Christopher S. Sontchi
United States Bankruptcy Judge