

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re: : Chapter 11
: :
Trident Microsystems, Inc., *et al.*,¹ : Case No. 12-10069 (CSS)
: :
Debtors. : (Jointly Administered)
: :
: **Proposed Hearing Date: 5/15/12 @ 10:00 a.m. (EDT)**
-----X **Proposed Objection Deadline: At the Hearing**

**EMERGENCY MOTION OF THE DEBTORS PURSUANT TO SECTIONS 105(A), 363
AND 365 OF THE BANKRUPTCY CODE FOR AN ORDER (A) AUTHORIZING
THE SALE OF CERTAIN OF THE DEBTORS’ ASSETS RELATED TO THEIR
AUDIO BUSINESS FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES,
AND OTHER INTERESTS, (B) APPROVING THE ASSUMPTION AND
ASSIGNMENT OF CERTAIN OF THE DEBTORS’ EXECUTORY CONTRACTS
RELATED THERETO; AND (C) GRANTING RELATED RELIEF**

Trident Microsystems, Inc. and Trident Microsystems (Far East) Ltd. (collectively, the “Debtors”), by and through their counsel, DLA Piper LLP (US), hereby submit this motion (the “Motion”) for the entry of an order (a) authorizing the sale of certain of the Debtors’ assets related to their MAP-X Audio Devices business (the “Audio Business”) free and clear of liens, encumbrances and other interests, (b) approving the assumption and assignment of executory contracts related thereto and (c) granting related relief. In support of this 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 this matter under 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. § 157(b). Venue is proper in this district under 28 U.S.C. §§ 1408 and 1409.

2. The bases for the relief requested herein are sections 105(a), 363 and 365 of title 11 of the United States Code (the “Bankruptcy Code”), rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and local rule 6004-1 of the Local Rules for the United States Bankruptcy Court for the District of Delaware (the “Local Rules”).

Background

3. 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 and debtors in possession under sections 1107 and 1108 of the Bankruptcy Code. 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”). 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.

4. Trident Microsystems, Inc. (“TMI”) was incorporated in California in 1987 and reincorporated in Delaware in 1992. TMI is the direct parent company of Trident Microsystems (Far East) Ltd., an exempted company incorporated in the Cayman Islands with limited liability (“TMFE”). TMFE is the direct or indirect parent of subsidiary entities organized under the laws of various foreign countries (the “Foreign Subsidiaries” and together with TMI and TMFE, “Trident”).

5. TMI historically served as the corporate head of Trident and provided the corporate oversight and administrative services necessary for Trident's operations. TMFE served as the manufacturing procurement hub and primary accounts payable center for Trident. TMFE held most of Trident's intellectual property assets and contracted with all suppliers for use of the intellectual property and the production of finished goods. Pursuant to a distribution and supply agreement between TMFE and non-debtor Trident Microsystems (Hong Kong) Limited ("TMHK"), TMFE sold finished goods to TMHK for re-sale to Trident's customers. TMFE also served as Trident's primary accounts payable processor and processed payments due to suppliers as well as payments to the non-revenue generating Foreign Subsidiaries that provide research and development, sales and marketing services for Trident.

6. Prior to filing these chapter 11 cases, the Debtors undertook marketing efforts to identify a potential purchaser of their two principal business operations, the set-top box business (the "STB Business") and the TV business line (the "TV Business"). Upon the filing of these cases, the Debtors identified a stalking horse bidder for the STB Business and on March 9, 2012, the Court entered an order approving the sale of the STB Business to Entropic Communications, Inc. The sale of the STB Business closed on April 12, 2012. On March 23, 2012, the Court approved bidding procedures and a stalking horse bidder for the TV Business and on April 5, 2012, the Court entered an order approving the sale of the TV Business to Sigma Designs, Inc. The sale of the TV Business closed on May 4, 2012.

Preliminary Statement

7. Prior to the commencement of these cases, the Debtors began exploring strategic alternatives for their businesses. Beginning in November 2011, the Debtors and their investment banker began a comprehensive effort to market the Audio Business (as described more fully herein, the "Purchased Assets") and those efforts have continued unabated since January. Since

beginning their marketing efforts, the Debtors' investment banker contacted eleven separate potential buyers for the Purchased Assets and, aside from Cambridge Silicon Radio Limited (the "Purchaser"), there was no meaningful interest from any party. Accordingly, the Debtors, in conjunction with their advisors, have determined that the Purchaser is the only entity willing to acquire the Purchased Assets.

8. With the sale of both the STB Business and the TV Business, which generated over 90% of the Debtors income, any sale of the Purchased Assets must now be consummated quickly in order to (i) minimize operating costs for the benefit of the Debtors estates and their creditors and (ii) ensure that the Debtors can fulfill their obligations under the purchase agreements for both the STB Business and TV Business. Accordingly, in conjunction with their financial and legal advisors the Debtors and the Debtors' subsidiaries that own Purchased Assets (the "Subsidiaries," and together with the Debtors, the "Sellers") have moved expeditiously to evaluate their options with respect to the Audio Business.

9. Because the sale of the Purchased Assets is the only way to realize any value relating to the Audio Business and similarly reduce considerable liabilities of the Debtors' German subsidiary, while ensuring a continuing of operations that is critical for the Debtors to fulfill their obligations under the sale of both their STB Business and TV Business, the Debtors have determined, after the exercise of due diligence and in consultation with their professionals and with the Creditors Committee and Equity Committee, that the sale of the Purchased Assets to the Purchaser is in their best interest.

10. The Purchaser has agreed to acquire the Purchased Assets pursuant to an asset purchase agreement, substantially in the form attached to the proposed form of sale order as

Exhibit 1 (the “APA”).² Pursuant to the APA, the Purchaser has agreed to pay Nine Hundred Thousand Dollars (\$900,000) for the Purchased Assets and to assume certain related liabilities (the “Assumed Liabilities”).³ Specifically, the Purchaser has agreed to assume liabilities for certain employees of Trident Microsystems (Europe) GmbH (“TME GmbH”), the Debtors’ German subsidiary, and certain additional liabilities. These employees, and certain additional employees at TME GmbH also provide critical assistance with the transition of the STB Business and TV Business. In addition, the Purchaser has required consummation of the transaction by May 21, 2012. Indeed, if the transaction cannot be consummated by that date, TME GmbH will not be able to fund its upcoming payroll, and the only option will be an immediate liquidation of TME GmbH under German law.

Relief Requested⁴

11. The Debtors request entry of an order in the form attached hereto as Exhibit B (the “Sale Order”), authorizing the sale of the Purchased Assets to the Purchaser, free and clear of all liens, claims, encumbrances and interests and the assumption and assignment of certain related executory contracts.

12. As noted above, the Debtors seek to complete a sale (the “Sale”) of the Purchased Assets, which comprise, among other things:⁵

- (a) to the extent assignable pursuant to Section 365 of the Bankruptcy Code, all Contracts exclusively relating to the Audio Business, including those

² Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the APA.

³ Of the purchase price, \$350,000 shall be deposited into the U.S. bank account of TMFE for the benefit of the Debtors, while the remaining \$550,000 shall be paid to the Debtors’ German subsidiary, Trident Microsystems (Europe) GmbH, where the Purchased Assets are largely located.

⁴ In compliance with Local Rule 6004-1 and for the convenience of the reader, the salient terms of the APA have been summarized and are attached hereto as Exhibit A.

⁵ This description of the Purchased Assets is included for summary purposes. To the extent that any description of the Purchased Assets is inconsistent with the provisions of the APA, the APA shall govern.

listed on SCHEDULE 1.1(A) to the APA, other than such Contracts that are Retained Contracts (collectively, the “Assigned Contracts”);

- (b) all Documents used in or relating to the Audio Business or in respect of the Purchased Assets or Assumed Liabilities;
- (c) all products of the Audio Business, including all MAP-X products under development, together with masks, mask works and lead frame designs and test programs owned by the Sellers for the products and their associated codes and materials as well as any artwork and other promotional IP developed related to MAP-X, inventory, work-in-process and samples of MAP-X products (the “Products”);
- (d) all Inventory, work-in-process, components, samples, evaluation boards, existing leadframes and other components that might be considered works-in-progress of the Audio Business;
- (e) all tangible assets of Sellers relating to the Audio Business⁶ (the “Tangible Assets”), including machinery, equipment (including laboratory equipment and test equipment), tools, dies, appliances, components, furniture, supplies, office supplies, office equipment, fixtures, information technology related hardware and equipment (including computers, servers, storage devices, telecommunications facilities and printers), telephone systems, telecopiers and photocopiers and other tangible personal property of every kind and description that are listed in SCHEDULE 1.1(D) to the APA;
- (f) to the extent permitted by applicable Law, all books, files and records owned by Sellers that relate to Employees who are employed by Purchaser on the Closing Date, including, without limitation, books, files and records that are related to medical history, medical insurance or other medical matters and to workers’ compensation and to the evaluation, appraisal or performance of such Employees;
- (g) all Permits and all pending applications therefor;
- (h) all express or implied guarantees, warranties, representations, covenants, indemnities, rights, claims, counterclaims, defenses, credits, causes of action or rights of set off against third parties relating to the Purchased Assets (including, for the avoidance of doubt, those arising under, or otherwise relating, to the Assigned Contracts) or Assumed Liabilities, including rights under vendors’ and manufacturers’ warranties,

⁶ Purchaser is taking all Purchased Assets in the location where they are currently situated. Purchaser will bear any and all responsibility for the costs, if any, of transporting the Purchased Assets.

indemnities, guaranties and avoidance claims and causes of action under the Bankruptcy Code or applicable Law;

- (i) an assignment of the Entropic License Agreement pursuant to Section 2.3(c) of the Entropic License Agreement for use with “Audio Devices” as such term is defined therein pursuant to Exhibit H to the APA;
- (j) the Assumed Trademarks;
- (k) all goodwill payment intangibles and general intangible assets and rights of Sellers to the extent associated with the Audio Business;
- (l) all fraudulent conveyance, preference and avoidance claims (whether or not asserted as of the Closing) of the Seller and the Seller Subsidiaries relating to the Audio Business arising under (i) Sections 544, 547, 548, 549, and 550 of Chapter 5 of the Bankruptcy Code, and to the maximum extent allowable under applicable law (ii) the law of any foreign jurisdiction in which the Sellers operate or are domiciled, including the Cayman Islands, Germany and Taiwan, or (iii) applicable state law, including all rights, claims and causes of action arising out of any post-petition payment by the Seller or any of the Seller Subsidiaries for goods or services, relating to: (x) vendors or service providers used in the Audio Business; (y) the Assigned Contracts; and (z) Employees (all such claims and causes of action described in this paragraph are defined as the “Preference Avoidance Claims”). The Seller shall use its commercially reasonable efforts to obtain an undertaking from the Joint Provisional Liquidators in the Cayman Insolvency Case that in the event that they are appointed Official liquidators in the Cayman Insolvency Case, they will not support pursuing the Preference Avoidance Actions;
- (m) all Indebtedness to the extent associated with the Audio Business payable to any Seller;
- (n) to the extent permitted by applicable Law, all books, files and records owned by Sellers that relate to Transferred Employees who are employed by Purchaser on the Closing Date; and
- (o) certain Audio Business assets owned by Trident Microsystems (Europe) GmbH.

13. Except as otherwise provided in the APA, all of the Debtors’ rights, title and interest in all of the Purchased Assets shall be sold free and clear of any liens, security interests, claims, charges or encumbrances in accordance with section 363 of the Bankruptcy Code. The Debtors propose that any such liens, security interests, claims, charges or encumbrances shall

attach to the amounts payable to the Debtors resulting from the Sale, net of any transaction fees (the “Sale Proceeds”), in the same order of priority and subject to the rights, claims, defenses, and objections, if any, of all parties with respect thereto, subject to any further order of the Court.

Procedures for the Assumption and Assignment of Assigned Contracts

14. As noted above, the Debtors will seek to assume and assign certain executory contracts to be identified on schedules to the APA (collectively, the “Assumed Executory Contracts”).

15. The Debtors will serve this Motion and a notice of cure amounts (the “Cure Notice”), upon each counterparty to the Assumed Executory Contracts by overnight mail no later than May 8, 2012. The Cure Notice will state the date, time and place of the Sale Hearing as well as the date by which any objection to the assumption and assignment of Assumed Executory Contracts must be filed and served. The Cure Notice also will identify the amounts, if any, that the Debtors believe are owed to each counterparty to an Assumed Executory Contract in order to cure any defaults that exist under such contract (the “Cure Amounts”). If an Assumed Executory Contract is assumed and assigned, then unless the Assumed Executory Contract counterparty properly files and serves an objection to the Cure Amount contained in the Cure Notice, the Assumed Executory Contract counterparty will receive at the time of the Closing of the sale (or as soon as reasonably practicable thereafter), the Cure Amount as set forth in the Cure Notice, if any, with payment to be made pursuant to the terms of the APA. If an objection is filed by a counterparty to an Assumed Executory Contract, the Debtors propose that such objection must set forth a specific default in any executory contract or unexpired lease and claim a specific monetary amount that differs from the amount, if any, specified by the Debtors in the Cure Notice.

16. If any counterparty objects for any reason to the assumption and assignment of an Assumed Executory Contract (an “Assignment Objection”), the Debtors propose that the counterparty must make such Assignment Objection at or prior to the Sale Hearing. In the event that the Debtors and the non-debtor party cannot resolve the Assignment Objection, and the Court does not otherwise make a determination at the Sale Hearing, the Debtors may, in their discretion, segregate any disputed Cure Amounts pending the resolution of any such disputes by the Court or mutual agreement of the parties.

17. The Purchaser shall be responsible for satisfying any requirements regarding adequate assurance of future performance that may be imposed under section 365(b) of the Bankruptcy Code in connection with the proposed assignment of any Assumed Executory Contract. The Debtors propose that the Court make its determinations concerning adequate assurance of future performance under the Assumed Executory Contracts pursuant to section 365(b) of the Bankruptcy Code at the Sale Hearing.

18. Except to the extent otherwise provided in the APA, the Debtors and the Debtors’ estates shall be relieved of all liability accruing or arising after the assumption and assignment of the Assumed Executory Contracts pursuant to section 365(k) of the Bankruptcy Code.

I. APPLICABLE AUTHORITY

A. The Sale of the Purchased Assets is Authorized by Section 363 as a Sound Exercise of the Debtors’ Business Judgment

19. In accordance with Bankruptcy Rule 6004, sales of property rights outside the ordinary course of business may be by private sale or public auction. The Debtors have determined that the Sale of the Purchased Assets by private sale is appropriate in these cases. In particular, the APA is the result of comprehensive, arm’s length negotiations for the Sale of the

Purchased Assets, and the Sale pursuant to the terms of the APA, will provide a greater recovery for the Debtors' creditors than would be provided by any other existing alternative.

20. Section 363 of the Bankruptcy Code provides that a trustee, "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b). Although section 363 of the Bankruptcy Code does not specify a standard for determining when it is appropriate for a court to authorize the use, sale or lease of property of the estate, a sale of a debtor's assets should be authorized if a sound business purpose exists for doing so. See, e.g., Meyers v. Martin (In re Martin), 91 F.3d 289, 295 (3d Cir. 1996); In re Abbotts Dairies of Pennsylvania, Inc., 788 P.2d 143 (2d Cir. 1986); In re Titusville Country Club, 128 BR. 396 (W.D. Pa. 1991); In re Delaware & Hudson Ry. Co., 124 BR. 169, 176 D. Del. 1991); see also Official Committee of Unsecured Creditors v. The LTV Corp. (In re Chateaugay Corp.), 973 F.2d 141, 143 (2d Cir. 1992); Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063, 1070 (2d Cir. 1983); Committee of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.), 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986).

21. The paramount goal in any proposed sale of property of the estate is to maximize the proceeds received by the estate. See, e.g., In re Food Barn Stores, Inc., 107 F.3d 558, 564-65 (8th Cir. 1997) (in bankruptcy sales, "a primary objective of the Code [is] to enhance the value of the estate at hand"); Integrated Resources, 147 B.R. at 659 ("It is a well-established principle of bankruptcy law that the. . . [trustee's] duty with respect to such sales is to obtain the highest price or greatest overall benefit possible for the estate.") (quoting In re Atlanta Packaging Prods., Inc., 99 BR. 124, 130 (Bankr. N.D. Ga. 1988)). As long as the sale appears to enhance a debtor's estate, court approval of a trustee's decision to sell should only be withheld if the trustee's

judgment is clearly erroneous, too speculative, or contrary to the provisions of the Bankruptcy Code. GBL Holding Co., Inc. v. Blackburn/Travis/Cole, Ltd., 331 B.R. 251, 255 (N.D. Tex. 2005); In re Lajijani, 325 B.R. 282, 289 (9th Cir. B.A.P. 2005); In re WPRV-TV, Inc., 143 B.R. 315, 319 (D. P.R. 1991) (“The trustee has ample discretion to administer the estate, including authority to conduct public or private sales of estate property. Courts have much discretion on whether to approve proposed sales, but the trustee’s business judgment is subject to great judicial deference.”).

22. Applying section 363, the proposed Sale of the Purchased Assets should be approved. As set forth above, the Debtors, in consultation with the Creditors Committee and the Equity Committee have determined that the best method of maximizing the recovery of the Debtors’ creditors would be through the Sale of the Purchased Assets. The fairness and reasonableness of the consideration to be paid by the Purchaser has been demonstrated by adequate “market exposure.” Indeed, the Debtors have been seeking to market the Purchased Assets since prior to the Petition Date. Indeed, the Debtors’ investment banker contacted 11 separate parties during this period, and in the end, only the Purchaser was willing to acquire the Purchased Assets. Moreover, after the Purchaser initially expressed interest in the acquisition, considerable additional negotiations ensued to arrive at the contemplated transaction.

B. The Sale of the Purchased Assets Free and Clear of Liens and Other Interests is Authorized by Sections 363(f)

23. While the Debtors are not aware of any liens or other similar interests attached to the Purchased Assets, the Debtors submit that it is appropriate to sell the Purchased Assets free and clear of liens pursuant to section 363(f) of the Bankruptcy Code, with any such liens attaching to the Sale Proceeds of the Purchased Assets to the extent applicable. Section 363(f) of

the Bankruptcy Code authorizes a trustee to sell assets free and clear of liens, claims, interests and encumbrances if:

- (1) applicable nonbankruptcy law permits sale of such property free and clear of such interests;
- (2) such entity consents;
- (3) such interest is a lien and the price at which such property is to be sold is greater than the value of all liens on such property;
- (4) such interest is in bona fide dispute; or
- (5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest. 11 U.S.C. § 363(f).

24. This provision is supplemented by section 105(a) of the Bankruptcy Code, which provides that “[t]he Court may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code].” 11 U.S.C. § 105(a).

25. Because section 363(f) of the Bankruptcy Code is drafted in the disjunctive, satisfaction of any one of its five requirements will suffice to permit the sale of the Purchased Assets “free and clear” of liens and interests. In re Dundee Equity Corp., 1992 Bankr. LEXIS 436, at *12 (Bankr. S.D.N.Y. March 6, 1992) (“[s]ection 363(f) is in the disjunctive, such that the sale free of the interest concerned may occur if any one of the conditions of § 363(f) have been met.”); In re Bygaph, Inc., 56 B.R. 596, 606 n.8 (Bankr. S.D.N.Y. 1986) (same); Michigan Employment Sec. Comm’n v. Wolverine Radio Co. (In re Wolverine Radio Co.), 930 F.2d 1132, 1147 n.24 (6th Cir. 1991) (stating that Bankruptcy Code section 363(f) is written in the disjunctive; holding that the court may approve the sale “free and clear” provided at least one of the subsections of Bankruptcy Code section 363(f) is met).

26. The Debtors believe that one or more of the tests of section 363(f) are satisfied with respect to the transfer of the Purchased Assets. In particular, the Debtors believe that at

least sections 363(f)(2) and (3) will be met in connection with the transactions proposed under the APA because (i) each of the parties holding liens on the Purchased Assets will consent or, absent any objection to this motion, will be deemed to have consented to the Sale, and (ii) the Purchased Assets are being sold at a price well in excess of the aggregate amount of any liens encumbering such assets. Any lienholder also will be adequately protected by having their liens, if any, in each instance against the Debtors or their estates, attach to the Sale Proceeds ultimately attributable to the Purchased Assets in which such creditor alleges an interest, in the same order of priority, with the same validity, force and effect that such creditor had prior to the Sale, subject to any claims and defenses the Debtors may possess with respect thereto. Accordingly, section 363(f) authorizes the transfer and conveyance of the Debtors' assets free and clear of any such claims, interests, liabilities or liens.

27. Although section 363(f) of the Bankruptcy Code provides for the sale of assets “free and clear of any interests,” the term “any interest” is not defined anywhere in the Bankruptcy Code. Folger Adam Security v. DeMatteis/MacGregor JV, 209 F.3d 252, 257 (3d Cir. 2000). In the case of In re Trans World Airlines, Inc., 322 F.3d 283, 288-89 (3d Cir. 2003), the Third Circuit specifically addressed the scope of the term “any interest.” The Third Circuit observed that while some courts have “narrowly interpreted that phrase to mean only in rem interests in property,” the trend in modern cases is towards “a more expansive reading of ‘interests in property’ which ‘encompasses other obligations that may flow from ownership of the property.’” Id. at 289 (citing 3 Collier on Bankruptcy 15th Ed. Rev., ¶ 363.06[1] (L. King, 15th rev. ed. 1988)). As determined by the Fourth Circuit in In re Leckie Smokeless Coal Co., 99 F.3d 573, 581-582 (4th Cir. 1996), a case cited with approval and extensively by the Third Circuit in Folger, supra, the scope of section 363(f) is not limited to in rem interests. Thus, the

Third Circuit in Folger stated that Leckie held that the debtors “could sell their assets under § 363(f) free and clear of successor liability that otherwise would have arisen under federal statute.” Folger, 209 F.3d at 258.

28. Courts have consistently held that a buyer of a debtor’s assets pursuant to a section 363 sale takes such assets free from successor liability resulting from pre-existing claims. See The Ninth Avenue Remedial Group v. Allis-Chalmers Corp., 195 B.R. 716, 732 (Bankr. N.D. Ind. 1996) (stating that a bankruptcy court has the power to sell assets free and clear of any interest that could be brought against the bankruptcy estate during the bankruptcy); MacArthur Company v. Johns-Manville Corp. (In re Johns-Manville Corp.), 837 F.2d 89, 93-94 (2d Cir. 1988) (channeling of claims to proceeds consistent with intent of sale free and clear under section 363(f) of the Bankruptcy Code); In re New England Fish Co., 19 B.R. 323, 329 (Bankr. W.D. Wash. 1982) (transfer of property in free and clear sale included free and clear of Title VII employment discrimination and civil rights claims of debtor’s employees); In re Hoffman, 53 B.R. 874, 876 (Bankr. D.R.I. 1985) (transfer of liquor license free and clear of any interest permissible even though the estate had unpaid taxes); American Living Systems v. Bonapfel (In re All Am. Of Ashburn, Inc.), 56 B.R. 186, 190 (Bankr. N.D. Ga. 1986) (product liability claims precluded on successor doctrine in a sale of assets free and clear); WBO Partnership v. Virginia Dept. of Medical Assistance Servs. (In re WBO Partnership), 189 B.R. 97, 104-05 (Bankr. E.D. Va. 1995) (Commonwealth of Virginia’s right to recapture depreciation is an “interest” as used in section 363(f)); but see, In re Quigley Co., Inc., --- F.3d ----, 2012 WL 1171848 (2d Cir. April 10, 2012).⁷ The purpose of an order purporting to authorize the transfer of assets free and clear

⁷ Some courts, concluding that section 363(f) of the Bankruptcy Code does not empower them to convey assets free and clear of claims, have nevertheless found that section 105(a) of the Bankruptcy Code provides such authority. See, e.g., Volvo White Truck Corp. v. Chambersburg Beverage, Inc. (In re White [Footnote continued on next page]

of all “interests” would be frustrated if claimants could thereafter use the transfer as a basis to assert claims against the purchaser arising from the Debtors’ pre-sale conduct. Under section 363(f) of the Bankruptcy Code, the Purchaser are entitled to know that the Debtors’ assets are not infected with latent claims that will be asserted against the purchaser after the proposed transaction is completed. Accordingly, consistent with the above-cited case law, the order approving the Sale should state that Purchaser is not liable as a successor under any theory of successor liability, for claims that encumber or relate to the Purchased Assets.

C. Assumption and Assignment of Certain Executory Contracts is Authorized by Section 365(a)

29. Section 365(a) of the Bankruptcy Code provides that, subject to the court’s approval, a trustee “may assume or reject any executory contracts or unexpired leases of the debtor.” 11 U.S.C. § 365(a). Upon finding that a trustee has exercised its sound business judgment in determining to assume an executory contract or unexpired lease, courts will approve the assumption under section 365(a) of the Bankruptcy Code. See Nostas Assocs. v. Costich (In re Klein Sleep Prods., Inc.), 78 F.3d 18, 25 (2d Cir. 1996); Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.), 4 F.3d 1095, 1099 (2d Cir. 1993).

30. Pursuant to section 365(f)(2) of the Bankruptcy Code, a trustee may assign an executory contract or unexpired lease of nonresidential real property if:

(A) the trustee assumes such contract or lease in accordance with the provisions of this section; and

(B) adequate assurance of future performance by the assignee of such contract or lease is provided, whether or not there has been a default in such contract or lease.

Motor Credit Corp., 75 B.R. 944, 948 (Bankr. N.D. Ohio 1987) (stating that the absence of specific authority to sell assets free and clear of claims poses no impediment to such a sale, as such authority is implicit in the court’s equitable powers when necessary to carry out the provisions of title 11).

11 U.S.C. § 365(f)(2).

31. The meaning of “adequate assurance of future performance” depends on the facts and circumstances of each case, but should be given “practical, pragmatic construction.” See Carlisle Homes, Inc. v. Arrari (In re Carlisle Homes, Inc.), 103 B.R. 524, 538 (Bankr. D.N.J. 1989); see also In re Natco Indus., Inc., 54 B.R. 436, 440 (Bankr. S.D.N.Y. 1985) (adequate assurance of future performance does not mean absolute assurance that debtor will thrive and pay rent); In re Bon Ton Rest. & Pastry Shop, Inc., 53 B.R. 789, 803 (Bankr. N.D. Ill. 1985) (“Although no single solution will satisfy every case, the required assurance will fall considerably short of an absolute guarantee of performance.”).

32. Among other things, adequate assurance may be given by demonstrating the assignee’s financial health and experience in managing the type of enterprise or property assigned. In re Bygaph, Inc., 56 B.R. 596, 605-06 (Bankr. S.D.N.Y. 1986) (adequate assurance of future performance is present when prospective assignee of lease has financial resources and expressed willingness to devote sufficient funding to business to give it strong likelihood of succeeding; chief determinant of adequate assurance is whether rent will be paid).

33. The Debtors and the Purchaser will present evidence at the Sale Hearing to prove the financial credibility, willingness and ability of the Purchaser to perform under the Contracts. The Court and other interested parties, therefore, will have the opportunity to evaluate the ability of the Purchaser to provide adequate assurance of future performance under the Contracts, as required by section 365(b)(1)(C) of the Bankruptcy Code.

34. In addition, the Cure Procedures are appropriate and consistent with section 365 of the Bankruptcy Code. To the extent that any defaults exist under any Assumed Executory Contracts, any such defaults will be cured pursuant to the APA. Any provision in the Assumed

Executory Contracts that would restrict, condition, or prohibit an assignment of such contracts will be deemed unenforceable pursuant to section 365(f)(1) of the Bankruptcy Code.

35. Accordingly, the Debtors submit that the Cure Procedures for effectuating the assumption and assignment of the Assumed Executory Contracts as set forth herein are appropriate and should be approved.

D. The Purchaser should be Afforded All Protections Under Section 363(m) as A Good Faith Purchaser

36. Section 363(m) of the Bankruptcy Code protects a good-faith purchaser's interest in property purchased from the debtor's estate notwithstanding that the sale conducted under section 363(b) is later reversed or modified on appeal. Specifically, section 363(m) states that:

The reversal or modification on appeal of an authorization under [section 363(b)] . . . does not affect the validity of a sale . . . to an entity that purchased . . . such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale were stayed pending appeal.

11 U.S.C. § 363(m). Section 363(m) “fosters the ‘policy of not only affording finality to the judgment of the bankruptcy court, but particularly to give finality to those orders and judgments upon which third parties rely.’” In re Chateaugay Corp., 1993 U.S. Dist. Lexis 6130, *9 (S.D.N.Y. 1993) (quoting In re Abbotts Dairies of Penn., Inc., 788 F.2d 143, 147 (3d Cir. 1986)); see also Allstate Ins. Co. v. Hughes, 174 BR. 884, 888 (S.D.N.Y. 1994) (“Section 363(m) . . . provides that good faith transfers of property will not be affected by the reversal or modification on appeal of an unstayed order, whether or not the transferee knew of the pendency of the appeal”); In re Stein & Day, Inc., 113 B.R. 157, 162 (Bankr. S.D.N.Y. 1990) (“pursuant to 11 U.S.C. § 363(m), good faith purchasers are protected from the reversal of a sale on appeal unless there is a stay pending appeal”).

37. The Sale will be the product of arm's-length, good faith negotiations and the Debtors request a finding that the Purchaser is a good faith purchaser entitled to the protections of section 363(m) of the Bankruptcy Code.

E. Relief from the Fourteen Day Waiting Period Under Bankruptcy Rules 6004(h) is Appropriate

38. Bankruptcy Rule 6004(h) provides that an “order authorizing the use, sale, or lease of property . . . is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” Similarly, Bankruptcy Rule 6006(d) provides that an “order authorizing the trustee to assign an executory contract or unexpired lease . . . is stayed until the expiration of 14 days after the entry of the order, unless the court orders otherwise.” The Debtors request that the Order be effective immediately by providing that the fourteen (14) day stays under Bankruptcy Rule 6004(h) and 6006(d) is waived.

39. The purpose of Bankruptcy Rule 6004(h) and 6006(d) is to provide sufficient time for an objecting party to appeal before an order can be implemented. See Advisory Committee Notes to Fed. R. Bankr. P. 6004(h) and 6006(d). Although Bankruptcy Rule 6004(h) and the Advisory Committee Notes are silent as to when a court should “order otherwise” and eliminate or reduce the fourteen (14) day stay period, Collier suggests that the fourteen (14) day stay period should be eliminated to allow a sale or other transaction to close immediately “where there has been no objection to the procedure.” Collier on Bankruptcy P 6004.11 (Alan N. Resnick & Henry J. Sommer eds., 16th ed.). Furthermore, Collier provides that if an objection is filed and overruled, and the objecting party informs the court of its intent to appeal, the stay may be reduced to the amount of time actually necessary to file such appeal. Id.

40. The Debtors hereby request that the Court waive the fourteen-day stay period under Bankruptcy Rule 6004(h) and 6006(d) or, in the alternative, if an objection to the Sale is

filed, reduce the stay period to the minimum amount of time needed by the objecting party to file its appeal.

Notice

41. Notice of this Motion has been provided to: (a) the US Trustee, (b) counsel to the Creditors Committee, (c) counsel to the Equity Committee, (d) the United States Attorney's Office for the District of Delaware, (e) the Securities and Exchange Commission, and (g) those parties requesting notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested, the Debtors respectfully submit that no further notice of this Motion is required.

WHEREFORE, the Debtors respectfully request that the Court enter an order substantially in the form attached hereto as Exhibit B granting the relief requested herein and such other and further relief as the Court may deem proper.

Dated: May 8, 2012
Wilmington, Delaware

Respectfully submitted,

/s/ Stuart M. Brown

Stuart M. Brown (DE 4050)
Cynthia Moh (DE 5041)
DLA PIPER LLP (US)
919 North Market Street, Suite 1500
Wilmington, Delaware 19801
Telephone: (302) 468-5700
Facsimile: (302) 394-2341
Email: stuart.brown@dlapiper.com
cynthia.moh@dlapiper.com

-and-

Richard A. Chesley (IL 6240877)
Kimberly D. Newmarch (DE 4340)
Chun I. Jang (DE 4790)
DLA PIPER LLP (US)
203 N. LaSalle Street, Suite 1900
Chicago, Illinois 60601
Telephone: (312) 368-4000
Facsimile: (312) 236-7516
Email: richard.chesley@dlapiper.com
kim.newmarch@dlapiper.com
chun.jang@dlapiper.com

ATTORNEYS FOR DEBTORS AND DEBTORS IN
POSSESSION

Exhibit A

(Highlighted Provisions Pursuant to Del. Bankr. L.R. 6004-1)

In accordance with Local Rule 6004-1, the Debtors respectfully represent the following:

Sale to an Insider: The Purchaser is not an Insider of the Debtors.

Agreements with Management: No agreements with management have been entered into in connection with the Sale.

Releases: Pursuant to Section 3.2(j) of the APA, the Seller shall deliver a general release from each of the employees of Trident Microsystems (Europe) GmbH not deemed a Transferred Employee in favor of the Purchaser.

Private Sale/No Competitive Bidding: The Debtors are seeking relief to consummate the Sale to the Purchaser by private sale on the terms and conditions, and following the extensive marketing process, detailed in the Motion.

Closing and Other Deadlines: The Debtors expect consummation of the transactions contemplated by the APA¹ to take place at a closing to be held at the offices of DLA Piper LLP (US), 2000 University Avenue, Palo Alto, California 94303, or at such other location as deemed appropriate by the parties.

Good Faith Deposit: The Purchaser is not required to make a good faith deposit.

Interim Arrangements with Proposed Buyer: The Debtors have not entered into any interim arrangements with the Purchaser.

Use of Proceeds: \$350,000 of the cash consideration portion for the Sale shall be held in the U.S. bank account of the Debtor Trident Microsystems (Far East) Ltd for the benefit of the Debtors. The remaining portion cash consideration for the Sale shall be disbursed to the Debtors' German subsidiary, Trident Microsystems (Europe) GmbH, where the majority of the Purchased Assets are located.

Tax Exemption: No tax exemptions under section 1146(a) of the Bankruptcy Code are contemplated in connection with the Sale.

Record Retention: Pursuant to Section 8.14 of the APA, no later than sixty (60) days following the Closing, the Seller and its Subsidiaries will use commercially reasonable efforts to delete or destroy all Confidential Information related solely to the Audio Business included in the Purchased Assets from all books and records retained by the Seller and its Subsidiaries as Excluded Assets and in the possession of the Seller.

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion or APA.

Sale of Avoidance Actions: Pursuant to Section 1.1(l) of the APA, the Sale shall include all fraudulent conveyance, preference and avoidance claims (whether or not asserted as of the Closing) of the Seller and the Seller Subsidiaries relating to the Audio Business.

Requested Findings as to Successor Liability: Pursuant to Section 1.3 of the APA, the Purchaser shall assume from the Sellers certain Assumed Liabilities and the Sale shall be free and clear of all claims other than the Assumed Liabilities as indicated in Paragraph 9 of the proposed order.

Sale Free and Clear of Liens: The Debtors are seeking to sell the Purchased Assets free and clear of liens and other interests pursuant to Section 363(f) of the Bankruptcy Code, unless otherwise provided in the APA. The Purchaser is not willing to enter into the APA or Close on the Sale if its does not receive the Purchased Assets, including all real property, free and clear of all liens, claims, encumbrances and interests.

Credit Bid: No credit bids shall be accepted for the Purchased Assets.

Relief from Bankruptcy Rule 6004(h): As noted in the Motion, the Debtors are requesting relief from the 14-day stay imposed by Rules 6004(h) and 6006(d).

Exhibit B
(Sale 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)
Debtors. : (Jointly Administered)
: **Re: Docket No. ____**
-----X

**ORDER (A) AUTHORIZING THE SALE OF CERTAIN OF THE DEBTORS’
ASSETS RELATED TO THEIR AUDIO BUSINESS FREE AND CLEAR OF
LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS
(B) APPROVING THE ASSUMPTION AND ASSIGNMENT OF
CERTAIN OF THE DEBTORS’ EXECUTORY CONTRACTS
RELATED THERETO; AND (C) GRANTING RELATED RELIEF**

This matter coming before the Court on the motion (the “Motion”)² of the above-captioned debtors and debtors in possession (the “Debtors”) for the entry of an order pursuant to sections 105(a), 363 and 365 of title 11 of the United States Code (the “Bankruptcy Code”), Rules 2002, 6004, 6006, 9007 and 9014 of the Federal Rules of Bankruptcy Procedure (as amended from time to time, the “Bankruptcy Rules”), and Rule 6004-1 of the Local Rules of Bankruptcy Practice and Procedures of the Bankruptcy Court for the District of Delaware (the “Local Rules”) (a) authorizing the sale of certain of the Debtors’ assets related to their Audio Business free and clear of liens, claims, encumbrances, and other interests, except as provided by the APA; (b) approving the assumption and assignment of certain of the Debtors’ executory

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.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

contracts related thereto; and (c) granting related relief; the Court having reviewed the Motion, considered the evidence presented at the hearing on the Motion and heard argument of counsel, as appropriate, and the Court after due deliberation having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates and their creditors; and good and sufficient cause having been shown;

IT IS HEREBY FOUND AND DETERMINED THAT:

A The Court has jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b).

B As evidenced by the affidavits of service filed with the Court and the representations on the record, proper, timely, adequate and sufficient notice of the hearing to approve the sale of the Purchased Assets (the “Sale Hearing”) and the assumption and/or assignment of the Assumed Contracts has been provided to all parties in interest in light of the circumstances of this case and applicable law, including without limitation, section 102(1) and 363(b) of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006, and 9014 and requisite Local Rules. No other or further notice of the Sale Motion, the Sale Hearing, the assumption and/or assignment of the Assumed Contracts or entry of this Order is required.

C The APA was negotiated in good faith and at arm’s length by the Purchaser and the Debtors, and entry into the APA represents a valid and sound exercise of the Debtors’ business judgment. The Purchaser is not an insider of the Debtors as that term is defined in Section 101 of the Bankruptcy Code. No director or officer or other insider of the Debtors holds any interest in or is otherwise related to the Purchaser. As such, the Purchaser is a good faith

purchaser under section 363(m) of the Bankruptcy Code and is entitled to the protections afforded thereby.

D The consideration provided by the Purchaser for the Purchased Assets under the APA is fair and reasonable and constitutes fair consideration and reasonably equivalent value under the Bankruptcy Code and any applicable state law. Further, neither of the Debtors nor the Purchaser has engaged in any action or conduct that would justify or permit the APA to be avoided under Section 365(n) of the Bankruptcy Code.

E The Sellers have all right, title, and interest in the Purchased Assets required to transfer and convey the Purchased Assets as contemplated by the APA.

F Upon entry of this Order, the Debtors shall have full corporate power and authority to execute, deliver and consummate the APA.

G The avoidance action purchases described in the APA, including without limitation the purchase by the Purchaser of any causes of action under sections 544, 547, 548, 549 and 550 of the Bankruptcy Code that each Debtor and each Debtor's bankruptcy estate may have related to the Purchased Assets, as set forth in the APA, are an express condition to Purchaser's consummation of the Sale and are required to implement the free and clear nature of the Sale.

H The consummation of the transactions contemplated by the APA and the Closing are conditioned on the entry of an order in the Cayman Islands which, in recognition of this Order, grants and approves the terms, conditions and protections provided in this Order to the fullest extent permissible under the laws of the Cayman Islands.

I Approval of the APA and consummation of the Sale of the Purchased Assets at this time are in the best interests of the Debtors and their respective creditors, equity holders and estates.

J The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.
2. All objections and responses to the Motion that have not been overruled, withdrawn, waived, settled or resolved, and all reservations of rights included therein, are hereby overruled on the merits and denied.
3. The Purchaser's offer for the Purchased Assets, as embodied in the APA, constitutes the highest and best terms for the sale of the Purchased Assets under the circumstances of these cases and is hereby approved.
4. The APA annexed hereto as Exhibit 1 is hereby approved pursuant to section 363(b) of the Bankruptcy Code and the Debtors are authorized to consummate and perform all of their obligations under the APA, including the execution of such other documents and instruments that may be reasonably necessary or desirable to implement the APA and the taking of such other or further actions as are necessary or appropriate to assign, transfer, grant or convey to Purchaser all of the Purchased Assets as contemplated by the APA.

5. Pursuant to section 363(f) of the Bankruptcy Code, the Purchased Assets will be transferred to the Purchaser free and clear of all liens, claims, encumbrances and interests of any kind or nature whatsoever (collectively, “Liens and Claims”) except as otherwise provided in the APA.

6. Pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, the Sale by the Debtors to the Purchaser of the Purchased Assets and transactions related thereto, upon the closing under the APA, are authorized and approved in all respects.

7. The Sale is free and clear of all Liens and Claims other than Assumed Liabilities and Permitted Encumbrances, and all such Liens and Claims, if any, (including, without limitations, Liens in respect of post-petition financing if any), shall be released, terminated and discharged as to the Purchased Assets and shall be, and hereby are transferred and attached to the proceeds from the Sale in the order of their priority, with the same validity, force and effect such Liens and Claims had against such Purchased Assets immediately prior to the Sale and subject to the rights, claims, defenses, and objections, if any, of the Debtors and all interested parties with respect to any such asserted Liens and Claims.

8. Except as expressly permitted by the APA as to Assumed Liabilities and the Permitted Encumbrances, all persons and entities, including, but not limited to, the Debtors, all debt security holders, equity security holders, governmental, tax and regulatory authorities (to the fullest extent allowed by applicable law), lenders, trade creditors, contract counterparties, customers, landlords, licensors, employees, litigation claimants and other persons, holding Liens or Claims of any kind or nature whatsoever against or in the Debtors or the Debtors’ interests in the Purchased Assets (whether known or unknown, legal or equitable, matured or unmatured, contingent or noncontingent, liquidated or unliquidated, asserted or unasserted,

whether arising prior to or subsequent to the commencement of these chapter 11 cases, whether imposed by agreement, understanding, law, equity or otherwise), arising under or out of, in connection with, or in any way relating to, the Debtors, the Purchased Assets, the operation of the Debtors' businesses before the Closing or the transfer of the Debtors' interests in the Purchased Assets to the Purchaser, shall not assert, prosecute or otherwise pursue claims against the Purchaser, its property (including, without limitation, the Purchased Assets), its successors and assigns or affiliates, or interfere with the Purchaser's title to, use or enjoyment of the Purchased Assets.

9. To the fullest extent permitted by applicable law, neither the Purchaser nor its affiliates, successors or assigns shall, as a result of the consummation of the APA: (i) be a successor to the Debtors or the Debtors' estates; (ii) have, de facto or otherwise, merged or consolidated with or into the Debtors or the Debtors' estates, or (iii) be a continuation or substantial continuation of the Debtors or any enterprise of the Debtors. Except for the Assumed Liabilities, Purchaser shall not assume, nor be deemed to assume, or in any way be responsible for any liability or obligation of any of the Debtors and/or their estates including, but not limited to, any bulk sales law. Except for the Assumed Liabilities, the transfer of the Purchased Assets to the Purchaser under the APA shall not result in (i) the Purchaser or the Purchased Assets having any liability or responsibility for any Interest against the Debtors or against an insider of the Debtors, (ii) the Purchased Assets having any liability whatsoever with respect to or be required to satisfy in any manner, whether at law or in equity, whether by payment, setoff or otherwise, directly or indirectly, any Interest or Excluded Liability, or (iii) Purchaser or the Purchased Assets, having any liability or responsibility to Debtors except as is expressly set forth in the APA.

10. Pursuant to section 365 of the Bankruptcy Code, the assignment and assumption of the Assigned Contracts, as identified in the APA, by the Purchaser, is hereby authorized and approved in all respects. Each of the Debtors is hereby authorized in accordance with section 365 of the Bankruptcy Code to assume and assign to the Purchaser effective upon the Closing each of the Assigned Contracts, free and clear of all Liens and Claims. The assumption and assignment to the Purchaser is in the best interests of the Debtors and each of their creditors and estates and represents a prudent exercise of the Debtors' business judgment.

11. The Cure Amounts to be paid by the Sellers with respect to certain Assigned Contracts, listed on Exhibit 2 hereto, are established at the amounts set forth therein. Seller shall promptly pay all Cure Amounts after Closing, and Purchaser shall have no liability for any obligations under the Assigned Contracts arising or accruing prior to the Closing. The assumption and/or assignment to the Purchaser or its designees of the Assigned Contracts constitutes adequate assurance of the Purchaser's future performance under the Assigned Contracts with the meaning of sections 365(b)(1)(C) and (f)(2)(B) of the Bankruptcy Code. The Assigned Contracts shall, upon assignment to the Purchaser, be valid, binding and in full force and effect and enforceable by Purchaser in accordance with their respective terms, notwithstanding any provision of any Assigned Contracts (including those of the type described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts or conditions such assignment or transfer, and, pursuant to section 365(k) of the Bankruptcy Code, the Debtors shall be relieved from further liability with respect to the Assigned Contracts upon the Closing.

12. Three Hundred Fifty Thousand Dollars (\$350,000) of the cash consideration portion for the Sale shall be held in the U.S. bank account of the Debtor Trident Microsystems (Far East). The remaining portion cash consideration for the Sale shall be disbursed to the

Debtors' German subsidiary, Trident Microsystems (Europe) GmbH. Neither this Order nor the APA shall have any evidentiary or other preclusive effect upon the allocation of the sale proceeds among the Sellers and their estates pending agreement of the interested parties or further order of the Court upon notice to the Debtors, the Official Committee of Unsecured Creditors, the Statutory Committee of Equity Security Holders, and the Office of the United States Trustee, provided, however, that \$550,000 of the sale proceeds shall be paid to the Trident Microsystems Europe (GmbH).

13. The stays provided for in Bankruptcy Rules 6004(h) and 6006(d) are hereby waived and this Order shall be effective immediately upon its entry.

14. The terms of this Order shall be binding on the Purchaser and its successors, the Debtors, creditors of the Debtors and all other parties in interest in the Bankruptcy Cases, and any successors of the Debtors, including any trustee or examiner appointed in these cases or upon a conversion of these cases to chapter 7 of the Bankruptcy Code.

15. The Purchaser is a good faith purchaser entitled to the benefits and protections afforded by section 363(m) of the Bankruptcy Code. In the absence of a stay of this Order, the Purchaser will be acting in good faith within the meaning of section 363(m) of the Bankruptcy Code in consummating the transactions contemplated by the APA, including assumption and assignment of contracts, at any time after the entry of this Order.

16. Neither the Debtors nor their estates, nor any person or entity (including, but not limited to any Chapter 11 trustee, creditor, equity holder, party-in-interest or official committee of the Debtors) claiming by, through or on behalf of the Debtors or their estates (including, but not limited to by operation of law, sale, assignment, conveyance or otherwise) shall pursue, prosecute, litigate, institute, commence, assert or file any fraudulent conveyance, preference or

avoidance claims, or assert or use any such claims for defensive purposes (together, the “Preference Avoidance Claims”) (whether or not asserted as of the Closing) of the Sellers arising under (i) Sections 544, 547, 548, 549 and 550 of Chapter 5 of the Bankruptcy Code, (ii) the law of any foreign jurisdiction in which the Sellers operate or are domiciled, or (iii) state law, including all rights, claims and causes of action arising out of any post-petition payment by the Seller or any of the Seller Subsidiaries for goods or services, relating to: (x) vendors or service providers used in the audio business; (y) the Assigned Contracts and Leased Property; and (z) Transferred Employees (provided, however, the Preference Avoidance Claims shall not include any claims or transfers among or between the Debtors or their Subsidiaries, or any claim for recharacterization, subordination, or breach of fiduciary duty or aiding and abetting same). For the avoidance of doubt, each of the members of the Official Committee of Unsecured Creditors undertakes that, absent any material change in the facts and circumstances as currently known, it will not vote in favor of any resolution to authorize the official liquidators of TMFE, to the extent they are appointed, to pursue the Preference Avoidance Claims whether exercising its vote as a member of the liquidation committee in the official liquidation or otherwise.

17. The Court’s approval of this Sale and entry of this Order is and shall be without prejudice to or effect (including collateral estoppel or res judicata) on any rights, claims, causes of action, defenses or interests, of the Debtors, creditors, equity holders or any statutory committee appointed in any of these bankruptcy cases with respect to any person or entity other than the Purchaser or any affiliate, designee, successors, assigns, directors, officers (the “Purchaser and its Affiliates”) including but not limited to any claim for breach of fiduciary duty, aiding and abetting breach of fiduciary duty, setoff, recoupment, subordination or recharacterization, whether or not arising out of any actions taken in connection with the sale or

the APA, except for those rights, claims, causes of action, remedies or interests that cannot be pursued, prosecuted, litigated, instituted, commenced, asserted or filed, or used for defensive purposes, as set forth in numbered paragraph 14 above, or are conveyed in the APA (collectively, the “Retained Actions”). To be clear, to the extent that is any inconsistency between this paragraph 17 and paragraph 8, the terms of paragraph 8 shall govern.

18. With respect to the transactions consummated pursuant to this Order, this Order shall be sole and sufficient evidence of the transfer of title to the Purchaser, and the sale transaction consummated pursuant to this Order shall be binding upon and shall govern the acts of all persons and entities who maybe required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the property sold pursuant to this Order, including without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, administrative agencies, governmental departments, secretaries of state, and federal, state, and local officials, and each of such persons and entities is hereby directed to accept this Order as sole and sufficient evidence of such transfer of title and shall rely upon this Order in consummating the transactions contemplated hereby.

19. This Court retains jurisdiction to interpret, implement and enforce the provisions of, and resolve any disputes arising under or related to, this Order and the APA, all amendments thereto, any waivers and consents thereunder and each of the agreements executed in connection therewith.

20. The Debtors are hereby authorized to consummate and otherwise perform any necessary transaction contemplated and approved by the Cayman Court's order approving the Sale.

21. Nothing in this Sale Order shall modify or waive any closing conditions or termination rights in the APA, and all such conditions and rights shall remain in full force and effect in accordance with their terms.

22. The failure specifically to include any particular provisions of the APA or any of the documents, agreements or instruments executed in connection therewith in this Order shall not diminish or impair the force of such provision, document, agreement or instrument, it being the intent of the Court that the APA and each document, agreement or instrument be authorized and approved in its entirety.

23. The APA and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto in accordance with the terms thereof without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtors' estates.

Dated: May ____, 2012
Wilmington, Delaware

The Honorable Christopher S. Sontchi
United States Bankruptcy Judge

Exhibit 1

(Asset Purchase Agreement)

FOR DISCUSSION PURPOSES ONLY

This is a draft agreement only and delivery or discussion of this draft agreement should not be construed as an offer or commitment with respect to the proposed transaction to which this draft agreement pertains. Notwithstanding the delivery of this draft agreement or any other past, present or future written or oral indications of assent, or indications of the result of negotiations or agreements, no party to the proposed transaction (and no person or entity related to any such party) will be under any legal obligation whatsoever unless and until the definitive agreement providing for the transaction has been executed and delivered by all parties thereto.

ASSET PURCHASE AGREEMENT

Dated as of May __, 2012

By and Between

CAMBRIDGE SILICON RADIO LIMITED

as Purchaser,

and

TRIDENT MICROSYSTEMS, INC.

and specified TRIDENT MICROSYSTEMS Subsidiaries

as Sellers.

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EXHIBIT E	FORM OF GERMAN EMPLOYEES RELEASE
EXHIBIT F	FORM OF TRANSITION SERVICES AGREEMENT
EXHIBIT G	FORM OF REVERSE TRANSITION SERVICES AGREEMENT
EXHIBIT H	FORM OF ENTROPIC ASSIGNMENT AND ASSUMPTION AGREEMENT
EXHIBIT I	FORM OF NON-COMPETITION AGREEMENT
EXHIBIT J	FORM OF SALE ORDER

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this “*Agreement*”), dated as of May [•], 2012 (the “*Agreement Date*”), by and among CAMBRIDGE SILICON RADIO LIMITED, a company organized under the laws of England and Wales, (“*Purchaser*”) or more affiliates designated by Purchaser (each a “*Purchaser Designee*”), pursuant to Section 1.1 herein, and TRIDENT MICROSYSTEMS, INC., a Delaware corporation (the “*Seller*”), and each of its Subsidiaries that owns Purchased Assets (the “*Seller Subsidiaries*”, and, together with the Seller, the “*Sellers*”). Purchaser and the Sellers are collectively referred to herein as the “*Parties*” and individually as a “*Party*”. For the purposes of this Agreement, capitalized terms used in herein shall have the meanings set forth in ARTICLE X.

RECITALS

WHEREAS, on January 4, 2012 the Seller and its wholly-owned subsidiary, TRIDENT MICROSYSTEMS (FAR EAST) LTD., a Cayman Islands Corporation, (“*TMFE*” together with the Seller, the “*Debtors*”) filed voluntary petitions (the “*Chapter 11 Petition*”) for relief under Chapter 11 of the United States Bankruptcy Code (the “*Bankruptcy Code*”) in the United States Bankruptcy Court for the District of Delaware (the “*Bankruptcy Court*”);

WHEREAS, on January 5, 2012, TMFE filed for protection in the Cayman Islands in the Grand Court of the Cayman Islands (the “*Cayman Court*”);

WHEREAS, the Debtors continue to manage their properties and operate their businesses as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code;

WHEREAS, Debtors’ direct and indirect subsidiaries in other jurisdictions are not included in the U.S. or Cayman bankruptcy filings and no bankruptcy, insolvency, or similar proceedings have been initiated with respect to any other subsidiaries;

WHEREAS, the Sellers wish to sell its business of designing, developing, manufacturing, marketing, selling, distributing, refurbishing and servicing integrated circuit components, software and hardware for MAP-X Audio Devices worldwide (collectively, the “*Audio Business*”);

WHEREAS, Purchaser desires to purchase the Purchased Assets (as hereinafter defined) and assume the Assumed Liabilities (as hereinafter defined) from the Sellers and the Sellers desire to sell, convey, assign and transfer to Purchaser the Purchased Assets together with the Assumed Liabilities, all in the manner and subject to the terms and conditions set forth in this Agreement and in accordance with Sections 105, 363 and 365 and other applicable provisions of the Bankruptcy Code; and

WHEREAS, the Purchased Assets and Assumed Liabilities shall be purchased and assumed by Purchaser pursuant to the Sale Order approving such sale, free and clear of all Claims and Encumbrances (other than Permitted Encumbrances), pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, and Rules 6004 and 6006 of the Federal Rules of Bankruptcy Procedure, which order will include the authorization for the assumption by Sellers and assignment to Purchaser of the Assigned Contracts and the liabilities thereunder in accordance with Section 365 of the Bankruptcy Code, all in the manner and subject to the terms and conditions set forth in this Agreement and the Sale Order and in accordance with other applicable provisions of the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure and the local rules for the Bankruptcy Court (together, the “*Bankruptcy Rules*”).

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Purchaser and Sellers hereby agree as follows:

ARTICLE I.

PURCHASE AND SALE OF THE PURCHASED ASSETS;
ASSUMPTION OF ASSUMED LIABILITIES

1.1 Purchase and Sale of the Purchased Assets. Pursuant to Sections 105, 363 and 365 of the Bankruptcy Code and on the terms and subject to the conditions set forth herein, at the Closing, Sellers shall sell, transfer, assign, convey and deliver to Purchaser, and Purchaser shall purchase, acquire and accept from Sellers all of Sellers' right, title and interest in, to and under the Purchased Assets, free and clear of all Claims and Encumbrances (other than Permitted Encumbrances). Purchaser shall provide to Seller in writing no later than two (2) days prior to Closing a list of the Purchaser Designees that Purchaser may assign its rights to purchase any of the Purchased Assets or assume any of the Assumed Liabilities. Such assignment shall in no manner reduce or otherwise affect Purchaser's obligations under this Agreement or any Ancillary Document. As used herein, the term "**Purchased Assets**" shall mean, to the extent used in or related to the Audio Business, all of the properties, assets and rights, tangible and intangible, real or personal, of Sellers of whatever kind and nature including, without limitation, the following but excluding the Excluded Assets (as hereinafter defined):

(a) to the extent assignable pursuant to Section 365 of the Bankruptcy Code, all Contracts exclusively relating to the Audio Business, including those listed on **SCHEDULE 1.1(A)**, other than such Contracts that are Retained Contracts (collectively, the "**Assigned Contracts**");

(b) all Documents used in or relating to the Audio Business or in respect of the Purchased Assets or Assumed Liabilities;

(c) all products of the Audio Business, including all MAP-X products under development, together with masks, mask works and lead frame designs and test programs owned by the Sellers for the products and their associated codes and materials as well as any artwork and other promotional IP developed related to MAP-X, inventory, work-in-process and samples of MAP-X products (the "**Products**");

(d) all Inventory, work-in-process, components, samples, evaluation boards, existing leadframes and other components that might be considered works-in-progress of the Audio Business;

(e) all tangible assets of Sellers relating to the Audio Business² (the "**Tangible Assets**"), including machinery, equipment (including laboratory equipment and test equipment), tools, dies, appliances, components, furniture, supplies, office supplies, office equipment, fixtures, information technology related hardware and equipment (including computers, servers, storage devices, telecommunications facilities and printers), telephone systems, telecopiers and photocopiers and other tangible personal property of every kind and description that are listed in **SCHEDULE 1.1(D)**;

(f) to the extent permitted by applicable Law, all books, files and records owned by Sellers that relate to Employees who are employed by Purchaser on the Closing Date, including, without

² Purchaser is taking all Purchased Assets in the location where they are currently situated. Purchaser will bear any and all responsibility for the costs, if any, of transporting the Purchased Assets.

limitation, books, files and records that are related to medical history, medical insurance or other medical matters and to workers' compensation and to the evaluation, appraisal or performance of such Employees;

(g) all Permits and all pending applications therefor;

(h) all express or implied guarantees, warranties, representations, covenants, indemnities, rights, claims, counterclaims, defenses, credits, causes of action or rights of set off against third parties relating to the Purchased Assets (including, for the avoidance of doubt, those arising under, or otherwise relating, to the Assigned Contracts) or Assumed Liabilities, including rights under vendors' and manufacturers' warranties, indemnities, guaranties and avoidance claims and causes of action under the Bankruptcy Code or applicable Law;

(i) an assignment of the Entropic License Agreement pursuant to Section 2.3(c) of the Entropic License Agreement for use with "Audio Devices" as such term is defined therein pursuant to Exhibit H hereto.

(j) the Assumed Trademarks;

(k) all goodwill payment intangibles and general intangible assets and rights of Sellers to the extent associated with the Audio Business;

(l) [all fraudulent conveyance, preference and avoidance claims (whether or not asserted as of the Closing) of the Seller and the Seller Subsidiaries relating to the Audio Business arising under (i) Sections 544, 547, 548, 549, and 550 of Chapter 5 of the Bankruptcy Code, and to the maximum extent allowable under applicable law (ii) the law of any foreign jurisdiction in which the Sellers operate or are domiciled, including the Cayman Islands, Germany and Taiwan, or (iii) applicable state law, including all rights, claims and causes of action arising out of any post-petition payment by the Seller or any of the Seller Subsidiaries for goods or services, relating to: (x) vendors or service providers used in the Audio Business; (y) the Assigned Contracts; and (z) Employees (all such claims and causes of action described in this Section 1.1(l) are defined as the "**Preference Avoidance Claims**"). The Seller shall use its commercially reasonable efforts to obtain an undertaking from the Joint Provisional Liquidators in the Cayman Insolvency Case that in the event that they are appointed Official liquidators in the Cayman Insolvency Case, they will not support pursuing the Preference Avoidance Actions;]

(m) all Indebtedness to the extent associated with the Audio Business payable to any Seller;

(n) to the extent permitted by applicable Law, all books, files and records owned by Sellers that relate to Transferred Employees who are employed by Purchaser on the Closing Date;

(o) certain Audio Business assets owned by Trident Microsystems (Europe) GmbH.

1.2 Excluded Assets. Notwithstanding anything to the contrary in this Agreement, in no event shall Sellers be deemed to sell, transfer, assign or convey, and Sellers shall retain all right, title and interest to, in and under only the following assets, properties, interests and rights of such Sellers (collectively, the "**Excluded Assets**"):

(a) all Patent Rights;

(b) all trade accounts receivable of Sellers with Persons that are not affiliates of Sellers related to the Audio Business (the "**Accounts Receivable**");

- (c) any lock boxes to which account debtors of the Sellers remit payment relating solely to Account Receivables;
- (d) the Leased Real Property leased or subleased by the Seller or any Seller Subsidiary listed in **SCHEDULES 1.2(E)**;
- (e) any asset of Sellers that otherwise would constitute a Purchased Asset but for the fact that it is sold or otherwise disposed of in the Ordinary Course of Business of the Sellers, during the time from the Agreement Date until the Closing Date;
- (f) all of Seller's and each Seller's Subsidiary's Cash and Cash Equivalents, except any Cash and Cash Equivalents set forth on Schedule 1.2(c);
- (g) all (i) existing products and products under development by Seller other than the Audio Business and (ii) all masks for such products;
- (h) all rights of Sellers to Claims for refunds that do not constitute a Purchased Asset hereunder;
- (i) all outstanding shares of capital stock or other equity or ownership interests held by Sellers in any direct or indirect subsidiary;
- (j) any and all information not relating to the Audio Business that is stored on any Seller's computer systems, data networks or servers;
- (k) all contracts that are not Assigned Contracts, including those set forth on **SCHEDULE 1.2(L)** (the "***Retained Contracts***");
- (l) all personnel files for any employees of Sellers that are not Transferred Employees;
- (m) all Documents (i) to the extent they relate solely to any of the Excluded Assets or Excluded Liabilities, or (ii) that any Seller is required by Law to retain and is prohibited by Law from providing a copy thereof to the Purchaser;
- (n) all shares of capital stock or other equity interests of any Seller or securities convertible into, exchangeable or exercisable for any such shares of capital stock or other equity interests;
- (o) any avoidance claims or causes of action under the Bankruptcy Code or applicable Law with respect to the Excluded Assets;
- (p) all Claims that any of the Sellers may have against any Person solely with respect to any other Excluded Assets or that relate to any Liability other than the Assumed Liabilities;
- (q) all Trademarks (including the names and trademarks "***Trident Microsystems, Inc.***", any other use of "***Trident Microsystems***" together with any other word or phrase, including the Trident Microsystems logo) belonging to the Sellers, other than Trademarks specifically set forth on **SCHEDULE 1.2(R)** (the "***Assumed Trademarks***");
- (r) the Sellers' financial accounting books and records, corporate charter, minute and stock record books, income tax returns, corporate seal, checkbooks and canceled checks;

(s) Sellers' rights under this Agreement, the Purchase Price hereunder, any agreement, certificate, instrument or other document executed and delivered by any Seller or Purchaser in connection with the transactions contemplated hereby, or any side agreement between any Seller and Purchaser entered into on or after the Agreement Date;

(t) the properties and assets set forth on **SCHEDULE 1.2(U)**;

(u) all commercial off-the-shelf software loaded on desktop or laptop computers that are not part of the Purchased Assets;

(v) trade accounts receivable, customer purchase orders, notes receivable, negotiable instruments and chattel paper not arising from the Audio Business and any excluded royalties;

(w) all rights (including any claims, rights and interest in and to any refunds for Taxes with respect to the Purchased Assets and Audio Business for Pre-Closing Tax Periods) relating to the Excluded Liabilities; and

(x) all rights of the Sellers under this Agreement, the Purchase Price hereunder, any agreement, certificate, instrument or other document executed and delivered by any Seller or Purchaser in connection with the transactions contemplated hereby, or any side agreement between any Seller and Purchaser entered into on or after the Agreement Date.

1.3 **Assumption of Liabilities.** On the terms and subject to the conditions set forth in this Agreement and the Sale Order, effective as of the Closing, the Purchaser shall assume from the Sellers (and thereafter pay, perform, discharge or otherwise satisfy in accordance with their respective terms), and the Sellers shall irrevocably convey, transfer and assign to Purchaser, the following Liabilities (collectively, the "***Assumed Liabilities***"):

(a) all Liabilities and obligations under the Assigned Contracts (other than those which are not assignable under Section 365 of the Bankruptcy Code or as to which Consent is required to be obtained from any Person in order to permit the sale or transfer of the Assigned Contract) arising out of the conduct of the Audio Business from and after the Closing Date;

(b) any Liabilities arising out of the conduct of the Audio Business or the ownership of the Purchased Assets, in each case, from and after the Closing Date;

(c) all Taxes related to the operation of the Audio Business by Purchaser attributable to periods or portions thereof beginning on or after the Closing Date, including, without limitation, Liabilities for Taxes attributable to the ownership of the Purchased Assets from and after the Closing Date;

(d) all Liabilities related to the Transferred Employees from and after the Closing Date for the right to receive the same annual salary, seniority and severance rights upon termination by Purchaser as enjoyed by such Transferred Employees prior to the Closing Date;

(e) all Liabilities relating to amounts required to be paid by Purchaser under this Agreement; and

(f) all Liabilities set forth on **SCHEDULE 1.3(F)**.

1.4 **Excluded Liabilities.** Notwithstanding any provision in this Agreement to the contrary, the Purchaser is assuming only the Assumed Liabilities and is not assuming, and shall not be deemed to have assumed, any Liabilities of any Seller of whatever nature (whether arising prior to, at the time of, or subsequent to Closing) and the Sellers shall be solely and exclusively liable for any and all such Liabilities, including those relating to, arising out of or in connection with the operation of the Audio Business or the Purchased Assets (including the use and ownership thereof) at any time prior to the Closing Date, and those Liabilities set forth below (collectively, the “*Excluded Liabilities*”):

(a) all Liabilities of the Sellers relating to or otherwise arising, whether before, on or after the Closing, out of, or in connection with, any of the Excluded Assets;

(b) any and all Liabilities of the Sellers related to Contracts that are Non-Assigned Contracts;

(c) any Liabilities under any Assigned Contract that relate to a breach of or default under, or any non-compliance with Laws with respect to, any such Assigned Contract that occurred on or prior to the Closing Date;

(d) Except as specifically set forth on **SCHEDULE 1.4(D)**, any Liabilities for wages, bonuses, retention bonuses or payments, employee benefits, accrued vacation, or other accrued or vested paid time off, assessments, severance, other employment compensation or other claims of, for, from or related to any employees (other than as set forth in Section 1.3(d) above), or employer Taxes, including without limitation, any arising from the vesting of any equity grants upon the closing of the transactions contemplated hereby, or unpaid amounts to any consultants of the Sellers accrued or arising prior to the Closing;

(e) all warranty and return obligations, including, without limitation, all Liabilities and obligations to repair or replace, or to refund the sales price (or any other related expenses) for Inventory sold prior to the Closing Date;

(f) any and all Liabilities for Taxes attributable to the operation of the Audio Business on or prior to the Closing Date, and any and all Liabilities (whether direct or as a result of successor liability, transferee liability, joint and several liability or contractual liability) for Taxes that are unrelated to the Purchased Assets;

(g) any costs and expenses incurred by the Sellers incident to the negotiation and preparation of this Agreement and the transactions contemplated hereby and any Liability of the Sellers to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated hereby;

(h) any and all Liabilities of the Sellers in respect of the WARN Act or under any similar provision of any federal, state, provincial, regional, foreign or local Law that might arise or have arisen on or prior to the Closing Date;

(i) any and all Liabilities of the Sellers under any Leased Real Property, including without limitation the Leased Real Property listed on **SCHEDULE 1.4(I)**;

(j) all Liabilities set forth on **SCHEDULE 1.4(J)**.

1.5 **Post Closing Liabilities.** Purchaser acknowledges that Purchaser shall be responsible for all Liabilities and obligations relating to Purchaser’s ownership or use of, or right to use, the Purchased

Assets and the Assumed Liabilities after the Closing Date, including without limitation all Taxes arising out of or related to the Purchased Assets or the operation of conduct of the Audio Business acquired pursuant to this Agreement for all Tax periods beginning on or after the Closing Date.

1.6 Assumption/Rejection of Certain Contracts.

(a) As of the Closing, Sellers shall assume pursuant to Section 365(a) of the Bankruptcy Code and sell and assign to Purchaser pursuant to Sections 363(b), (f) and (m) and Section 365(f) of the Bankruptcy Code each of the Assigned Contracts. Purchaser shall assume and thereafter in due course pay, fully satisfy, discharge and perform all of the obligations under the Assigned Contracts pursuant to Section 365 of the Bankruptcy Code. The Sellers shall reject all contracts other than the Assigned Contracts.

(b) The Sellers shall have paid all Liabilities and obligations under the Assigned Contracts, including without limitation all Cure Costs.

1.7 Foreign Assets.

(a) A list of the Purchased Assets used in foreign operations of the Seller and the Seller Subsidiaries by country (the “*Foreign Assets*”) is set forth on **SCHEDULE 1.7(A)**. The Purchased Assets shall be sold, conveyed, transferred, assigned and delivered, and the Assumed Liabilities shall be assumed, pursuant to transfer and assumption agreements and such other instruments in such form as may be necessary or appropriate to effect a conveyance of the Purchased Assets and an assumption of the Assumed Liabilities in the jurisdictions in which such transfers are to be made. Such transfer and assumption agreements and other instruments and documents shall be jointly prepared by the Parties and shall include (i) the Bill of Sale, (ii) the Assignment and Assumption Agreement, (iii) the Cayman Sale Order, (iv) an allocation of the Purchase Price to the Purchased Assets located within each jurisdiction and (v) to the extent reasonably requested by Purchaser or otherwise required by Law, local asset transfer agreements for each jurisdiction other than the United States (including without limitation Germany and Taiwan in which Purchased Assets or Assumed Liabilities are located (“*Local Asset Transfer Agreements*”), and (vi) such other agreements as may reasonably be required to effect the purchase and assignment of the Purchased Assets and Assumed Liabilities, and shall be executed no later than at or as of the Closing by the Seller and/or one or more of its Seller Subsidiaries, as appropriate, and Purchaser or one or more of its Subsidiaries, as appropriate. Such assignment, transfer or conveyance shall be effective as of such times as provided in each respective Transaction Document and shall be subject to the terms and conditions of this Agreement or other Transaction Document. The Foreign Assets shall otherwise be treated as Purchased Assets for all purposes under this Agreement.

(b) Purchaser shall use commercially reasonable efforts prior to the Closing Date to establish such foreign subsidiaries necessary to effect the sale of the Purchased Assets held outside of the United States in the jurisdictions listed on **SCHEDULE 1.7(B)**. Purchaser shall provide any jurisdictions where Purchaser is assuming assets and does not have an existing subsidiary. To the extent that Purchaser has been unable to complete the formation of any new Subsidiaries required to operate in any such jurisdiction by the Closing Date, Purchaser shall have the right to delay closing the transfer of any assets under any of the Local Asset Transfer Agreements beyond the Closing Date for 60 days from the Closing Date; provided, however, that from and after the Closing Date, Purchaser shall pay directly or reimburse Seller for all direct operating costs related to such Purchased Assets, including lease payments for the subject facility, and shall enter into a secondment agreement with the Seller or its applicable Seller Subsidiary pursuant to which Purchaser shall pay the salary and benefits of the subject Employees located in such jurisdiction. Between the Closing Date and the date of the closing under each Local Asset Transfer Agreement, Seller and each Seller Subsidiary shall (i) provide access to Purchaser and its

Subsidiaries to the Purchased Assets subject to such Local Asset Transfer Agreement, and (ii) allow Purchaser to conduct business in such jurisdiction using such Purchased Assets as part of the Transition Agreement.

1.8 **Disclaimer.** PURCHASER HEREBY ACKNOWLEDGES AND AGREES THAT, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ARTICLE IV AND OTHERWISE IN THIS AGREEMENT, THE SELLERS MAKE NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY MATTER RELATING TO THE PURCHASED ASSETS. WITHOUT LIMITING THE FOREGOING, SELLERS HEREBY DISCLAIM ANY WARRANTY, EXPRESS OR IMPLIED, OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE AS TO ANY PORTION OF THE PURCHASED ASSETS. PURCHASER FURTHER ACKNOWLEDGES THAT PURCHASER HAS CONDUCTED AN INDEPENDENT INSPECTION AND INVESTIGATION OF THE PHYSICAL CONDITION OF THE PURCHASED ASSETS AND ALL SUCH OTHER MATTERS RELATING TO OR AFFECTING THE PURCHASED ASSETS AS PURCHASER DEEMED NECESSARY OR APPROPRIATE AND THAT IN PROCEEDING WITH ITS ACQUISITION OF THE PURCHASED ASSETS, EXCEPT FOR ANY REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS AGREEMENT, PURCHASER IS DOING SO BASED SOLELY UPON SUCH INDEPENDENT INSPECTIONS AND INVESTIGATIONS.

ARTICLE II.

CONSIDERATION; PAYMENT; ADJUSTMENT

2.1 Consideration; Payment.

(a) The aggregate consideration (collectively, the “**Purchase Price**”) to be paid for the purchase of the Purchased Assets shall be: (i) the assumption of Assumed Liabilities and (ii) a cash payment of \$900,000 (the “**Cash Payment**”).

(b) On the Closing Date the Purchaser shall deliver the Cash Payment (the “**Closing Date Payment**”) and any payment required to be made pursuant to any other provision hereof in cash by wire transfer of immediately available funds to such bank account as shall be designated in writing by the Sellers.

ARTICLE III.

CLOSING AND TERMINATION

3.1 **Closing.** Subject to the satisfaction or waiver by the appropriate party of the conditions set forth in **ARTICLE X**, the closing of the purchase and sale of the Purchased Assets, the delivery of the Purchase Price, the assumption of the Assumed Liabilities and the consummation of the other transactions contemplated by this Agreement (the “**Closing**”) shall occur as soon as practicable following the satisfaction or waiver of all conditions set forth in this Agreement (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions). The Closing shall take place at the offices of DLA Piper LLP (US), 550 South Hope Street Suite 2300, Los Angeles, California 90071 or at such other place as the Parties may agree. Unless otherwise agreed by the Parties in writing, the Closing shall be deemed effective and all right, title and interest of each of the Sellers in the Purchased Assets to be acquired by the Purchaser hereunder

shall be deemed to have passed to the Purchaser and the assumption of all of the Assumed Liabilities shall be deemed to have occurred as of 12:01 a.m. Eastern Time on the Closing Date.

3.2 Closing Deliveries by Sellers. At or prior to the Closing, the Sellers shall deliver to the Purchaser:

- (a) bills of sale substantially in the form of **EXHIBIT A** (the “*Bill of Sale*”) duly executed by each of the Sellers;
- (b) assignment and assumption agreement substantially in the form of **EXHIBIT B** (the “*Assignment and Assumption Agreement*”) duly executed by each of the Sellers;
- (c) a copy of the Sale Order in form and substance reasonably satisfactory to Purchaser that has been entered by the Bankruptcy Court and is a Final Order;
- (d) copies of all instruments, certificates, documents and other filings (if applicable) necessary to release the Purchased Assets from all Encumbrances, including any applicable UCC termination statements and release of mortgages, all in a form reasonably satisfactory to the Purchaser;
- (e) copies of the waivers, consents and approvals of (i) at least 70% of the consents to assignments of the Assigned Contracts set forth on Section (i) of **SCHEDULE 3.2(E)**; and (ii) 100% of the consents to assignments of the Assigned Contracts set forth on Section (ii) of **SCHEDULE 3.2(E)** if such waivers, consents and approvals are required to be obtained by the Sellers to validly transfer and assign any Assigned Contract in accordance with its terms after giving effect to the relevant provisions of the Bankruptcy Code and the Sale Order (the “*Required Consents*”);
- (f) an officer’s certificate, dated as of the Closing Date, executed by a duly authorized officer of each of the Sellers certifying that the conditions set forth in **Section 10.3** have been satisfied;
- (g) evidence of payment of the Cure Costs;
- (h) a copy of the resolutions adopted by the applicable Boards of Directors of the Sellers evidencing their authorization of the execution and delivery of this Agreement and the consummation of the transaction contemplated hereby, certified by an authorized officer at the respective Sellers;
- (i) an Intellectual Property Assignment and Assumption Agreement substantially in the form of **EXHIBIT C** (the “*IP Assignment and Assumption Agreement*”), executed accordingly by the Sellers;
- (j) a full and final settlement agreement and release substantially in the form of **Exhibit E** (the “*German Employees Release*”), executed by each of the Employees located at or in any other manner attributable to the German facility not deemed a Transferred Employee; together with an acknowledgement and receipt of the letter of notification (*Belehrungsschreiben*) in accordance with § 613a BGB (German civil code) attached hereto as Exhibit [•] relating to the termination of their employment or the transfer of their employment relationship to a third party and waiver of respective objection rights (*Widerspruchsrecht*) by signing the waiver letter draft of which attached hereto as Exhibit [•];

(k) a Transition Services Agreement substantially in the form of **Exhibit F** (the “*Trident Transition Services Agreement*”), executed by Sellers;

(l) an Assignment and Assumption Agreement in the form of **Exhibit H** for assignment of the Entropic License Agreement (the “*Entropic Assignment and Assumption Agreement*”), executed by applicable Sellers; [and duly acknowledged and agreed by Entropic that this Agreement shall constitute the sale of the Audio Business and thus a Permissible Assigned Business;] [Entropic to confirm]

(m) all other certificates, agreements and other documents required by this Agreement (or as the Purchaser may reasonably request) to be delivered by Sellers at or prior to the Closing in connection with the transactions contemplated by this Agreement; and

(n) executed binding employment agreements with the Purchaser from [all the] Employees listed on **SCHEDULE 10.3(G)** together with an acknowledgement and receipt of the letter of notification (*Belehrungsschreiben*) in accordance with § 613a BGB (German civil code) attached hereto as Exhibit [•] relating to the transfer of their employment relationship to Purchaser and waiver of respective objection rights (*Widerspruchsrecht*) by signing the waiver letter draft of which attached hereto as Exhibit [•];

(o) evidence that the Analog Business Assets Sale shall have been consummated;

(p) evidence that Sellers have paid the known Cure Costs for all Assigned Contracts, and to the extent not paid, the Purchaser may pay the Cure Costs to the applicable Third Parties and deduct such Cure Costs from the Cash Payment;

(q) evidence that Seller has settled all outstanding tax liabilities as set forth on **SCHEDULE 3.2(Q)**;

(r) evidence that Seller has entered into a settlement and waiver from the landlord in Germany of any claims against Seller, Seller’s subsidiaries or Purchaser or its affiliates, or in the event that such waiver is not obtained, Seller shall deliver to Purchaser an indemnity for any potential claims of landlord or Seller’s German subsidiary for a period of 180 days following the Closing; and

(s) [[a non-competition agreement in the form of **Exhibit I** (the “*Non-Competition Agreement*”), pursuant to which the Seller agrees to certain restrictive covenants, executed by the Seller;]]

3.3 Closing Deliveries by the Purchaser. At the Closing, the Purchaser shall deliver to (or at the direction of) Sellers:

(a) the Purchase Price, in the form of the Closing Date Payment;

(b) the Assignment and Assumption Agreement duly executed by the Purchaser;

(c) the IP Assignment and Assumption Agreement, executed by Purchaser;

(d) a Reverse Transition Services Agreement in form and substance reasonably acceptable to Purchaser, executed by Purchaser;

(e) an officer's certificate, dated as of the Closing Date, executed by a duly authorized officer of the Purchaser certifying that the conditions set forth in **Sections 10.2(a)** and **10.2(b)** have been satisfied; and

(f) all other certificates, agreements and other documents required by this Agreement (or as the Sellers may reasonably request) to be delivered by the Purchaser at or prior to the Closing in connection with the transactions contemplated by this Agreement.

3.4 Termination of Agreement. This Agreement may be terminated only in accordance with this **Section 3.4**. This Agreement may be terminated at any time prior to the Closing, as follows:

(a) by the mutual written consent of the Sellers and the Purchaser;

(b) by written notice of either the Sellers or the Purchaser, if the Closing shall not have been consummated on or prior to May 21, 2012 (the "**Outside Date**"); provided, however, that the Outside Date may be extended by the sole discretion of the Purchaser, for a period up to thirty (30) days to the extent that all conditions to Closing set forth in this Agreement are capable of being satisfied as of such time and Purchaser pays up to a maximum of \$150,000 one hundred fifty thousand U.S. dollars). of the Assumed Liabilities with respect to the Transferred Employees (including, but not limited to, payroll payments scheduled to be made on May 24, 2012) as if the Closing had occurred on or prior to May 22, 2012; provided further, however, that a Party shall not be permitted to terminate this Agreement pursuant to this **Section 3.4(b)** if such Party is in material breach of this Agreement;

(c) by written notice from the Purchaser to the Sellers, if any Bankruptcy Case is dismissed or converted to a case or cases under Chapter 7 of the Bankruptcy Code, or if a trustee or examiner with expanded powers to operate or manage the financial affairs, the Audio Business or the reorganization of Sellers is appointed in any Bankruptcy Case;

(d) by written notice from the Purchaser to the Sellers, if (i) the Sale Order shall not have been approved by the Bankruptcy Court by the close of business on May 15, 2012 or (ii) following its entry, the Sale Order shall fail to be in full force and effect or shall have been stayed, reversed, modified or amended in any respect without the prior written consent of the Purchaser, provided, however, that the right to terminate this Agreement under this **Section 3.4(d)** shall not be available to the Purchaser if Purchaser's failure to fulfill any covenant or obligation under this Agreement has been the cause of, or resulted in, the failure of such order to meet these requirements on or before such date;

(e) automatically if (i) the Sale Order shall not have been approved by the Bankruptcy Court by the close of business on the Outside Date or (ii) following its entry, the Sale Order shall fail to be in full force and effect or shall have been stayed, reversed, modified or amended in any respect without the prior written consent of the Purchaser and such failure shall continue through the Outside Date;

(f) by written notice from the Sellers to the Purchaser, if the Purchaser breaches or fails to perform in any respect any of its representations, warranties or covenants contained in this Agreement and such breach or failure to perform: (i) would give rise to the failure of a condition set forth in **ARTICLE X**, (ii) cannot be or has not been cured by the close of business on the Outside Date and (iii) has not been waived by the Sellers provided, however, that the Sellers shall not be permitted to terminate this Agreement pursuant to this **Section 3.4(f)** if the Sellers are then in material breach of the terms of this Agreement;

(g) by written notice from the Purchaser to the Sellers, if any Seller breaches or fails to perform in any respect any of its representations, warranties or covenants contained in this Agreement and such breach or failure to perform: (i) would give rise to the failure of a condition set forth in **ARTICLE X**, (ii) cannot be or has not been cured by the close of business on the Outside Date and (iii) has not been waived by the Purchaser; provided, however, that the Purchaser shall not be permitted to terminate this Agreement pursuant to this **Section 3.4(g)** if the Purchaser is then in material breach of the terms of this Agreement; or

(h) by written notice from the Purchaser to the Sellers, if there shall have occurred a Material Adverse Effect since the date of this Agreement that shall be continuing;

(i) by written notice from the Sellers to the Purchaser, if all of the conditions set forth in **Sections 10.1** and **10.3** have been satisfied (other than conditions that by their nature are to be satisfied at the Closing) or waived and Purchaser fails to deliver the Purchase Price at the Closing.

3.5 Effect of Termination. In the event of termination of this Agreement pursuant to **Section 3.4**, this Agreement shall forthwith become void and there shall be no liability on the part of any Party or any of its partners, officers, directors or shareholders; provided, however, that this **Section 3.5** and **ARTICLE XII** (Miscellaneous) shall survive any such termination.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES OF THE SELLER

Subject to the exceptions noted in the schedules delivered by the Seller concurrently herewith and identified as the “*Disclosure Schedule*,” the Seller represents and warrants to Purchaser as follows as of the date hereof and as of the Closing Date:

4.1 Organization and Qualification. Seller is a corporation duly incorporated or organized, under the Laws of the jurisdiction of its incorporation. Seller has all requisite power and authority to own, lease and operate its properties and to carry on its business (including the Audio Business) as it is now being conducted, subject to the provisions of the Bankruptcy Code. Seller has previously delivered to the Purchaser complete and correct copies of its Organizational Documents, as amended and in effect on the Agreement Date.

4.2 Seller Subsidiaries. Each Seller Subsidiary is a corporation or limited liability company duly organized under the Laws of the jurisdiction of its incorporation or organization. Each Seller Subsidiary has all requisite power and authority to own, lease and operate its properties and to carry on its business (including the Audio Business) as it is now being conducted, subject to the provisions of the Bankruptcy Code. Each Seller Subsidiary is wholly-owned by the Seller or a wholly-owned Subsidiary of the Seller. Each Seller Subsidiary has previously delivered to the Purchaser complete and correct copies of its Organizational Documents, as amended and in effect on the Agreement Date.

4.3 Authorization of Agreement. Subject to the entry of the Sale Order, Seller and each Seller Subsidiary has all requisite power and authority to execute and deliver this Agreement and each of the Ancillary Documents to which it is a party, to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and each of the Ancillary Documents to which it is a party, the performance by Seller and each Seller Subsidiary of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary action on the part of Seller and each Seller Subsidiary. This Agreement has been, and at or prior to the

Closing, each of the Ancillary Documents to which it is a party will be, duly and validly executed and delivered by Seller and each Seller Subsidiary and (assuming the due authorization, execution and delivery by the other Parties, and the entry of the Sale Order) this Agreement constitutes, and each Ancillary Document to which it is a party when so executed and delivered (assuming the due authorization, execution and delivery by the other parties thereto) will constitute, legal, valid and binding obligations of Seller and each Seller Subsidiary, enforceable against Seller and each Seller Subsidiary in accordance with its terms.

4.4 Conflicts; Consents; Compliance with Law.

(a) Except as set forth on **Section 4.4(a)** of the Disclosure Schedule, the execution, delivery and performance by Seller and each Seller Subsidiary of this Agreement or any Ancillary Document to which it is a party, the compliance by Sellers with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or thereby and the taking by Sellers of any other action contemplated hereby or thereby, do not and will not contravene, violate or conflict with any term or provision of its respective Organizational Documents.

(b) Except (i) for the entry of the Sale Order, or (ii) as set forth on **Section 4.4(b)** of the Disclosure Schedule, no filing with, notice to or consent from any Person is required in connection with the execution, delivery and performance by Seller and each Seller Subsidiary of this Agreement or the Ancillary Documents to which it is a party, the compliance by Sellers with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or thereby, or the taking by Sellers of any other action contemplated hereby or thereby.

(c) Seller and each Seller Subsidiary is, and has at all times been, in compliance, in all material respects with all applicable Laws. Neither Seller nor any Seller Subsidiary has received any notice or other communication from any Governmental Body regarding any actual or possible material violation of, or failure to comply in any material respect with, any Law. Neither Seller nor any Seller Subsidiary is in default in any material respect of any order, writ, injunction, judgment or decree applicable to the Audio Business or the Purchased Assets.

4.5 Intellectual Property.

(a) The consummation of the transactions contemplated hereby will not conflict with, alter or impair any ability of Purchaser to conduct the Audio Business as such is currently conducted and was conducted as of December 31, 2011, other than as is not within the Seller's Knowledge or would not reasonably be expected to result in any material liability or have any Material Adverse Effect.

(b) **Schedule 4.5(b)** sets forth an accurate and complete list of all material licenses, sublicenses and other agreements pursuant to which the Seller or any of its Affiliates is authorized or licensed to use any third party Intellectual Property that is used in connection with the Audio Business as currently conducted, except for so-called "shrink-wrap" or "click-wrap" license agreements relating to off-the-shelf computer software licensed in the ordinary course of business.

(c) Except as set forth on **Section 4.5(c)** of the Disclosure Schedule, which is listed for informational purposes only, neither Seller nor any Seller Subsidiary has, to the Sellers' Knowledge (but without any duty of Sellers to perform patent searches), interfered with, infringed upon, misappropriated, diluted, violated or otherwise come into conflict with the Intellectual Property related to the Audio Business of any other Person or engaged in any act of unlawful use or unfair competition, and no written, or, to Sellers' Knowledge, oral, claims have been asserted by any Person alleging such

interference, infringement, misappropriation, dilution, violation, conflict, act of unlawful use or act of unfair competition.

(d) No claims are pending or, to the Seller's knowledge, threatened, against the Seller or any of its Affiliates by any person with respect to the ownership, validity (excluding administrative actions received in the Ordinary Course of Business in connection with pending patent applications), enforceability or use in the Audio Business of any Seller Intellectual Property.

(e) Except as set forth on **Section 4.5(e)** of the Disclosure Schedule, neither Seller nor any Seller Subsidiary has notified any Person that it believes that such Person is interfering with, infringing upon, misappropriating, diluting, violating or otherwise acting in conflict with any Seller Intellectual Property, or engaging in any act of unlawful use or unfair competition, or has done any of the foregoing and, to the Knowledge of the Sellers, no Person is interfering with, infringing upon, misappropriating, diluting, violating or otherwise acting in conflict with any Seller Intellectual Property.

Neither the execution and delivery of this Agreement by the Seller nor any of the licenses provided herein will result in the Purchaser being obligated to pay any royalties or other amounts to any third party in excess of those payable by the Seller prior to the Closing.

(f) Seller has used reasonable efforts to maintain material Intellectual Property related to the Audio Business that constitutes confidential or trade secret information in confidence in accordance with protection procedures customarily used in the industry to protect rights of like importance.

(g) There is no Intellectual Property developed by any shareholder, director, officer, consultant or employee of any of the Sellers that is used by the Audio Business and that has not been transferred to the Sellers, or is not owned by the Sellers free and clear of any Encumbrances, other than Permitted Encumbrances.

(h) Purchaser consents to the delivery by the Seller and the Seller Subsidiaries of intellectual property information to Entropic Communications, Inc. ("**Entropic**") in accordance with the obligations of Seller and the Seller Subsidiaries and shall comply with the requirements regarding treatment of confidential information of under amended **Section 7.12 and Section 7.15** of the Asset Purchase Agreement, dated January 18, 2012, between Seller and the Seller Subsidiaries and Entropic (as amended, the "**Entropic Agreement**").

4.6 Brokers and Finders. Except as set forth on **Section 4.6** of the Disclosure Schedule no Person has acted, directly or indirectly, as a broker, finder or financial advisor for Sellers in connection with the transactions contemplated by this Agreement and Purchaser is not or will not become obligated to pay any fee or commission or like payment to any broker, finder or financial advisor as a result of the consummation of the transactions contemplated by this Agreement based upon any arrangement made by or on behalf of Sellers or any of their Affiliates.

4.7 Title to Purchased Assets; Sufficiency and Condition of Assets. The Sellers have, and shall convey to the Purchaser at the Closing, good, valid, transferable and marketable title to, or valid leasehold interests in, all of the Purchased Assets, free and clear of all Encumbrances, except for Permitted Encumbrances. The Purchased Assets constitute all of the properties, assets and rights (whether real, personal or mixed and whether tangible or intangible) necessary and sufficient to permit the Purchaser to conduct the Audio Business after the Closing in accordance with Sellers' past practices and as presently planned to be conducted. Each of the Purchased Assets is in good operating condition and repair, reasonable wear and tear excepted, and is capable of being used in the Ordinary Course of

Business in the manner necessary to operate the Audio Business. Notwithstanding the foregoing, the representations in this **Section 4.7** do not apply to Intellectual Property, which are covered by the representations in **Section 4.5**.

4.8 Real Property. **Section 4.8** of the Disclosure Schedule, which is listed for informational purposes only, sets forth a true, correct and complete list of all Leased Real Property specifying the address or other information sufficient to identify all such Leased Real Property. Each lease or sublease for each Leased Real Property grants the applicable Seller the right to use and occupy the applicable Leased Real Property, in accordance with the terms thereof.

4.9 Tax Returns; Taxes. Except as set forth in **Section 4.9** of the Disclosure Schedule:

(a) All Tax Returns required to have been filed by Sellers have been duly filed and are true, correct and complete in all material respects, and no material fact has been omitted therefrom.

(b) All Taxes due and payable by Sellers (whether or not shown on any Tax Return) have been paid in full or are accrued as Liabilities for Taxes on the books and records of Sellers. All Taxes of the Sellers attributable to Tax periods (or portions thereof) commencing after December 31, 2011 have arisen in the ordinary course of business.

(c) The Sellers have withheld and paid all Taxes required to have been withheld and paid by them to the appropriate Government Body in connection with amounts paid or owing to any employee, independent contractor, creditor or shareholder thereof or other third party.

4.10 Employees; Seller Plans.

(a) **Section 4.10(a)** of the Disclosure Schedule contains a true, complete and correct list of the Employees as of the Agreement Date, specifying their position, primary location of employment, annual salary, date of hire, Accrued PTO and the amount of any employee benefit or cash compensation that is to be assumed by Purchaser pursuant to the terms of this Agreement. No Employees other than those listed on **Section 4.10(a)** of the Disclosure Schedule are current employees of the Audio Business of Trident Microsystems (Europe) GmbH. The Sellers are in compliance in all material respects with all Laws relating to the employment or termination of employment of the Employees.

(b) There are no material Actions pending or, to the Knowledge of any Seller, threatened, against any Seller by any Employee. There are no strikes, slowdowns, work stoppages, lockouts, or, to the Knowledge of any Seller, threats thereof, by or with respect to any Employees.

(c) **Section 4.10(c)** of the Disclosure Schedule contains a true, complete and correct list of each Seller Plan.

4.11 Absence of Undisclosed Liabilities. Except as set forth in **Section 4.12** of the Disclosure Schedule, Sellers do not have any Liabilities, except (i) Liabilities that have arisen after [January 1, 2012] in the Ordinary Course of Business or otherwise in accordance with the terms and conditions of this Agreement (none of which is a material Liability for breach of warranty, tort or infringement or a claim or lawsuit) and (iii) Liabilities that are or will be Excluded Liabilities.

4.12 Permits. The Seller and each of the Seller Subsidiaries is in compliance in all material respects with each Permit in or related to the Audio Business. Purchaser has been provided with access to complete copies of all Permits.

4.13 Litigation. Except for the Bankruptcy Case and the Cayman Insolvency Case, neither the Seller nor any Seller Subsidiary is a party to or bound by any Order (or any agreement entered into in any administrative, judicial or arbitration proceeding with any Third Party or governmental or other authority) with respect to the Purchased Assets or the Audio Business. **SCHEDULE 4.16** of the Disclosure Schedule contains a complete and accurate list of each action, suit, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator, (i) against the Seller, any Seller Subsidiary or any of their respective directors, officers and stockholders that is related to the Audio Business, (ii) with respect to or affecting (a) the Purchased Assets or Assumed Liabilities or (b) the operations, assets, business or financial condition of the Audio Business, or (iii) related to the consummation of the transactions contemplated hereby. No notice, citation, inquiry or complaint is pending against or, to the Knowledge of Seller, threatened against the Seller or any Seller Subsidiary alleging any violation of or material Liability under any Environmental Law or Environmental Permit with respect to the Audio Business.

4.14 Contracts

(a) **SCHEDULE 1.1(A)** of the Disclosure Schedule set forth a complete list of all material contracts (except for the non-Assigned Contracts) that relate to the Audio Business;

(b) the Seller or the applicable Seller Subsidiary is not in material breach of or default under any Assigned Contract, and no event has occurred that with the passage of time or giving of notice or both would constitute such a breach or default, result in a loss of material rights, result in the payment of any damages or penalties or result in the creation of an Encumbrance thereunder or pursuant thereto;

(c) the Seller or the applicable Seller Subsidiary is not currently in possession of any written notice or, to the Knowledge of the Seller, other communication, in each case, regarding any actual, alleged, or potential violation or breach of, or default under, any of the Assigned Contracts except as otherwise disclosed or described in the Chapter 11 Petition; and

(d) to the Knowledge of the Seller, there are no pending renegotiations of any of the Assumed Contracts and the Seller or the applicable Seller Subsidiary has not received written notice from any Person party to any Assigned Contract regarding the termination, cancellation, or material change to the terms of, any such Assigned Contract.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

Purchaser represents and warrants to the Seller as follows as of the date hereof and as of the Closing Date:

5.1 Organization and Qualification. The Purchaser is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization. The Purchaser has all requisite power and authority to own, lease and operate its properties and to carry on its business (including the Audio Business) as it is now being conducted, except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Purchaser's ability to consummate the transactions contemplated hereby.

5.2 Authority. The Purchaser has the requisite power and authority to execute and deliver this Agreement and each of the Ancillary Documents to which it is a party, to perform its obligations hereunder and thereunder, to consummate the transactions contemplated hereby and thereby and to assume and perform the Assumed Liabilities. The execution and delivery of this Agreement by the Purchaser and each of the Ancillary Documents to which it is a party, the performance by the Purchaser of its obligations hereunder and thereunder, the consummation of the transactions contemplated hereby and thereby and the assumption and performance of the Assumed Liabilities have been duly and validly authorized by all necessary actions on the part of the Purchaser. This Agreement has been, and at or prior to the Closing, each of the Ancillary Documents to which it is a party will be, duly and validly executed and delivered by the Purchaser. Assuming the due authorization, execution and delivery of this Agreement and the Ancillary Documents by the Sellers and subject to the effectiveness of the Sale Order, this Agreement constitutes, and each Ancillary Document to which Purchaser is a party when so executed and delivered will constitute, legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with its terms.

5.3 Conflicts; Consents.

(a) Except as set forth on SCHEDULE 5.3(A), the execution, delivery and performance by the Purchaser of this Agreement or any Ancillary Document to which it is a party, the compliance by the Purchaser with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or thereby and the taking by the Purchaser of any other action contemplated hereby or thereby, do not and will not contravene, violate or conflict with any term or provision of its Organizational Documents.

(b) Except as (i) set forth on SCHEDULE 5.3(B), no consent, waiver, approval, order or authorization of, or registration, qualification, designation or filing with any Person or Governmental Body is required in connection with the execution, delivery and performance by the Purchaser of this Agreement or the Ancillary Documents to which it is a party, the compliance by Purchaser with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or thereby, the assumption and performance of the Assumed Liabilities or the taking by the Purchaser of any other action contemplated hereby or thereby, other than such filings, notices or consents, the failure of which to make or obtain would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Purchaser's ability to perform its obligations under this Agreement and the Ancillary Documents to which it is a party, to assume and perform the Assumed Liabilities or to consummate on a timely basis the transactions contemplated hereby or thereby.

5.4 Financing. Purchaser has sufficient funds in an aggregate amount necessary to pay the Purchase Price and to perform the Assumed Liabilities and to consummate all of the other transactions contemplated by this Agreement and the Ancillary Documents to which it is a party.

5.5 Brokers. Sellers are not or will not become obligated to pay any fee or commission or like payment to any broker, finder or financial advisor as a result of the consummation of the transactions contemplated by this Agreement based upon any arrangement made by or on behalf of Purchaser or any of its Affiliates.

5.6 Adequate Assurances Regarding Assigned Contracts. As of the Closing, Purchaser will be capable of satisfying the conditions contained in Sections 365(b)(1)(C) and 365(f) of the Bankruptcy Code with respect to the Assigned Contracts.

ARTICLE VI.

EMPLOYEES

6.1 Employee Benefits.

(a) The Purchaser shall extend offers to the employees of the Business set forth on **SCHEDULE 6.1(A)** (the “*Employees*”), and may extend to any Seller Employee hired with the consent of the Purchaser to replace any Employee terminated following the date hereof, an offer of employment (“*Transfer Offer*”) that, if accepted, shall become effective immediately after the Closing. The Seller shall (and shall procure that each Seller Employer shall) use reasonable commercial efforts to encourage Employees to accept Transfer Offers, and each Local Asset Transfer Agreement shall set forth specific provisions for cooperation between the Seller and Purchaser to best effectuate the transfer of Employees, in the respective jurisdictions. Employment pursuant to a Transfer Offer shall be contingent, among other requirements stated in the Transfer Offer, upon such Employee’s remaining employed by a Seller Employer as of the Closing. Employees of any Seller Employer who commence employment with Purchaser pursuant to a Transfer Offer or who transfer to Purchaser pursuant to this **Section 6.1(a)** shall be referred to herein as “*Transferred Employees.*” Except as provided in an individual Transfer Offer or the applicable Local Asset Transfer Agreement, Transfer Offers shall include credit for the employee’s service with Seller Employers for purposes of vacation accrual rates, retirement or severance benefits, and as otherwise required under local Law, and shall offer base salary compensation equal to the base salary compensation paid by the Seller Employer immediately prior to the transfer. Transfer Offers shall offer Employees eligibility for benefits consistent with benefits offered to equivalent positions with Purchaser provided that benefits shall not be less than those provided by Seller to the extent required by local Law. Nothing in this **Section 6.1** or elsewhere in this Agreement shall be construed to create a right in any Employee, or in any other employee of the Seller or a Seller Subsidiary, to employment with Purchaser to the extent that such right does not otherwise exist under local Law. The employment of each Transferred Employee who was a Employee based primarily in the United States shall be “at will” employment. Purchaser will hire each employee who accepts a Transfer Offer and meets the contingencies therein, provided that, except as otherwise provided in any individual employment agreement between Purchaser and a Employee, Purchaser will not be obligated to maintain the employment of, or the compensation, benefits, or terms of employment provided in any Transfer Offer for any specified period thereafter except as required under local Law. Nothing in this Agreement shall be deemed to prevent or restrict in any way the right of Purchaser to terminate, reassign, promote, or demote any Transferred Employee after the Closing Date or to change adversely or favorably the title, powers, duties, responsibilities, functions, locations, compensation, benefits, or terms or conditions of employment of such Transferred Employee except as otherwise required under local Law.

(b) The Purchaser shall assume any Liabilities or obligations for the provision of advance notice of employment termination, payment in lieu of notice of termination, severance, or any applicable penalties with respect to Transferred Employees providing services to the Seller or its Seller Subsidiaries, Seller Plan, policy of the Seller or any Seller Subsidiary, or other Contract, arising as a result of the transactions contemplated hereby, and as otherwise required under local Law.

(c) Purchaser shall have no Liability in connection with the termination by the Seller or a Seller Subsidiary of the employment or engagement of any employee of or other Person providing services to the Seller or to a Seller Subsidiary, including any Employee, except as required under local Law.

(d) The Seller will be responsible for the payment and satisfaction of (i) all wages and other remuneration due to the Employees (other than Transferred Employees) with respect to their

services to Seller Employers through the Closing Date (including fiscal year 2011 bonus payments, if any), (ii) all payments required under the WARN Act with respect to actions or activities occurring on or prior to the Closing Date in connection with the transactions contemplated hereby, (ii) the provision of health plan continuation coverage for (A) any employee of the Seller or any Seller Subsidiary (including any Employee) terminated or who resigned prior to the Closing, and (B) any employee of the Seller or any Seller Subsidiary that is not a Transferred Employee terminated after the Closing, in each case, in accordance with the requirements of COBRA and ERISA §§ 601-608, (iv) all termination or severance payments to any Employee who resigned or was terminated on or prior to the Closing Date and any claims that consummation of the transactions contemplated hereby or any measures to be imposed in connection with the transactions contemplated hereby constitutes an involuntary termination or constructive termination of the employment of any of Employees, except as otherwise required under local Law, and (v) all Liabilities arising under claims by the Employees for benefits attributable to periods on or prior to the Closing Date under any Seller Plan.

(e) Purchaser shall not adopt or assume any Seller Plan or any obligations thereunder and all Liabilities under such Seller Plans shall remain the Liability of the Seller, except for the Liabilities of the Transferred Employees and as required under local Law. Purchaser is not obligated under this Agreement to assume any agreements with a Labor Organization, except as required under local Law.

(f) Nothing herein express or implied by this Agreement shall confer upon any Employee, or legal representative thereof, any rights or remedies, including any right to employment or benefits for any specified period, of any nature or kind whatsoever, under or by reason of this Agreement, except as otherwise required under local Law.

ARTICLE VII.

BANKRUPTCY COURT MATTERS

7.1 Sale Order. The Sale Order shall be entered by the Bankruptcy Court. The Sale Order shall, among other things, (i) approve, pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, (A) the execution, delivery and performance by Sellers of this Agreement, (B) the sale of the Purchased Assets to the Purchaser on the terms set forth herein and free and clear of all Encumbrances (other than Encumbrances included in the Assumed Liabilities and Permitted Encumbrances), and (C) the performance by Sellers of their respective obligations under this Agreement; (ii) authorize and empower Sellers to assume and assign to the Purchaser the Assigned Contracts; and (iii) find that Purchaser is a “good faith” buyer within the meaning of Section 363(m) of the Bankruptcy Code, not a successor to any Seller and grant the Purchaser the protections of Section 363(m) of the Bankruptcy Code. The Purchaser agrees that it will promptly take such actions as are reasonably requested by Sellers to assist in obtaining Bankruptcy Court approval of the Sale Order, including furnishing affidavits or other documents or information for filing with the Bankruptcy Court for purposes, among others, of (a) demonstrating that the Purchaser is a “good faith” purchaser under Section 363(m) of the Bankruptcy Code and (b) establishing adequate assurance of future performance within the meaning of Section 365 of the Bankruptcy Code. In the event that the Bankruptcy Court’s approval of the Sale Order shall be appealed, Sellers shall use reasonable efforts to defend such appeal.

7.2 Cayman Sale Order. The Cayman Sale Order shall be entered by the Cayman Court.

ARTICLE VIII.

COVENANTS AND AGREEMENTS

8.1 Conduct of Business of Sellers. During the Pre-Closing Period, except (a) for any limitations on operations imposed by the Bankruptcy Court or the Bankruptcy Code, (b) as required by applicable Law, (c) as otherwise expressly contemplated by this Agreement or as set forth on SCHEDULE 8.1 or (d) with the prior written consent of the Purchaser (which consent shall not be unreasonably withheld), Seller and each Seller Subsidiary shall:

(i) conduct the Audio Business and operate and maintain the Purchased Assets in the Ordinary Course of Business;

(ii) use its commercially reasonable efforts to preserve the goodwill of and relationships with Governmental Bodies, customers, suppliers, vendors, lessors, licensors, licensees, contractors, distributors, agents, Employees and others having business dealings with the Audio Business;

(iii) comply in all material respects with all applicable Laws;

(iv) maintain the books of account and records of the Audio Business as conducted by it in the Ordinary Course of Business and consistent with past practices;

(v) not mortgage, pledge or subject to any Encumbrance (other than a Permitted Encumbrance) the Audio Business or any of the Purchased Assets;

(vi) not sell, assign, license, transfer, convey, lease, surrender, relinquish or otherwise dispose of any of the Purchased Assets, other than sales of Inventory in the Ordinary Course of Business;

(vii) not make or rescind any material Tax election or take any material Tax position (unless required by Law) or file any amended Tax Return or change its fiscal year or financial or Tax accounting methods, policies or practices, or settle any Tax Liability, except in each case as would not reasonably be expected to result in Liability to the Purchaser or the Audio Business;

(viii) not settle or compromise any claim, Liability, Action or obligation related to or in connection with the Audio Business, the Purchased Assets or any Assumed Liability, other than the payment, discharge or satisfaction of Liabilities in the Ordinary Course of Business, pursuant to an order of the Bankruptcy Court or as otherwise contemplated by this Agreement;

(ix) not declare any dividend, pay or set aside for payment any dividend or other distribution or make any payment to any shareholder, officer or director or any Person with whom any such shareholder, officer or director has any direct or indirect relation, other than the payment of salaries in the Ordinary Course of Business;

(x) not increase the compensation payable to, or to become payable to, or grant any bonus, service, award or other like benefit to, any of its current or former directors, Employees or consultants, except for increases in base compensation in the Ordinary Course of Business;

(xi) if requested in writing by Purchaser, to the extent permitted by applicable Law, report to Purchaser regarding the Audio Business and the status of the Audio Business and the Seller's and each Seller Subsidiary's operations and finances; provided, that, the Seller shall only be required to report information that is currently available to the Seller and that is prepared in a format that is currently used by the Seller to report such information or a format required pursuant to this Agreement;

(xii) report to Purchaser on a weekly basis the names of any Employees who give notice of termination of employment or who threaten to terminate employment;

(xiii) cooperate with and assist Purchaser in identifying all Permits required by Purchaser to operate the Audio Business after the Closing Date;

(xiv) not amend, waive, modify or consent to the termination of any Assigned Contract or Permit or amend, waive, modify or consent to the termination of rights of the Seller or any Seller Subsidiary thereunder, or enter into any Contract that would be an Assigned Contract if entered into prior to the date hereof, other than in the Ordinary Course of Business;

(xv) not authorize, or make any commitment with respect to, any single capital expenditure for the Audio Business that is in excess of \$5,000 or capital expenditures which are, in the aggregate, in excess of \$10,000 for the Audio Business taken as a whole;

(xvi) not enter into any lease of real or personal property or any renewals thereof for the Audio Business involving a term of more than two months; or

(xvii) enter into an agreement to do any of the foregoing.

8.2 Access to Information. Seller and each Seller Subsidiary agrees that, between the Agreement Date and the earlier of the Closing Date and the date on which this Agreement is terminated in accordance with **Section 3.4**, the Purchaser shall be entitled, through its officers, employees, legal counsel, accountants and other authorized representatives, agents and contractors ("**Representatives**"), to have such reasonable access to and make such reasonable investigation and examination of the books and records, properties, businesses, assets, Employees, accountants, auditors, counsel and operations of Sellers as the Purchaser's Representatives may reasonably request. Any such investigations and examinations shall be conducted during regular business hours upon reasonable advance notice and under reasonable circumstances. Seller and each Seller Subsidiary shall use commercially reasonable efforts to cause its Representatives to reasonably cooperate with the Purchaser and the Purchaser's Representatives in connection with such investigations and examinations, and the Purchaser shall, and use its commercially reasonable efforts to cause its Representatives to, reasonably cooperate with the Sellers and their respective Representatives, and shall use its commercially reasonable efforts to minimize any disruption to the Audio Business.

8.3 Assignability of Certain Contracts. To the extent that the assignment to the Purchaser of any Assigned Contract pursuant to this Agreement is not permitted without the consent of a third party and such restriction cannot be effectively overridden or canceled by the Sale Order or other related order of the Bankruptcy Court, then this Agreement will not be deemed to constitute an assignment of or an undertaking or attempt to assign such Contract or any right or interest therein unless and until such consent is obtained; provided, however, that the Parties will use their commercially reasonable efforts, before the Closing, to obtain all such consents; provided, further, that if any such consents are not obtained prior to the Closing Date, Sellers and the Purchaser will reasonably cooperate with each other in any lawful and feasible arrangement designed to provide the Purchaser with the benefits and

obligations of any such Contract and the Purchaser shall be responsible for performing all obligations under such Contract required to be performed by Sellers on or after the Closing Date to the extent set forth in this Agreement.

8.4 Rejected Contracts. No Seller shall reject any Assigned Contract in any bankruptcy proceeding following the Agreement Date without the prior written consent of the Purchaser. Purchaser shall have no liability for damages relating to the rejection of such Assigned Contract.

8.5 Reasonable Efforts; Cooperation.

(a) Subject to the other provisions hereof, each Party shall use its commercially reasonable efforts to perform its obligations hereunder and to take, or cause to be taken, and do, or cause to be done, all things necessary, proper or advisable under applicable Law to cause the transactions contemplated herein to be effected as soon as practicable, but in any event on or prior to the Outside Date, in accordance with the terms hereof and shall cooperate fully with each other Party and its Representatives in connection with any step required to be taken as a part of its obligations hereunder. The Seller shall cooperate with and assist Purchaser in transferring, moving, or transporting any Purchased Assets to or from the Seller's premises to the Purchaser's premises, which cost and expense shall be borne solely by the Purchaser.

(b) In the event that any of the Parties to this Agreement discovers a Contract related to the Audio Business, the Purchased Assets or the Assumed Liabilities during the period from and after the Agreement Date, and such Contract (i) was unknown as of the Agreement Date, (ii) is a Contract that the Purchaser wishes to assume the rights and obligations of and (iii) such Contract would not be deemed a Non-Assigned Contract by Sellers, the Purchaser and Sellers shall execute, acknowledge and deliver such other instruments and take such further actions as are reasonably practicable for the Purchaser to assume the rights and obligations under such Contract.

(c) The obligations of Sellers pursuant to this **Section 8.5(c)** shall be subject to any orders entered, or approvals or authorizations granted or required, by or under the Bankruptcy Court or the Bankruptcy Code (including in connection with the Bankruptcy Case), and each of Sellers' obligations as a debtor-in-possession to comply with any order of the Bankruptcy Court (including the Sale Order) and Sellers' duty to seek and obtain the highest or otherwise best price for the Audio Business as required by the Bankruptcy Code.

(d) The Sellers shall, upon reasonable advance notice and subject to compliance with Law, provide the Purchaser with full access to, and copies of, all of the properties, books, contracts, documents, insurance policies, records and personnel relating to the Audio Business, Transferred Employees and the Purchased Assets, including without limitation, all accounting records, ledgers, and invoices, during normal business hours; provided, however, that any such access shall be conducted at Purchaser's expense under the supervision of appropriate personnel of the Sellers. Nothing herein shall require the Sellers to disclose any information to Purchaser if such disclosure would jeopardize any attorney-client or other legal privilege.

8.6 Further Assurances. Each Party shall execute and cause to be delivered to each other Party such instruments and other documents, and shall take such other actions, as such other Party may reasonably request (prior to, at or after the Closing) for the purpose of carrying out or evidencing any of the transactions contemplated by this Agreement.

8.7 Notification of Certain Matters.

(a) Sellers shall give prompt notice to the Purchaser, and the Purchaser shall give prompt notice to Sellers, of (i) any notice or other communication from any Person alleging that the consent of such Person which is or may be required in connection with the transactions contemplated by this Agreement or the Ancillary Documents is not likely to be obtained prior to Closing, (ii) any written objection or proceeding that challenges the transactions contemplated hereby or the entry of the approval of the Bankruptcy Court and (iii) the status of matters relating to the completion of the transactions contemplated hereby, including promptly furnishing the other with copies of notices or other communications received by Sellers or the Purchaser or by any of their respective Affiliates (as the case may be), from any third party and/or any Governmental Body with respect to the transactions contemplated by this Agreement.

(b) The Seller shall provide Purchaser prompt (and no later than twenty four hours) notice if any third party requests information about the Audio Business at any time following the filing of the Sale Motion. Such notice shall include the identity of such third party.

8.8 Litigation Support. If any Party is actively contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand in connection with the transactions contemplated hereby, then, for so long as such contest or defense continues, each Party will, at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party has a right to indemnification therefor under Article IX in which case Article IX, and not this Section 8.8, shall govern), (a) reasonably cooperate with the contesting or defending Party and its counsel in the contest or defense and (b) make available all personnel and provide all testimony and access to its books that is necessary or reasonably requested by the contesting or defending Party in connection with such contest or defense (in all cases after reasonable notice and during normal business hours).

8.9 Transition. After the Closing the Seller shall (a) reasonably cooperate with Purchaser in its efforts to continue and maintain for Purchaser's benefit those business relationships of the Seller and each of its Seller Subsidiaries existing before the Closing and related to the Audio Business with any lessor, licensor, customer, supplier or other Person having a business relationship (following the Closing, and only for the duration of such business relationship) with the Seller or any Seller Subsidiary before the Closing and related to the Audio Business and (b) refer to Purchaser all inquiries relating to the Audio Business. Pursuant to the Transition Agreement, the Seller and its applicable Seller Subsidiaries shall provide certain post-closing services to Purchaser and its Subsidiaries, as specified therein.

8.10 Payment of Transaction Taxes and Fees; Periodic Taxes.

(a) For purposes of this Agreement, the term "**Transfer Charges**" shall mean all transfer, filing, recordation, value added, goods and services, sales, use, bulk sales, excise or license taxes, stamp duties or similar fees or taxes. To the extent that Purchaser obtains a refund, credit, or other recovery of an amount paid by the Purchaser for any Liability of any Transfer Charges under this Agreement, Purchaser shall solely bear the Liability of such Transfer Charges. Purchaser and Seller (or Seller Subsidiary) shall equally bear the Liability of all other Transfer Charges. The Parties shall comply with the invoicing, payment and remittance requirements under applicable law with respect to all Transfer Charges. Seller (or Seller Subsidiary) and Purchaser shall cooperate with each other in the provision of any information or preparation of any documentation that may be necessary or useful for obtaining any available mitigation, reduction or exemption from any Transfer Charges.

(b) Unless the Parties mutually agree otherwise, any Tax Returns that must be filed in connection with any Transfer Charges shall be prepared by the Party required by law to file such Tax

Returns. The filing Party shall use its reasonable commercial efforts to provide the other Party the Tax Returns which it is required to file at least 10 days before such Tax Returns are due to be filed. All such Tax Returns shall be consistent with the allocation of the Purchase Price as determined pursuant to Section 12.1. Seller and Purchaser shall settle their respective obligations for the Liability for Transfer Charges under **Section 8.10(b)** no later than the time specified in **Section 12.1**.

(c) The Parties agree that, for sales Tax purposes, the sale of the Purchased Assets under this Agreement is an occasional sale of assets by the Seller in which the Seller does not trade in the Ordinary Course of Business. The Parties shall take commercially reasonable actions to assert and establish the occasional sale exemption from any sales Tax associated with the transactions contemplated hereby, to the extent such exemption is available. The Seller acknowledges that its accounting records treat the Purchased Assets as a separate business operation, and that business was identified on its books as a separate operation prior to the Closing Date. The Seller agrees to convey documentation on or before the Closing Date to Purchaser attesting that its accounting records identified the Purchased Assets as a separate identifiable operation. Purchaser shall provide the Seller with an exemption certificate for any tangible personal property included in the Purchased Assets which is eligible for any sales Tax exemption. For sales Tax purposes, Purchaser and the Seller shall use the Allocation of the Purchase Price for any such Purchased Assets that are subject to sales Tax as determine post-Closing pursuant to **Section 12.1** of this Agreement. The Seller shall arrange for electronic delivery to Purchaser or its designated Affiliates of all Seller Intellectual Property assets at Closing to the extent such delivery reduces or eliminates applicable Taxes.

(d) Real and personal property taxes, ad valorem taxes, and franchise fees or taxes with respect to the Purchased Assets (that are imposed on a periodic basis (collectively, "Periodic Taxes") shall be prorated between the Seller and Purchaser for any taxable period that includes but does not end on the Closing Date. Periodic Taxes shall be prorated between Purchaser and the Seller based on the relative periods the Purchased Assets were owned by each respective party (or its Affiliates) during the fiscal period of the taxing jurisdiction for which such taxes were imposed by such jurisdiction (as such fiscal period is or may be reflected on the bill rendered by such taxing jurisdiction). Purchaser and the Seller shall promptly forward any invoice to the other party for its reimbursable pro rata share, if any, of any Periodic Taxes.

8.11 Confidentiality. This Agreement is not intended to supersede or replace the Confidentiality Agreement. The Confidentiality Agreement will survive the execution and delivery of this Agreement and remain in full force and effect in accordance with its terms, and the Seller and Purchaser will continue to be obligated to perform and comply with its obligations under the Confidentiality Agreement until the Closing. Following the Closing, Seller shall, and shall cause its representatives, advisors, consultants and affiliates to, keep confidential and not, directly or indirectly, divulge to any person or use for their own benefit, any Confidential Information included in the Purchased Assets or owned by Purchaser or its Affiliates, except for disclosures requested or required by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand, or similar process, and then only in accordance with the procedure hereinafter described, or otherwise required by law. In the event that the Seller or any Seller Subsidiary or any of their respective representatives, advisors, consultants or affiliates (each a "Seller Party") is requested or required by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand, or similar process to disclose any Confidential Information, such Seller Party shall notify Purchaser of the request or requirement so that Purchaser may seek an appropriate protective order or waive compliance with the provisions of this Section 8.11. If, in the absence of a protective order or the receipt of a waiver hereunder, such Seller Party believes in good faith, after consulting with counsel, that it is compelled to disclose any such Confidential Information to the tribunal or else stand liable for contempt, such Seller Party may disclose such Confidential

Information to the tribunal; provided, however, that such Seller Party shall use its commercially reasonable efforts to obtain, at the request and cost of Purchaser, an Order or other assurance that confidential treatment will be accorded to such portion of such Confidential Information required to be disclosed. The prohibitions against disclosure and use of Confidential Information recited herein are in addition to, and not in lieu of, any rights or remedies that Purchaser may have available pursuant to the laws of any jurisdiction or at common law to prevent the disclosure of trade secrets or proprietary information, and the enforcement by Purchaser of its rights and remedies pursuant to this Agreement shall not be construed as a waiver of any other rights or available remedies that it may possess in law or equity absent this Agreement. The Parties agree that the Seller and the Purchaser shall file this Agreement but not the accompanying Disclosure Schedule, without redaction, with the SEC as an exhibit to Seller and Purchaser's periodic reports and will file the Exhibits to this Agreement, with confidential treatment to be requested for mutually agreed upon terms.

8.12 Post-Closing Consents.

(a) To the extent that the sale, conveyance, transfer, assignment or delivery or attempted sale, conveyance, transfer, assignment or delivery to Purchaser of any Purchased Asset would result in a violation of any applicable Law, would require any Consent or waiver of any Governmental Body or third Person and such Consent or waiver shall not have been obtained prior to the Closing, this Agreement shall not constitute a sale, conveyance, transfer, assignment or delivery, or an attempted sale, conveyance, transfer, assignment or delivery thereof if any of the foregoing would constitute a breach of applicable Law or result in a termination of any Contract. To the extent that any consents, authorizations, approvals or acknowledgements with respect to any Purchased Asset, Permit, or Assigned Contract (each a "**Consent**") have not been obtained prior to Closing, then following the Closing, the Seller and Purchaser shall use commercially reasonable efforts to promptly obtain such Consent, the cost of which (other than Cure Costs) shall be borne solely by Purchaser. Pending receipt of any such Consent, the Parties shall cooperate with each other in any reasonable and lawful arrangements designed to provide to Purchaser and the Subsidiaries the benefits of such Purchased Asset, Permit or Assigned Contract or to obtain such Consent. To the extent that a Consent for any such Purchased Asset, Permit or Assigned Contract cannot be obtained for Purchaser or the full benefits of use of any such Purchased Asset, Permit or Assigned Contract cannot be provided to Purchaser and its Subsidiaries following the Closing, then the Parties, at the Purchaser's sole cost and expense, shall endeavor to enter into such arrangements (including subleasing or contracting if permitted) to provide to Purchaser and the Subsidiary the economic (taking into account Tax costs and benefits) and operational equivalent of obtaining such Consent. Nothing in this **Section 8.14** shall limit the Seller's obligation to pay Cure Costs pursuant to the terms of this Agreement.

(b) Once such Consent or waiver is obtained, the Seller shall, or shall cause its Seller Subsidiaries to, sell, assign, transfer, convey and license such Purchased Asset to Purchaser for no additional consideration.

8.13 Limited Trademark License. The Seller hereby grants Purchaser and its Subsidiaries a nonexclusive, nontransferable, royalty free, worldwide license to use the Seller's trademark, trade name, and service marks "**Trident Microsystems**" and the **Trident Microsystems** logo, alone or in combination with any other words or terms or variation of such words or terms (the "**Trident Microsystems Marks**") to the same extent and with the same scope as used by the Seller in the Audio Business prior to the Closing until all Products manufactured with the Trident Microsystems Marks are sold.

8.14 Deletion/Destruction of Confidential Information. Promptly following the Closing, but no later than sixty (60) days following the Closing, the Seller and its Subsidiaries will use commercially reasonable efforts to delete or destroy all Confidential Information related solely to the Audio Business

included in the Purchased Assets from all books and records retained by the Seller and its Subsidiaries as Excluded Assets and in the possession of the Seller, including all books and records in electronic form, including databases, e-mails and backups retained for archival and disaster recovery purposes; provided, however, that the Seller and its Subsidiaries shall first use commercially reasonable efforts to ensure that it has delivered all such Confidential Information to Purchaser. As part of this process, the Seller shall inform all employees and consultants (other than Transferred Employees) of the obligation to delete such Confidential Information from employee desktops, notebooks, files or databases maintained by such employees. Upon Purchaser's written request, the Seller shall certify to Purchaser that it has and continues to comply with this **Section 8.14**. During the period commencing sixty (60) days following the Closing Date through the date ending seventy-five (75) following the Closing Date, without interfering with the Seller's conduct of the business before Closing, Purchaser shall be permitted reasonable access to the Seller's and Subsidiaries' premises during normal business hours in order to perform an audit to confirm the deletion and destruction of all Confidential Information included in the Purchased Assets (the "**Data Audit**"). The Seller shall cooperate with Purchaser in arranging or coordinating any access by Purchaser to the Seller's and Subsidiaries' premises for the purpose of complying with this **Section 8.14**. The Seller shall delete and destroy any such Confidential Information that is discovered through the Data Audit. Until the Seller and its Subsidiaries complete the deletion or destruction of all Confidential Information in accordance with this **Section 8.14**, including any Confidential Information identified through the Data Audit ("**Destruction Completion Date**"), the Seller and its Subsidiaries shall not transfer or provide access to any of their respective information technology systems, servers, computers, other computer equipment or any of its backup storage devices to any Third Party. Within five Business Days following notice that the Seller has completed its obligations under this **Section 8.16**, Purchaser shall begin the 15-day period to conduct the Data Audit.

ARTICLE IX.

INDEMNIFICATION

9.1 Indemnification Obligations of the Sellers. Notwithstanding the Closing, each of the Sellers covenants and agrees to indemnify, defend and hold Purchaser and its Affiliates, directors, managers, officers, employees, equityholders, successors and assigns (collectively, the "**Purchaser Indemnitees**") harmless from and against all losses, liabilities, demands, claims, actions or causes of action, regulatory, legislative or judicial proceedings or investigations, assessments, levies, fines, penalties, damages, costs and expenses (including reasonable attorneys', accountants', investigators', and experts' fees and expenses) incurred in connection with the defense or investigation of any claim ("**Damages**") sustained or incurred by any Purchaser Indemnitee arising from or related to:

- (a) any inaccuracy in or breach of any of the Sellers' representations and warranties in this Agreement;
- (b) any breach by the Seller or any Seller Subsidiary of, or failure by the Seller or Seller Subsidiary to comply with, any of covenants or obligations of the Seller and Seller Subsidiaries under this Agreement (including post-closing covenants or obligations and including payment obligations in **Sections 1.6**), the Trident Transition Services Agreement, or any of the Facility Use Agreements; or
- (c) any Excluded Liabilities or Excluded Asset (including any Excluded Liability or any Excluded Asset that becomes a Liability of Purchaser under any bulk transfer Law, common law doctrine of de facto merger or successor liability or otherwise by operation of Law);

9.2 Limitations on Indemnification Obligations of the Seller. The obligations of the Sellers pursuant to the provisions of **Section 9.1** are subject to the following limitations:

(a) The Seller's representations and warranties in **Article IV**, and the Purchaser Indemnitees' corresponding rights to indemnification pursuant to **Section 9.1(a)**, will survive the Closing (and none will merge into any instrument of conveyance), regardless of any investigation by any Party and survive until the date that is one hundred and eighty (180) days after the Closing Date; provided, however, that if, at any time prior to the expiration of such representations and warranties, any Purchaser Indemnitee (acting in good faith) delivers to the Seller a written notice alleging the existence of an inaccuracy in or a breach of any of the representations and warranties made by the Sellers (and setting forth in reasonable detail the basis for such Purchaser Indemnitee's belief that such an inaccuracy or breach exists) and asserting a claim for recovery under **Section 9.1** or prospective recovery under **Section 9.1** based on such alleged inaccuracy or breach, then the claim asserted in such notice shall survive until such time as such claim is fully and finally resolved.

(b) Except in the case of Fraud or for amounts due for leases that constitute Excluded Liabilities, the Purchaser Indemnitees will not be entitled to recover Damages under **Section 9.1(a)** until the total amount that Purchaser Indemnitees would recover under **Section 9.1(a)** but for this **Section 9.2(b)** exceeds Fifty Thousand Dollars (\$50,000.00) (the "**Basket**"). If such amount exceeds the Basket, then the Purchaser Indemnitees will be entitled to recover all Damages including the amount of the Basket.

(c) Except in the case of Fraud or for amounts due for leases that constitute Excluded Liabilities, the Purchaser Indemnitees will not be entitled to recover under **Section 9.1(a)** for inaccuracies, breaches or alleged inaccuracies or breaches of the representations and warranties for the amount of Damages in the aggregate in excess of the Purchase Price.

(d) The amount of any indemnity provided in **Section 9.1** shall be computed net of any insurance proceeds actually received by a Purchaser Indemnitee connection with or as a result of any claim giving rise to an indemnification claim under **Section 9.1** (reduced by any retroactive premium increase and further reduced by the net present value of any other premium increase resulting therefrom) and net of any reimbursements that are actually received by a Purchaser Indemnitee in connection with such Damages or the circumstances giving rise thereto. If the indemnity amount is paid prior to the Purchaser Indemnitee's actual receipt of insurance proceeds related thereto, and a Purchaser Indemnitee subsequently receives such insurance proceeds, then the Purchaser Indemnitee shall promptly pay to the Seller the amount of insurance proceeds subsequently received (net of all related costs, expenses and other Damages), but not more, in the aggregate, than the indemnity amount paid by the Seller to such Purchaser Indemnitee in respect of such claim.

(e) The representations and warranties made by the Seller, and the covenants and obligations of each of the Seller and Seller Subsidiaries, and the rights and remedies that may be exercised by the Purchaser Indemnitees, shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of, any of the Purchaser Indemnitees or any of their representatives.

(f) Notwithstanding anything in this Section 9.2 to the contrary, if Seller fails to deliver at Closing a settlement and waiver from Seller's subsidiary's landlord in Freiburg, Germany, of any claims arising from or in connection with Seller's lease of such real property, with such waiver to expressly release Seller, Seller's subsidiaries, Purchaser and all affiliates of Purchaser, Seller shall indemnify Purchaser for any potential claims of landlord or Seller's German subsidiary for a period of 180 days following the closing, (without a Basket from the first dollar, and without any maximum amount.)

9.3 Indemnification Obligations of Purchaser. Notwithstanding the Closing, Purchaser covenants and agrees to indemnify, defend and hold the Seller and its Affiliates, directors, managers, officers, employees, equityholders, successors and assigns (collectively, the “*Seller Indemnitees*”) harmless from and against all Damages sustained or incurred by any Seller Indemnatee arising from or related to:

- (a) any inaccuracy in or breach of any of Purchaser’s representations and warranties in this Agreement;
- (b) any breach by Purchaser of, or failure by Purchaser to comply with, any of its covenants or obligations under this Agreement; or
- (c) any Assumed Liability.

9.4 Limitations on Indemnification Obligations of the Purchaser. The obligations of the Purchaser pursuant to the provisions of **Section 9.3** are subject to the following limitations:

(a) The Purchaser’s representations and warranties in **Article V**, and the Seller Indemnitees’ corresponding rights to indemnification pursuant to **Section 9.3(a)**, will survive the Closing (and none will merge into any instrument of conveyance), regardless of any investigation by any Party and survive until the date that is one hundred and eighty (180) days after the Closing Date; provided, however, that if, at any time prior to the expiration of such representations and warranties, any Seller Indemnatee (acting in good faith) delivers to the Purchaser a written notice alleging the existence of an inaccuracy in or a breach of any of the representations and warranties made by the Purchasers (and setting forth in reasonable detail the basis for such Seller Indemnatee’s belief that such an inaccuracy or breach exists) and asserting a claim for recovery under **Section 9.3** or prospective recovery under Section 9.3 based on such alleged inaccuracy or breach, then the claim asserted in such notice shall survive until such time as such claim is fully and finally resolved.

(b) Except in the case of Fraud, the Seller Indemnitees will not be entitled to recover Damages under **Section 9.3(a)** until the total amount that Purchaser Indemnitees would recover under **Section 9.3(a)** but for this **Section 9.4(b)** exceeds Fifty Thousand Dollars (\$50,000.00) (the “*Basket*”). If such amount exceeds the Basket, then the Seller Indemnitees will be entitled to recover all Damages including the amount of the Basket.

(c) Except in the case of Fraud, the Seller Indemnitees will not be entitled to recover under **Section 9.3(a)** for inaccuracies, breaches or alleged inaccuracies or breaches of the representations and warranties for the amount of Damages in the aggregate in excess of the Purchase Price.

(d) The amount of any indemnity provided in **Section 9.3** shall be computed net of any insurance proceeds actually received by a Seller Indemnatee connection with or as a result of any claim giving rise to an indemnification claim under **Section 9.3** (reduced by any retroactive premium increase and further reduced by the net present value of any other premium increase resulting therefrom) and net of any reimbursements that are actually received by a Seller Indemnatee in connection with such Damages or the circumstances giving rise thereto. If the indemnity amount is paid prior to the Seller Indemnatee’s actual receipt of insurance proceeds related thereto, and a Seller Indemnatee subsequently receives such insurance proceeds, then the Seller Indemnatee shall promptly pay to the Purchaser the amount of insurance proceeds subsequently received (net of all related costs, expenses and other Damages), but not more, in the aggregate, than the indemnity amount paid by the Purchaser to such Seller Indemnatee in respect of such claim.

9.5 Third-Party Claims. If a Third-Party notifies any Purchaser Indemnitee or Seller Indemnitee (each collectively the “*Indemnified Parties*” or individually, a “*Indemnified Party*”) with respect to any matter (a “*Third-Party Claim*”) that may give rise to a claim by the Purchaser Indemnitees or the Seller Indemnitees for indemnification against the Sellers, on one hand, or Purchaser, on the other hand (each collectively the “*Indemnifying Parties*” or individually, a “*Indemnifying Party*”), respectively, under this **Article IX**, then the Indemnified Parties will promptly deliver written notice thereof to each Indemnifying Party; provided, however, that no delay in delivering such notice will relieve the Indemnifying Parties from any indemnification obligation under this Agreement unless, and then only to the extent that, the Indemnifying Parties are actually and materially prejudiced.

(a) The Indemnifying Parties will have the right to contest and defend against the Third-Party Claim at the Indemnifying Parties’ sole cost and expense and with legal counsel of their choice (reasonably satisfactory to the Indemnified Parties); provided that (i) the Indemnifying Parties notify the Indemnified Parties, in writing within fifteen (15) days after receiving notice of the Third-Party Claim from the Indemnified Parties, that the Indemnifying Parties will indemnify the Indemnified Parties from and against all Damages that the Indemnified Parties may suffer resulting from or related to the Third-Party Claim, (ii) the Indemnifying Parties provide the Indemnified Parties with evidence acceptable to the Indemnified Parties that the Indemnifying Parties will have the financial resources to defend against such Third-Party Claim and fulfill their indemnification obligations under this Agreement, (iii) the Third-Party Claim involves only money damages and does not seek an injunction or other equitable relief, (iv) settlement of, or an adverse judgment with respect to, the Third-Party Claim is not, in the Indemnified Parties’ good faith judgment, likely to establish a precedential custom or practice adverse to any Indemnified Party or the Audio Business, and (v) the Indemnifying Parties conduct the defense of the Third-Party Claim actively and diligently.

(b) If the Indemnifying Parties elect to contest or defend against a Third-Party Claim in accordance with **Section 9.4(a)**, then (i) the Indemnified Parties may, at their sole cost and expense, retain separate co-counsel of their choice and otherwise participate in such contest or defense of the Third-Party Claim, (ii) the Indemnified Parties will not consent to the entry of any judgment on or enter into any settlement with respect to the Third-Party Claim without the Indemnifying Parties’ prior written consent (not to be unreasonably withheld, conditioned or delayed), and (iii) the Indemnifying Parties will not consent to the entry of any judgment on or enter into any settlement with respect to the Third-Party Claim without the Indemnified Parties’ prior written consent (not to be unreasonably withheld, conditioned or delayed).

(c) If any condition in **Section 9.4(a)** is or becomes unsatisfied, then (i) the Indemnified Parties may, in good faith and with the advice of legal counsel, contest, defend against, consent to the entry of any judgment on or enter into any settlement with respect to the Third-Party Claim in any manner that the Indemnified Parties reasonably deem appropriate (without prior consultation with or consent from any Indemnifying Party), (ii) the Indemnifying Parties will reimburse the Indemnified Parties promptly and periodically for all Damages of contesting, defending against and settling the Third-Party Claim, and (iii) the Indemnifying Parties will remain responsible for any Damages that the Indemnified Parties suffer resulting from or relating to the Third-Party Claim as provided in, and subject to the terms, conditions and limitations set forth in this **Article IX**.

9.6 Right of Setoff. Purchaser may set-off any indemnification claim for Damages against any amounts payable by Purchaser to the Seller under this Agreement and any other Ancillary Document and any other agreement or instrument otherwise then in effect between Purchaser and the Sellers.

9.7 Reduction of Purchase Price. All indemnification payments made pursuant to this Article IX will be adjustments to the Purchase Price.

9.8 Other Indemnification Provisions.

(a) Purchaser acknowledges and agrees (on behalf of itself and all of the Purchaser Indemnitees) that, the indemnification provisions in this **Article IX** shall be the sole and exclusive remedy of the Purchaser Indemnitees for any and all claims against the Sellers for Damages under this Agreement. Each of the Sellers acknowledges and agrees (on behalf of itself and all of the Seller Indemnitees) that, the indemnification provisions in this **Article IX** shall be the sole and exclusive remedy of the Seller Indemnitees for any and all claims against Purchaser for Damages under this Agreement. Notwithstanding the foregoing, nothing contained herein shall prevent, or be interpreted to prevent, any of the Parties from bringing an action and obtaining a remedy based on allegations of Fraud with respect to the other Parties in connection with this Agreement or the transactions contemplated hereby.

(b) Losses shall not include speculative or unforeseeable Damages or punitive damages. Any liability for indemnification under this Agreement shall be determined without duplication of recovery by reason of the state of facts giving rise to such liability constituting a breach of more than one representation, warranty, covenant or agreement.

9.9 Construction. For purposes of calculating Damages in connection with a claim for indemnification under this **Article IX** (but not with respect to determining whether a breach has occurred), each of the representations and warranties that contains any qualifications as to “materiality” or “Material Adverse Effect” shall be deemed to have been given as though there were no such qualifications.

9.10 Claim Process. In order to seek indemnification under this **Article IX**, (and in addition to the procedures in connection with a Third Party Claim), the Indemnified Party shall deliver a written demand (a “**Claim Notice**”) to the Indemnifying Party which contains (a) a description and the amount of any Damages incurred or reasonably expected to be incurred by the Indemnified Party, to the extent known, (b) a statement that the Indemnified Party is entitled to indemnification under **Article IX** for such Damages and a reasonable explanation of the basis therefor, and (c) a demand for payment in the amount of such Damages. Within twenty (20) days after delivery of a Claim Notice, the Indemnifying Party shall deliver to the Indemnified Party a written response (the “**Response**”); provided that failure by the Indemnifying Party to deliver a Response within twenty (20) days after the delivery of a Claim Notice shall be deemed an acceptance by the Indemnifying Party of the claim contained in said Claim Notice. If the Indemnifying Party in such Response contests the payment of all or part of the Damages claimed in the Claim Notice, the Indemnifying Party and the Indemnified Party shall use good-faith efforts to resolve such dispute. If such dispute is not resolved within thirty (30) days following the delivery by the Indemnifying Party of such response, the Indemnifying Party and the Indemnified Party shall each have the right to submit such dispute to a court of competent jurisdiction in accordance with the provisions of **Section 13.5** and **13.6**.

ARTICLE X.

CONDITIONS TO CLOSING

10.1 Conditions Precedent to the Obligations of the Purchaser and Sellers. The respective obligations of each Party to this Agreement to consummate the transactions contemplated by this

Agreement are subject to the satisfaction (or to the extent permitted by Law, written waiver by each of the Sellers and the Purchaser) on or prior to the Closing Date, of each of the following conditions:

(a) there shall not be in effect any order, writ, injunction, judgment or decree entered by a Governmental Body of competent jurisdiction, or any Law preventing, enjoining, restraining, making illegal or otherwise prohibiting the consummation of the transactions contemplated by this Agreement or the Ancillary Documents;

(b) the Bankruptcy Court shall have entered the Sale Order (as provided in **ARTICLE VII**) and such order shall be a Final Order and in form and substance reasonably satisfactory to Sellers and the Purchaser, which orders shall not have been reversed, modified, amended or stayed; and

(c) any waiting period (including any extension thereof) applicable to the purchase and sale of the Purchased Assets under the HSR Act or under the regulations of any other applicable governmental antitrust or competition authority shall have terminated or expired.

10.2 Conditions Precedent to the Obligations of Sellers. The obligations of Sellers to consummate the transactions contemplated by this Agreement are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions, any of which may be waived in writing by Sellers in their sole discretion:

(a) the representations and warranties made by the Purchaser in this Agreement or in any Ancillary Document shall be true and correct in all material respects (without giving effect to any materiality or similar qualification contained therein), in each case as of the Agreement Date and as of the Closing Date, with the same force and effect as though all such representations and warranties had been made as of the Closing Date (other than representations and warranties that by their terms address matters only as of another specified date, which shall be so true and correct only as of such other specified date), except where the failure of such representations or warranties to be so true and correct has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Purchaser's ability to consummate the transactions contemplated hereby;

(b) the Purchaser shall have performed and complied in all material respects with all obligations and agreements required by this Agreement to be performed or complied with by the Purchaser on or prior to the Closing Date; and

(c) the Purchaser shall have delivered, or caused to be delivered, to Sellers all of the items set forth in **Section 3.3**.

10.3 Conditions Precedent to the Obligations of the Purchaser. The obligations of Purchaser to consummate the transactions contemplated by this Agreement are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions, any of which may be waived in writing by the Purchaser in its sole discretion:

(a) Sellers shall have delivered to the Purchaser (i) a certified copy of the Sale Order (which shall contain the terms described in **Section 7.1**) and (ii) copies of all affidavits of service of the Sale Motion or notice of such motion filed by or on behalf of Sellers;

(b) the representations and warranties made by Sellers in this Agreement or in any Ancillary Document shall be true and correct in all material respects (provided that any such representation or warranty that is subject to any materiality, Material Adverse Effect or similar qualification shall be true and correct in all respects after giving effect to any such qualification), in each

case as of the Agreement Date and as of the Closing Date, with the same force and effect as though all such representations and warranties had been made as of the Closing Date (other than representations and warranties that by their terms address matters only as of another specified date, which shall be so true and correct only as of such other specified date);

(c) Sellers shall have performed and complied in all material respects with all obligations and agreements required in this Agreement to be performed or complied with by them on or prior to the Closing Date;

(d) Sellers shall have delivered, or caused to be delivered, to the Purchaser all of the items set forth in **Section 3.2**;

(e) the exclusive right of the Sellers to file and solicit acceptances of a plan of reorganization shall not have been terminated;

(f) a Final Order shall have been entered by the Clerk of the Bankruptcy Court or such other court on the docket in Sellers' Bankruptcy Cases or the docket of such other court;

(g) the tax liabilities listed on **SCHEDULE 3.2(Q)**, shall have been settled;

(h) the Analog Business Assets Sale shall have been consummated;

(i) Sellers shall have paid the known Cure Costs for all Assigned Contracts, and to the extent not paid, the Purchaser may pay the Cure Costs to the applicable Third Parties and deduct such Cure Costs from the Cash Payment;

(j) the executed Entropic License Agreement will be in substantially the same form and substance as the version of the document provided to Purchaser as of the date hereof; and

(k) Since the date of this Agreement, there has been no Material Adverse Effect.

ARTICLE XI.

ADDITIONAL DEFINITIONS

11.1 Definitions. As used herein:

(a) “**pdf**” shall have the meaning set forth in Section 13.3(b).

(b) “**Accounts Receivable**” shall have the meaning set forth in **Section 1.2(b)**.

(c) “**Action**” means any action, claim, complaint, grievance, summons, suit, litigation, arbitration, mediation, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), prosecution, contest, hearing, inquiry, inquest, audit, examination or investigation by or before any Governmental Body.

(d) “**Affiliate**” means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, and the term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of

the management and policies of such Person, whether through ownership of voting securities, by Contract or otherwise.

- (e) “**Agreement**” shall have the meaning set forth in the preamble.
- (f) “**Agreement Date**” shall have the meaning set forth in the preamble.
- (g) “**Allocation**” shall have the meaning set forth in **Section 12.2**.
- (h) “**Analog Business Assets Sale**” means the sale of certain analog business assets owned by Trident Microsystems (Europe) GmbH.
- (i) “**Ancillary Documents**” means any certificate, agreement, document or other instrument (other than this Agreement) to be executed and delivered by a Party in connection with the consummation of the transactions contemplated this Agreement.
- (j) “**Arbitrating Accountant**” means (a) a nationally recognized certified public accounting firm jointly selected by Purchaser and the Seller that is not then engaged to perform accounting, tax or auditing services for the Seller or Purchaser or (b) if the Seller and Purchaser are unable to agree on an accountant, then a nationally recognized certified public accounting firm jointly selected by the Seller’s accounting firm and Purchaser’s accounting firm.
- (k) “**Assigned Contracts**” shall have the meaning set forth in Section 1.1(a).
- (l) “**Assignment and Assumption Agreement**” shall have the meaning set forth in Section 3.2(b).
- (m) “**Assumed Liabilities**” shall have the meaning set forth in **Section 1.3**.
- (n) “**Assumed Trademarks**” shall have the meaning set forth in Section 1.2(r).
- (o) “**Audio Business**” shall have the meaning set forth in the Recitals.
- (p) “**Audio Device**” means any device that is dedicated to receiving and processing an audio signal (and that is not itself capable of displaying standard definition quality video), and is (a) sold as a stand-alone device; (b) sold as a component for later integration into a higher-level product that has a Video Display; (c) a USB audio device, such as headsets, microphones, loudspeakers, game consoles; or (d) designed for inclusion into any digital television device as they exist as of the date of this Agreement or under development. For the avoidance of doubt, Audio Devices include speaker systems, such as soundbars, networked speakers, speaker docks, portable speakers, HiFi systems, multichannel speaker systems, A/V receivers (including those designed to be integrated within the case of a higher-level product that has a Video Display) and dedicated audio receivers.
- (q) “**Bankruptcy Code**” shall have the meaning set forth in the Recitals.
- (r) “**Bankruptcy Court**” shall have the meaning set forth in the Recitals.
- (s) “**Bankruptcy Rules**” shall have the meaning set forth in the Recitals.
- (t) “**Basket**” shall have the meaning set forth in Section 9.2(b).
- (u) “**Bill of Sale**” shall have the meaning set forth in Section 3.2(a).

(v) “**Business Day**” means any day other than a Saturday, Sunday or other day on which banks in New York City, New York are authorized or required by Law to be closed.

(w) “**Cash Payment**” shall have the meaning set forth in Section 2.1(a).

(x) “**Cayman Court**” shall have the meaning set forth in the Recitals.

(y) “**Cayman Sale Order**” shall mean an order of the Cayman Court approving and authorizing the sale of the Purchased Assets in accordance with the provisions of this Agreement.

(z) “**Chapter 11 Petition**” shall have the meaning set forth in the Recitals.

(aa) “**Claim**” has the meaning given that term in Section 101(5) of the Bankruptcy Code and includes, *inter alia*, all rights, claims, causes of action, defenses, debts, demands, damages, offset rights, setoff rights, recoupment right, obligations, and liabilities of any kind or nature under contract, at law or in equity, known or unknown, contingent or matured, liquidated or unliquidated, and all rights and remedies with respect thereto.

(bb) “**Claim Notice**” shall have the meaning set forth in Section 9.9.

(cc) “**Closing**” shall have the meaning set forth in Section 3.1.

(dd) “**Closing Date**” means the date on which the Closing occurs.

(ee) “**Closing Date Payment**” shall have the meaning set forth in Section 2.1(b).

(ff) “**Code**” means the United States Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, as the same may be in effect from time to time.

(gg) “**Confidentiality Agreement**” means [_____].

(hh) “**Consent**” shall have the meaning Set forth in Section 8.12(a).

(ii) “**Contract**” means any written or oral contract, purchase order, service order, sales order, indenture, note, bond, lease, sublease, license, understanding, instrument or other agreement, arrangement or commitment that is binding upon a Person or its property, whether express or implied.

(jj) “**Cure Costs**” means all monetary liabilities, including prepetition monetary liabilities, of Sellers that must be paid or otherwise satisfied pursuant to Section 365 of the Bankruptcy Code to cure all of the Seller and Seller Subsidiaries’ monetary defaults under the Assigned Contracts at the time of the assumption thereof and assignment to Purchaser as provided hereunder as such amounts are determined by the Bankruptcy Court.

(kk) “**Damages**” shall have the meaning set forth in Section 9.1.

(ll) “**Data Audit**” shall have the meaning set forth in Section 8.14.

(mm) “**Debtors**” shall have the meaning set forth in the Recitals.

(nn) “**Destruction Completion Date**” shall have the meaning set forth in Section 8.14.

(oo) “**Disclosure Schedule Update**” shall have the meaning set forth in Section 8.15.

(pp) “*Disclosure Schedule*” shall have the meaning set forth in Article IV.

(qq) “*Documents*” means all of Sellers’ written files, documents, instruments, papers, books, reports, records, tapes, microfilms, photographs, letters, budgets, forecasts, plans, operating records, safety and environmental reports, data, studies and documents, Tax Returns, ledgers, journals, title policies, customer lists, regulatory filings, operating data and plans, research material, technical documentation (design specifications, engineering information, test results, maintenance schedules, functional requirements, operating instructions, logic manuals, processes, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), marketing documentation (sales brochures, flyers, pamphlets, web pages, etc.), PCB design files, leadframe design files/documents, documents related to masks for manufacturing, test pattern documents and software files and other similar materials, in each case whether or not in electronic form relating to the Audio Business.

(rr) “*Employee*” means an individual who, as of the applicable date, is employed by any Seller in connection with the Audio Business.

(ss) “*Encumbrance*” means any lien (as defined in Section 101(37) of the Bankruptcy Code), encumbrance, claim (as defined in Section 101(5) of the Bankruptcy Code), right, demand, charge, mortgage, deed of trust, option, pledge, security interest or similar interests, title defects, hypothecations, easements, rights of way, restrictive covenants, encroachments, rights of first refusal, preemptive rights, judgments, conditional sale or other title retention agreements and other impositions, imperfections or defects of title or restrictions on transfer or use of any nature whatsoever.

(tt) “*Entropic*” shall have the meaning set forth in Section 4.5(j).

(uu) “*Entropic Agreement*” shall have the meaning set forth in Section 4.5(j).

(vv) “*Entropic Assignment and Assumption Agreement*” shall have the meaning set forth in Section 3.2(l).

(ww) “*Entropic License Agreement*” means the duly executed license agreement between Entropic Communications, Inc. and Seller under Intellectual Property acquired by Entropic Communications, Inc., as set forth on Exhibit D hereto.

(xx) “*ERISA Affiliate*” means any entity which is a member of (A) a controlled group of corporations (as defined in Section 414(b) of the Code), (B) a group of trades or businesses under common control (as defined in Section 414(c) of the Code), (C) an affiliated service group (as defined under Section 414(m) of the Code) or (D) any group specified in regulations under Section 414(o) of the Code, any of which includes or included any Sellers.

(yy) “*Excluded Assets*” shall have the meaning set forth in **Section 1.2**.

(zz) “*Excluded Liabilities*” shall have the meaning set forth in **Section 1.4**.

(aaa) “*Final Order*” means an order or judgment of the Bankruptcy Court or any other court of competent jurisdiction entered by the Clerk of the Bankruptcy Court or such other court on the docket in Sellers’ Bankruptcy Cases or the docket of such other court, which has not been modified, amended, reversed, vacated or stayed and as to which (a) the time to appeal, petition for *certiorari*, or move for a new trial, reargument or rehearing has expired and as to which no appeal, petition for *certiorari* or motion for new trial, reargument or rehearing shall then be pending or (b) if an appeal, writ

of *certiorari* new trial, reargument or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court or other court of competent jurisdiction shall have been affirmed by the highest court to which such order was appealed, or *certiorari* shall have been denied, or a new trial, reargument or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for *certiorari* or move for a new trial, reargument or rehearing shall have expired, as a result of which such order shall have become final in accordance with Rule 8002 of the Federal Rules of Bankruptcy Procedure; provided, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order, shall not cause such order not to be a Final Order.

(bbb) “**GAAP**” means United States generally accepted accounting principles as in effect from time to time.

(ccc) “**German Employees Release**” shall have the meaning set forth in Section 3.2(i).

(ddd) “**Governmental Body**” means any government, quasi governmental entity, or other governmental or regulatory body, agency or political subdivision thereof of any nature, whether foreign, federal, state or local, or any agency, branch, department, official, entity, instrumentality or authority thereof, or any court or arbitrator (public or private) of applicable jurisdiction.

(eee) “**HSR Act**” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations promulgated thereunder

(fff) “**Indebtedness**” of any Person means, without duplication, (i) the interest in respect of, principal of and premium (if any) in respect of (x) indebtedness of such Person for money borrowed and (y) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (ii) all obligations of such Person with respect to any Contracts relating to the deferred and unpaid purchase price of property or services, including any interest accrued thereon and prepayment or similar penalties and expenses; (iii) all obligations of such Person under leases required to be capitalized in accordance with GAAP; (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) of any Persons for the payment of which such Person is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, including guarantees of such obligations; and (vi) all obligations of the type referred to in clauses (i) through (v) of other Persons secured by any Encumbrance (other than Permitted Encumbrances), on any property or asset of such Person (whether or not such obligation is assumed by such Person).

(ggg) “**Indemnified Party(ies)**” shall have the meaning set forth in Section 9.4.

(hhh) “**Indemnifying Party(ies)**” shall have the meaning set forth in Section 9.4.

(iii) “**Intellectual Property**” means all intellectual property and proprietary rights of any kind, with the exception of Patent Rights, including the following: (i) trademarks, service marks, trade names, slogans, logos, trade dress, internet domain names, uniform resource identifiers, rights in design, brand names, and other similar designations of source or origin, together with all goodwill, registrations and applications related to the foregoing; (ii) copyrights and copyrightable subject matter (including any registration and applications for any of the foregoing); (iii) trade secrets and other confidential or proprietary business information (including manufacturing and production processes and techniques, research and development information, technology, drawings, specifications, designs, plans, proposals, technical data, financial, marketing and business data, pricing and cost information, business

and marketing plans, customer and supplier lists and information), know how, proprietary processes, formulae, algorithms, models, and methodologies; (iv) computer software, computer programs, and databases (whether in source code, object code or other form); and (v) all rights to sue for past, present and future infringement, misappropriation, dilution or other violation of any of the foregoing and all remedies at law or equity associated therewith.

(jjj) “**Inventory**” means all inventory (including finished goods, supplies, raw materials, work in progress, spare, replacement and component parts) related to the Audio Business maintained or held by, stored by or on behalf of, or in transit to, any of the Sellers.

(kkk) “**IP Assignment and Assumption Agreement**” shall have the meaning set forth in Section 3.2(h).

(lll) “**Knowledge**” or (“**Knowledge of Sellers**” or “**Sellers’ Knowledge**”) means the actual knowledge of those individuals set forth on Schedule 10.3(III), in each case, including facts of which any such individual should be aware in the reasonably prudent exercise of his or her duties.

(mmm) “**Law**” means any federal, state, local, municipal, foreign or international, multinational or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body.

(nnn) “**Leased Real Property**” means all of the real property leased, subleased, used or occupied by any of the Sellers, together with all buildings, structures, fixtures and improvements erected thereon, and any and all rights privileges, easements, licenses, hereditaments and other appurtenances relating thereto, and used, or held for use, in connection with the operation of the Audio Business.

(ooo) “**Liability**” means, as to any Person, any debt, adverse claim, liability (including any liability that results from, relates to or arises out of tort or any other product liability claim), duty, responsibility, obligation, commitment, assessment, cost, expense, loss, expenditure, charge, fee, penalty, fine, contribution or premium of any kind or nature whatsoever, whether known or unknown, asserted or unasserted, absolute or contingent, direct or indirect, accrued or unaccrued, liquidated or unliquidated, or due or to become due, and regardless of when sustained, incurred or asserted or when the relevant events occurred or circumstances existed.

(ppp) “**Licensed Intellectual Property**” means any Intellectual Property that is licensed to any Sellers, including, without limitation, Intellectual Property that is used, or held for use, in connection with the Assigned Contracts.

(qqq) “**Local Asset Transfer Agreement**” shall have the meaning set forth in Section 1.7(a).

(rrr) “**Material Adverse Effect**” means any event, change, occurrence or state of facts that has had, or is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on the (i) assets, Liabilities, Audio Business, properties, financial condition or results of operations of the Seller, taken as a whole, provided, however, that in no event shall any of the following, alone or in combination, be deemed to constitute, or be taken into account, in determining whether there has been, or would be, a Material Adverse Effect: (a) changes in the U.S. economy or capital markets in general but that do not have a disproportionate effect on the Sellers relative to other participants in the industry in which the Sellers conduct the Audio Business, (b) changes that affect generally the industry in which the Sellers operate but that do not have a disproportionate effect on the Sellers relative to other participants in

the industry in which the Sellers conduct the Audio Business, (c) changes after the Agreement Date in any applicable Law or GAAP, or (d) the commencement of the Bankruptcy Case.

(sss) “*Non- Assigned Contracts*” means any Contracts to which the Sellers are a party but that are not Assigned Contracts.

(ttt) “*Ordinary Course of Business*” means the ordinary and usual course of normal day to day operations of the Audio Business consistent with past practice.

(uuu) “*Organizational Documents*” means, with respect to a particular entity Person, (i) if a corporation, the articles or certificate of incorporation and bylaws, (ii) if a general partnership, the partnership agreement and any statement of partnership, (iii) if a limited partnership, the limited partnership agreement and certificate of limited partnership, (iv) if a limited liability company, the articles or certificate of organization or formation and any limited liability company or operating agreement, (v) if another type of Person, all other charter and similar documents adopted or filed in connection with the creation, formation or organization of the Person, and (vi) all amendments or supplements to any of the foregoing.

(vvv) “*Outside Date*” shall have the meaning set forth in Section 3.4(b).

(www) “*Owned Intellectual Property*” means all Intellectual Property owned by any Sellers, and used, or held for use, in connection with the operation of the Audio Business.

(xxx) “*Party(ies)*” shall have the meaning set forth in the Preamble.

(yyy) “*Patent Rights*” all patents, patent applications, patent disclosures and all related re-issuances, continuations, continuations-in-part, renewals, substitutions, refiles, divisions, revisions, extensions, reexaminations and counterparts thereof, all industrial designs, industrial models and utility models, certificates of invention, industrial designs, and plant patents and design patents, as well as the rights to file for, and to claim priority to, any such patent rights.

(zzz) “*Permits*” means to the fullest extent permitted under applicable law, all notifications, licenses, permits (including environmental, construction and operation permits), franchises, certificates, approvals, consents, waivers, clearances, exemptions, classifications, registrations, variances, orders, tariffs, rate schedules and other similar documents and authorizations issued by any Governmental Body to any of the Sellers and used, or held for use, in connection with the operation of the Audio Business or applicable to ownership of the Purchased Assets or assumption of the Assumed Liabilities.

(aaaa) “*Permitted Encumbrances*” means (i) Encumbrances for utilities and current Taxes not yet due and payable or being contested in good faith; (ii) easements, rights of way, restrictive covenants, encroachments and similar non-monetary encumbrances or non-monetary impediments against any of the Purchased Assets which do not, individually or in the aggregate, adversely affect the operation of the Audio Business and, in the case of the Leased Real Property, which do not, individually or in the aggregate, adversely affect the use or occupancy of such Leased Real Property as it relates to the operation of the Audio Business or materially detract from the value of the Leased Real Property, (iii) applicable zoning Laws, building codes, land use restrictions and other similar restrictions imposed by Law, (iv) materialmans’, mechanics’, artisans’, shippers’, warehousemans’ or other similar common law or statutory liens incurred in the Ordinary Course of Business, (v) licenses granted on a non-exclusive basis, (vi) Encumbrances arising from the transfer of Seller Intellectual Property pursuant to this Agreement relating to the past acts or prior commitments of Sellers and all previous owners of such Seller Intellectual Property, (vii) such other Encumbrances or title exceptions as the Purchaser may approve in

writing in its sole discretion or which do not, individually or in the aggregate, materially and adversely affect the operation of the Audio Business and (viii) Encumbrances arising from the Assumed Liabilities.

(bbbb) “*Person*” means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, labor union, estate, Governmental Body or other entity or group.

(cccc) “*Petition Date*” means the date on which the Sellers commence the Bankruptcy Case.

(dddd) “*Pre-Closing Period*” means the period commencing on the Agreement Date and ending on the earlier of the date upon which this Agreement is terminated pursuant to Section 3.4 or the Closing Date.

(eeee) “*Preference Avoidance Claims*” shall have the meaning set forth in Section 1.1(n).

(ffff) “*Products*” shall have the meaning set forth in Section 1.1(c).

(gggg) “*Purchased Assets*” shall have the meaning set forth in Section 1.1.

(hhhh) “*Purchaser*” shall have the meaning set forth in the preamble.

(iiii) “*Purchaser Designee*” shall have the meaning set forth in the Preamble.

(jjjj) “*Purchaser Indemnitees*” shall have the meaning set forth in Section 9.1.

(kkkk) “*Purchase Price*” shall have the meaning set forth in Section 2.1(a).

(llll) “*Regulatory Approvals*” means any consents, waivers, approvals, orders Permits or authorizations of any Governmental Body required in connection with the execution, delivery and performance of this Agreement of any Ancillary Document and the consummation of the transactions contemplated hereby and thereby.

(mmmm) “*Representatives*” shall have the meaning set forth in Section 8.2.

(nnnn) “*Required Consents*” shall have the meaning set forth in Section 3.2(e).

(oooo) “*Response*” shall have the meaning set forth in Section 9.9.

(pppp) “*Retained Contracts*” shall have the meaning set forth in Section 1.2(l).

(qqqq) “*Sale Hearing*” means the hearing to approve this Agreement and seeking entry of the Sale Order.

(rrrr) “*Sale Motion*” means the motion or motions of Sellers, in form and substance reasonably acceptable to Sellers and Purchaser, seeking approval and entry of the Sale Order.

(ssss) “*Sale Order*” means an order substantially in the form attached hereto as **EXHIBIT J** and otherwise in form and substance reasonably satisfactory to Sellers and the Purchaser.

(tttt) “*Seller*” or “*Sellers*” shall have the meaning set forth in the preamble.

(uuuu) “*Seller Indemnitees*” shall have the meaning set forth in Section 9.3.

(vvvv) “*Seller Intellectual Property*” means, collectively, the Owned Intellectual Property and the Licensed Intellectual Property.

(www) “*Seller Plan*” means (i) all “*employee benefit plans*” (as defined in Section 3(3) of ERISA), including all employee benefit plans which are “*pension plans*” (as defined in Section 3(2) of ERISA) and any other employee benefit arrangements or payroll practices (including severance pay, vacation pay, company awards, salary continuation for disability, sick leave, death benefit, hospitalization, welfare benefit, group or individual health, dental, medical, life, insurance, survivor benefit, deferred compensation, profit sharing, retirement, retiree medical, supplemental retirement, bonus or other incentive compensation, stock purchase, stock option, stock appreciation rights, restricted stock and phantom stock arrangements or policies) and (ii) all material employment, termination, bonus, severance, change in control, collective bargaining or other similar Contracts to which any Sellers or any ERISA Affiliate is a party, with respect to which any Sellers or any ERISA Affiliate has any obligation or which are maintained by any Sellers or any ERISA Affiliate or to which any Sellers or an ERISA Affiliate contributes or is obligated to contribute with respect to current or former directors, officers, consultants and Employees of any Seller.

(xxxx) “*Seller Subsidiaries*” shall have the meaning set forth in the preamble.

(yyyy) “*Subsidiary*” or “*Subsidiaries*” means, with respect to any Person, any corporation, limited liability company, joint venture or partnership of which such Person (a) beneficially owns, either directly or indirectly, more than fifty percent (50%) of (i) the total combined voting power of all classes of voting securities of such entity, (ii) the total combined equity interests, or (iii) the capital or profit interests, in the case of a partnership; or (b) otherwise has the power to vote or to direct the voting of sufficient securities to elect a majority of the board of directors or similar governing body.

(zzzz) “*Tangible Assets*” shall have the meaning set forth in Section 1.1(d).

(aaaa) “*Tax*” and “*Taxes*” mean any and all taxes, charges, fees, tariffs, duties, impositions, levies or other assessments, imposed by any Governmental Body, including any interest, penalties or additional amounts attributable to, or imposed upon, or with respect to, Taxes and any Liability for the Taxes of any other Person as a transferee or successor, by Law, Contract or otherwise.

(bbbb) “*Tax Return*” means any return, report, information return, declaration, claim for refund or other document (including any schedule or related or supporting information) supplied or required to be supplied to any Governmental Body with respect to Taxes, including amendments thereto.

(cccc) “*Third-Party Claim*” shall have the meaning set forth in Section 9.4.

(dddd) “*TMFE*” shall have the meaning set forth in the Recitals.

(eeee) “*Treasury Regulations*” means the temporary and final income Tax regulations, promulgated under the Code.

(ffff) “*Transfer Charges*” shall have the meaning set forth in Section 8.10(a).

(gggg) “*Transfer Offer*” shall have the meaning set forth in Section 6.1(a).

(hhhh) “*Transferred Employees*” shall have the meaning set forth in Section 6.1(a).

(iiii) “*Trident Microsystems Marks*” shall have the meaning set forth in Section 8.13.

(jjjj) “*Trident Transition Services Agreement*” shall have the meaning set forth in Section 3.2(j).

(kkkk) “*Video Display*” means a display that is physically integrated into a device and is designed for the viewing of video content for content consumption purposes (and not, for example, solely to present functional information about the status or control of such device).

(llll) “*WARN Act*” means the United States Worker Adjustment and Retraining Notification Act, and the rules and regulations promulgated thereunder.

ARTICLE XII.

TAXES³

12.1 Additional Tax Matters.

(a) Any sales, use, purchase, transfer, franchise, deed, fixed asset, stamp, documentary stamp, use or other Taxes and recording charges which may be payable by reason of the sale of the Purchased Assets or the assumption of the Assumed Liabilities under this Agreement or the transactions contemplated hereby shall be borne and timely paid by the Purchaser as an Assumed Liability.

12.2 Allocation of Purchase Price. Prior to or as of the Closing Date, the Sellers shall provide to Purchaser the net book value of the tangible personal property constituting Purchased Assets (the “*Allocation*”). The Purchaser and the Sellers shall each report all taxes and other Tax consequences of the purchase and sale contemplated hereby in a manner consistent with the Allocation and neither will take any position inconsistent with the Allocation unless otherwise required under applicable Law.

ARTICLE XIII.

MISCELLANEOUS

13.1 Payment of Expenses. Except as otherwise provided in this Agreement, and whether or not the transactions contemplated hereby are consummated, Sellers and the Purchaser shall bear their own expenses incurred or to be incurred in connection with the negotiation and execution of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby.

13.2 Entire Agreement; Amendments and Waivers. This Agreement, together with the Confidentiality Agreement and the Ancillary Documents, represents the entire understanding and agreement between the Parties with respect to the subject matter hereof. This Agreement may be amended, supplemented or changed, and any provision hereof may be waived, only by written instrument making specific reference to this Agreement signed by the Party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including any investigation by or on behalf of any Party shall be deemed to constitute a waiver by the Party taking such action of compliance with any representation, warranty, condition, covenant or agreement contained herein. The waiver by any Party of a breach of any provision of this

Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by applicable Law.

13.3 Execution of Agreement; Counterparts; Electronic Signatures.

(a) This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument, and shall become effective when counterparts have been signed by each of the Parties and delivered to the other Parties; it being understood that all Parties need not sign the same counterparts.

(b) The exchange of copies of this Agreement and of signature pages by facsimile transmission (whether directly from one facsimile device to another by means of a dial-up connection or whether mediated by the worldwide web), by electronic mail in “portable document format” (“*pdf*”) form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, or by combination of such means, shall constitute effective execution and delivery of this Agreement as to the Parties and may be used in lieu of the original Agreement for all purposes. Signatures of the Parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

(c) Prior to the execution of this Agreement, Purchaser consents to the delivery of the final draft of this Agreement, with exhibits and schedules, by the Seller and the Seller Subsidiaries to Entropic in accordance with the obligations of Seller and the Seller Subsidiaries under the Entropic Agreement.

13.4 Governing Law. THIS AGREEMENT IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH FEDERAL BANKRUPTCY LAW, TO THE EXTENT APPLICABLE, AND WHERE STATE LAW IS IMPLICATED, THE LAWS OF THE STATE OF DELAWARE SHALL GOVERN, WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES THEREOF (EXCEPT FOR ANY LAWS OF THAT STATE WHICH WOULD RENDER SUCH CHOICE OF LAWS INEFFECTIVE), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

13.5 Jurisdiction, Waiver of Jury Trial.

(a) THE BANKRUPTCY COURT WILL HAVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN OR AMONG THE PARTIES, WHETHER AT LAW OR IN EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY AGREEMENT CONTEMPLATED HEREBY; PROVIDED, HOWEVER, THAT IF THE BANKRUPTCY COURT IS UNWILLING OR UNABLE TO HEAR ANY SUCH DISPUTE, THE COURTS OF THE STATE OF DELAWARE AND THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA LOCATED IN WILMINGTON, DELAWARE WILL HAVE SOLE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN OR AMONG THE PARTIES, WHETHER AT LAW OR IN EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY AGREEMENT CONTEMPLATED HEREBY.

(b) EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

13.6 Notices. Unless otherwise set forth herein, any notices, consents, waivers and other communications required or permitted by this Agreement shall be in writing and shall be deemed given to a Party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid), or (b) sent by facsimile or e-mail, in each case, if sent during the normal business hours of the recipient, with confirmation of transmission by the transmitting equipment confirmed with a copy delivered as provided in clause (a), in the case of each of clauses (a) and (b), to the following addresses, facsimile numbers or e-mail addresses and marked to the attention of the person (by name or title) designated below (or to such other address, facsimile number, e-mail address or person as a Party may designate by notice to the other Parties):

If to Sellers, to:

Trident Microsystems, Inc.
Address: 1170 Kifer Road
Sunnyvale, California 94086
Fax no.: (408) 991-9309
Attention: David L. Teichmann
E-mail address: David.Teichmann@tridentmicro.com

With a copy (which shall not constitute effective notice) to:

DLA Piper LLP (US)
Address: 550 South Hope Street Suite 2300
Los Angeles, California 90071
Fax no.: (213) 330-7701
Attention: Ann Lawrence
Richard A. Chesley
E-mail address: Ann.Lawrence@dlapiper.com
Richard.Chesley@dlapiper.com

If to the Purchaser, to:

Address: _____
Attention: _____
Fax no.: _____
E-mail address: _____

With a copy (which shall not constitute effective notice) to:

Sheppard, Mullin, Richter & Hampton LLP
Address: 379 Lytton Avenue
Palo Alto, California 94301-1479
Attention: Louis Lehot and Ori Katz
Fax no.: (650) 815-4653
E-mail address: llehot@sheppardmullin.com

okatz@sheppardmullin.com

13.7 Binding Effect; Assignment. This Agreement shall be binding upon the Purchaser and, subject to entry of the Sale Order, Sellers, and inure to the benefit of the Parties and their respective successors and permitted assigns, including any trustee or estate representative appointed in the Bankruptcy Case or any successor Chapter 7 case. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any Person or entity not a party to this Agreement except as provided below. No assignment of this Agreement or of any rights or obligations hereunder may be made by Sellers or the Purchaser (by operation of law or otherwise) without the prior written consent of the other Parties and any attempted assignment without such required consents shall be void.

13.8 Severability. Whenever possible, each provision or portion of any provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or portion of any provision in such jurisdiction and in lieu of such invalid, illegal or unenforceable provision or portion of any provision, there will be added automatically as a part of this Agreement a valid legal and enforceable provision as similar in terms to such invalid, illegal or unenforceable provision as may be possible.

13.9 Bulk Sales Laws. Each Party hereby waives compliance by the Parties with the “*bulk sales*,” “*bulk transfers*” or similar Laws and all other similar Laws in all applicable jurisdictions in respect of the transactions contemplated by this Agreement or any Ancillary Document. Pursuant to Section 363(f) of the Bankruptcy Code, the transfer of the Purchased Assets shall be free and clear of any and all liens (as defined in Section 101(37) of the Bankruptcy Code), claims (as defined in Section 101(5) of the Bankruptcy Code, including, without limitation, claims for successor liability under any theory of Law or equity), interests, or Encumbrances, in each case pursuant to Section 363(f) of the Bankruptcy Code, whether arising prior to or subsequent to the Petition Date, including any liens or claims arising out of the “bulk-transfer” Laws.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

TRIDENT MICROSYSTEMS, INC.:

By: _____
Name:
Title:

TRIDENT MICROSYSTEMS (FAR EAST) LTD.:

By: _____
Name:
Title:

CAMBRIDGE SILICON RADIO LIMITED:

By: _____
Name:
Title:

Exhibit A

BILL OF SALE

Exhibit B

ASSIGNMENT AND ASSUMPTION AGREEMENT

Exhibit C

IP ASSIGNMENT AND ASSUMPTION AGREEMENT

Exhibit D

ENTROPIC LICENSE AGREEMENT

Exhibit E

GERMAN EMPLOYEES RELEASE

Exhibit F

TRANSITION SERVICES AGREEMENT

Exhibit G

REVERSE TRANSITION SERVICES AGREEMENT

Exhibit H

ENTROPIC ASSIGNMENT AND ASSUMPTION AGREEMENT

Exhibit I

NON-COMPETITION AGREEMENT

Exhibit J

SALE ORDER

Exhibit 2
(Cure Schedule)

Assumed Executory Contracts:¹

COUNTERPARTY	AGREEMENT NAME	CURE AMOUNT
DTS Licensing Limited	Amendment to DTS Transcoder and Implementation License Agreement between DTS Licensing Limited and Trident Microsystems (Far East) Ltd Inc (Broadcast), effective June 29, 2009, by and between DTS Licensing Limited, Trident Microsystems (Far East) Ltd, and Trident Microsystems, Inc.	\$0.00
DTS Licensing Limited	DTS Licensing Limited HD Sell through License Agreement (Full Suite), effective May 19, 2010, by and between DTS Licensing Limited, Trident Microsystems (Far East), Ltd., and Trident Microsystems, Inc.	\$0.00
DTS Licensing Limited	DTS Surround Sensation Sell Through License Agreement, effective January 15, 2009, by and between DTS Licensing Limited, Trident Microsystems (Far East) Ltd., and Trident Microsystems, Inc.	\$0.00
DTS Licensing Limited	DTS Transcoder and Implementation License Agreement (Broadcast), effective December 9, 2008, by and between DTS Licensing Limited, Trident Microsystems (Far East) Ltd., and Trident Microsystems, Inc.	\$0.00

¹ Inclusion of an agreement on Exhibit 1 is not a statement or admission that such Assumed Executory Contract constitutes an “executory contract” as that term is used in section 365 of the Bankruptcy Code..

COUNTERPARTY	AGREEMENT NAME	CURE AMOUNT
Etron Technology Inc.	That certain agreement by and between Trident Microsystems (Taiwan), LTD. and Etron Technology Inc. memorialized in the Quotation dated 2/23/2012.	\$0.00
Faraday Technology Corporation	That certain License Agreement, dated June 3, 2008, by and between Trident Microsystems (Far East) Ltd. and Faraday Technology Corporation, as amended by that certain Amendment of License Agreement, dated July 9, 2009, by and between Trident Microsystems (Far East) Ltd. and Faraday Technology Corporation, and that certain Amendment of License Agreement, dated July 9, 2009, by and between Trident Microsystems (Far East) Ltd. and Faraday Technology Corporation.	\$407.00 [This is the combined cure amount for the two agreements to which Faraday Technology Corporation is a party.]
Faraday Technology Corporation	That certain Notice Letter, dated March 26, 2010, to Trident Microsystems (Far East) Ltd. from Faraday Technology Corporation.	\$407.00 [This is the combined cure amount for the two agreements to which Faraday Technology Corporation is a party.]
Nothing Else Matters Software, Ltd.	Development License Agreement between Trident Microsystems (Far East) Ltd. and Nothing Else Matters Software dated August 17, 2010	\$0.00
RoweBots ASIC	That certain RoweBots ASIC Commercial Source Code License Agreement effective as of March 15, 2011.	\$0.00

COUNTERPARTY	AGREEMENT NAME	CURE AMOUNT
RoweBots Research Inc.	That certain Professional Services Agreement dated March 15, 2011, by and between Trident Microsystems (Far East), Ltd. and RoweBots Research Inc.	\$0.00
RoweBots Research Inc.	That certain RoweBots Commercial Embedded Software Binary Distribution Agreement, dated March 15, 2011, by and between Trident Microsystems (Far East), Ltd. and RoweBots Research Inc.	\$0.00
RT-RK Computer Based Systems LLC	Mutual Confidentiality Agreement, dated December 15, 2009, by and between Trident Microsystems (Far East), Ltd. and RT-RK Computer Based Systems LLC.	\$0.00
RT-RK d.o.o.	That certain Professional Services Agreement entered into by and between Trident Microsystems (Far East), Ltd, and RT-RK d.o.o. dated as of October 15, 2010, and any and all agreements currently in effect related thereto.	\$0.00
Siliconware Precision Industries Co., Ltd.	That certain agreement by and between Siliconware Precision Industries Co., Ltd. and Trident Microsystems Far East, as memorialized in the letter agreement date February 13, 2012.	\$0.00