

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

CONEXANT SYSTEMS, INC., *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 13-10367 (MFW)
)
)
) Jointly Administered
)
) Related to Docket No. 109

**DEBTORS' MOTION TO SHORTEN NOTICE WITH RESPECT
TO DEBTORS' MOTION FOR ENTRY OF AN ORDER AUTHORIZING
THE REJECTION OF THEIR CORPORATE HEADQUARTERS LEASE**

Conexant Systems, Inc. and its debtor affiliates, as debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "*Debtors*"),² respectfully represent:

Jurisdiction

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The bases for the relief requested herein are section 105 of title 11 of the United States Code (the "*Bankruptcy Code*"), Rules 2002 and 9006 of the Federal Rules of Bankruptcy Procedure (the "*Bankruptcy Rules*"), and Rule 9006 of the Local Rules of Bankruptcy Practice

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Conexant Systems, Inc. (9439); Conexant CF, LLC (6434); Brooktree Broadband Holding, Inc. (5436); Conexant, Inc. (8218); and Conexant Systems Worldwide, Inc. (0601). The Debtors' main corporate address is 4000 MacArthur Blvd., Newport Beach, California 92660.

² A detailed description of the Debtors and their businesses, and the facts and circumstances supporting this motion and the Debtors' chapter 11 cases, are set forth in greater detail in the Declaration of Sailesh Chittipeddi, President and CEO of Conexant Systems, Inc., in Support of First Day Pleadings (the "*First Day Declaration*"), filed contemporaneously with the Debtors' voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "*Bankruptcy Code*"), on February 28, 2013 (the "*Petition Date*").

and Procedure of the United States Bankruptcy Court for the District of Delaware (the “*Local Rules*”).

Relief Requested

3. The Debtors seek entry of an order, substantially in the form attached hereto as **Exhibit A** (the “*Order*”), shortening the notice period pursuant to Bankruptcy Rules 2002 and 9006 and Local Rule 9006-1(e) with respect to *Debtors’ Motion for Entry of an Order Authorizing the Rejection of Their Corporate Headquarters Lease* (the “*Lease Rejection Motion*”), contemporaneously filed herewith, to allow the Lease Rejection Motion to be heard at the omnibus hearing scheduled for April 10, 2013 at 11:30 a.m.

Basis for Relief

4. As described in more detail in the Lease Rejection Motion, contemporaneously herewith, the Debtors have filed a motion seeking entry of an order, pursuant to section 365(a) of the Bankruptcy Code, authorizing the rejection of their corporate headquarters lease located at 4000 MacArthur Blvd in Newport Beach, California, and all associated subleases (collectively, the “*Corporate Headquarters Lease*,” identified on **Exhibit 1** to **Exhibit A**, attached to the Lease Rejection Motion).³ An expeditious hearing on the Lease Rejection Motion is crucial to avoid the mounting monthly administrative expenses for underutilized space associated with the Debtors’ Corporate Headquarters Lease and allow the Debtors to relocate to a new location that better fits their operational needs.

5. Before the Petition Date, with the assistance of their advisors, the Debtors began the process of reviewing and analyzing their real estate portfolio to identify leases that are

³ To the extent that a conflict exists or arises between Kirkland & Ellis LLP and a counterparty to the Corporate Headquarters Lease, the Debtors’ conflicts counsel, Klehr Harrison Harvey Branzburg LLP will represent the Debtors in connection with such conflict. Kirkland & Ellis LLP has not, to date, identified any such conflict.

burdensome to their estates and should be rejected pursuant to section 365 of the Bankruptcy Code. As discussed in more detail in the First Day Declaration, the Debtors have divested certain of their business segments, resulting in a significant reduction of their workforce and leaving the Debtors with an excessive real estate lease portfolio.⁴

6. In an effort to reduce the ongoing cash drain from the unoccupied space, the Debtors entered into 16 separate subleases for various parts of the facilities. Despite the Debtors' best efforts to produce income-producing or break-even subleases, the above-market rates of the original lease — combined with structural and use limitations — have limited the Debtors' sublease income to approximately \$1.6 million per year (resulting in an annual net loss of approximately \$2.3 million under the Corporate Headquarters Lease).

7. Over the past several months, the Debtors have been engaged in ongoing negotiations with the landlord for the Corporate Headquarters Lease in an effort to reach an agreement for an appropriate amount of space. While recognizing the administrative convenience of remaining at their current location, the Debtors occupy only 45,000 square feet of the 180,000 square foot space covered by their Corporate Headquarters Lease. Despite the Debtors' best efforts to renegotiate their Corporate Headquarters Lease to better accommodate their current business needs, the Debtors and their advisors have determined that it is in the Debtors' best interest to reject the Corporate Headquarters Lease and relocate as soon as practicable.

8. At the same time, and as explained in the *Debtors' Motion for Entry of an Order Authorizing Conexant Systems, Inc. to Enter Into a (I) New Real Property Lease for the Debtors'*

⁴ On February 28, 2013, the Debtors, with the guidance of their advisors, filed *Debtors' Motion For Entry Of An Order Authorizing The Rejection of Certain Unexpired Leases, Effective Nunc Pro Tunc To The Petition Date* [Docket No. 18] (the "**First Lease Rejection Motion**"). The hearing on the First Lease Rejection Motion is scheduled for April 10, 2013 at 11:30 a.m.

Corporate Headquarters and (II) Letter of Credit with U.S. Bank Related Thereto (the “*New Headquarters Lease*”), filed contemporaneously herewith, the Debtors have actively explored other alternatives that would be more cost-effective and accommodating to the Debtors’ needs. After much back-and-forth, the Debtors determined, on March 26, 2013, that the New Headquarters Lease provides access to a facility that better suits the Debtors’ existing operations at a rate that is significantly lower on a per-square-foot basis than what is available at the Debtors’ existing corporate headquarters.

9. In an effort to achieve a relocation in a quick and cost-efficient manner, the Debtors seek to have the Lease Rejection Motion heard on shortened notice and at the same time as the New Lease Motion. If the Debtors are unable to accomplish the relocation quickly, they run the risk of incurring significant cost for leased space they are unable to utilize. The Debtors will be unable to commence relocation activities until the approval of their entry into the New Headquarters Lease and the approval of the rejection of the existing Corporate Headquarters Lease. Hearing the Lease Rejection Motion on the April 10, 2013 hearing, as opposed to the following month, will accelerate this process and may provide administrative savings to the Debtors’ estates. Through entry into the New Headquarters Lease, the Debtors will be able to recognize significant go-forward cost savings — approximately \$2.8 million per year in rental expense as compared to their current corporate headquarters lease — and in a space that is adequately sized and suited for the Debtors’ needs.

10. The Debtors believe that the relief sought in the lease motion will secure significant cost savings to the Debtors’ estates and such savings outweighs the burden to any party.

Supporting Authority

11. Bankruptcy Rules 2002(a)(2) and 9006(f) and Local Rule 9006-1 require that all motion papers be filed and served at least 21 days before a hearing date scheduled for such motion, served by U.S. mail, with an additional three days for service by mail, **unless approval of shortened notice** is granted by the Court pursuant to Bankruptcy Rule 9006(c) and Local Rule 9006-1(e).

12. The Debtors submit that cause exists pursuant to Bankruptcy Rule 9006(c)(1) and Local Rule 9006-1(e) to shorten the notice periods for the Lease Rejection Motion as requested herein. For the reasons set forth above and as described in the Lease Rejection Motion, the Debtors believe that rejecting the Corporate Headquarters Lease represents sound business judgment and is in the best interests of the Debtors' estates and creditors. Moreover, the Debtors submit that the benefit to the estates of limiting administrative expenses and limiting the distraction associated with the uncertainty regarding the Debtors headquarters outweighs the hard to any party in these cases.

Notice

13. The Debtors have provided notice of this motion via overnight mail to: (a) the Office of the United States Trustee for the District of Delaware; (b) counsel to the Official Committee of Unsecured Creditors; (c) counsel to the agents for the Debtors' proposed debtor in possession lenders; (d) counsel to the agent for the Debtors' prepetition secured notes; (e) counsel to the lender for the Debtors' prepetition secured notes; (f) counsel to each of the prepetition equity holders; (g) the Delaware Secretary of State; (h) the Delaware Secretary of Treasury; (i) the Delaware State Attorney General; (j) the Office of the United States Attorney General for the State of Delaware; (k) the Internal Revenue Service; (l) the Securities and Exchange Commission and (m) any counterparty to the leases or subleases subject to the Lease

Rejection Motion. In light of the nature of the relief requested in this motion, the Debtors respectfully submit that no further notice is necessary.

No Prior Request

14. No prior motion for the relief requested herein has been made to this or any other court.

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WHEREFORE, for the reasons set forth herein, the Debtors respectfully request that the Court enter an order, substantially in the form attached hereto as **Exhibit A**, (a) shortening the notice pursuant to Bankruptcy Rules 2002 and 9006 and Local Rule 9006-1(e) with respect to *Debtors' Motion for Entry of an Order Authorizing the Rejection of Their Corporate Headquarters Lease*, contemporaneously filed herewith to allow such motion to be heard at the omnibus hearing scheduled for April 10, 2013 and (b) granting such other and further relief as may be appropriate.

Dated: March 28, 2013
Wilmington, Delaware

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