

**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)

Hearing Date: June 4, 2013 at 10:30 a.m.

Objection Deadline: May 23, 2013 at 4:00 p.m.

RE: D.I. 206, 241

**LIMITED OBJECTION OF COMERICA BANK TO
CONFIRMATION OF PLAN OF REORGANIZATION**

Comerica Bank, a Texas banking association ("Comerica" or the "Bank"), by and through its undersigned counsel, hereby files this limited objection (the "Limited Objection") to confirmation of the Second Modified Joint Plan of Reorganization of Conexant Systems, Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code (the "Plan") and respectfully states as follows:

BACKGROUND

1. Prior to the Petition Date, Comerica and the Debtor Conexant Systems, Inc. entered into several letter of credit and pledge agreements pursuant to which Comerica issued five (5) Letters of Credit on behalf of the Debtor to five (5) Beneficiaries.

2. To secure its obligation to reimburse Comerica for draws under the Letters of Credit, the Debtor granted Comerica a first priority security interest in that certain Business Money Market Account No. 1851-480234 held at Comerica (the "Account"). Comerica maintains the Account. As of the Petition Date, the Account had a balance of \$4,173,584.08.

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); Brooktree Broadband Holding, Inc. (5436); Conexant, Inc. (8218); Conexant Systems Worldwide, Inc. (0601); Conexant CF, LLC (6434).

3. On March 20, 2013, Comerica filed its Motion For Relief From the Automatic Stay [D.I. 98] (the “Stay Relief Motion”) to allow it to reimburse itself from the Account with respect to any draws on the Letters of Credit and any fees and expenses relating to the facility.² As of the Petition Date, the undrawn amount of the Letters of Credit totaled \$4,145,083.75.

4. Since the Petition Date, two (2) of the Beneficiaries have drawn down on their respective Letters of Credit in the total amount of \$1,121,135.51. On March 6, 2013, NAEH Scranton Road, LLC c/o GBAM, Inc. drew down on the Scranton Road Letter of Credit in the amount of \$1,033,777.36, which was paid by Comerica post-petition. On March 12, 2013, San Diego Gas & Electric Company drew down on the San Diego Gas & Electric Letter of Credit in the amount of \$87,358.15, which was paid by Comerica post-petition.

5. Upon a proper draw request by any of the Beneficiaries, Comerica is obligated to pay to the Beneficiary the face amount as stated in the Letter of Credit. The Bank anticipates that the Beneficiaries will make further draws. In addition to the reimbursement obligations owed to Comerica in connection with funds drawn by the Beneficiaries, the Debtor is required to pay Comerica interest, fees, costs and expenses, including reasonable attorneys’ fees, incurred in connection with the facility.

6. On April 11, 2013, the Court entered the Consent Order Granting Motion of Comerica Bank for Relief From Stay [D.I. 166] (the “Stay Relief Order”). Pursuant to the Stay Relief Order, Comerica obtained relief from the automatic stay to (i) reimburse itself from funds in the Account with respect to any draws on Letters of Credit nos. 615453, 635577, 644789, 595628 and 650154; and (ii) pay or reimburse itself, from funds in the Account, any fees and

² Comerica incorporates the Stay Relief Motion herein by reference. Capitalized terms not defined herein have the meanings ascribed to them in the Stay Relief Motion.

expenses that Comerica is entitled to from the Debtors under the Agreements, including interest and legal fees and expenses.

LIMITED OBJECTION

7. Comerica files this Limited Objection to confirmation of the Plan out of an abundance of caution, so as to preserve the relief granted to it under the Stay Relief Order. In other words, nothing in the Plan, any order confirming the Plan, should (i) diminish or in any way impair the reimbursement rights of Comerica as described in paragraph 6 above and the Comerica Stay Relief Order, nor (ii) grant a lien to anyone a lien on the Account that is *pari passu* with or senior to, the interests of Comerica in the Account. Comerica's rights to set-off and recoupment should be preserved.

8. It is unclear from Term Sheet of the New Working Capital First Lien Credit Facility provided in Plan Supplement whether the Companies are granting a first priority lien on the Account. This could impair the rights of Comerica to reimburse itself from the Account.

9. In keeping with the terms of the Stay Relief Order, to the extent letters of credit nos. 615453, 635577, 644789, 595628 and 650154 are surrendered, expire or are otherwise terminated without being properly drawn in accordance with their terms, Comerica shall promptly thereafter return to the Debtor any funds remaining in the Comerica Account that corresponds to such letter of credit after the reimbursement.

10. Counsel to Comerica has sent counsel to the Debtors and counsel to the Secured Lender proposed language to be included in the confirmation order, and is hopeful that this matter will be resolved.

11. Comerica reserves its rights to (a) amend this Limited Objection, (b) make any other argument at the confirmation hearing and (c) request such other relief as necessary.

CONCLUSION

WHEREFORE, Comerica respectfully requests that any order approving the Plan includes clarifying language that (i) preserves Comerica's rights under the Stay Relief Order, (ii) preserves Comerica's right to setoff (iii) no entity will be granted a lien senior to or *pari passu* with Comerica's lien on the Account (iv) grant such other and further relief in favor of Comerica as the Court may deem just and proper.

Dated: May 23, 2013

BUCHANAN INGERSOLL & ROONEY PC

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