Exhibit C

Hassel Declaration

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
CONEXANT SYSTEMS, INC., *et al.*,[1]	)	Case No. 13-10367 ( )
Debtors.	)	Joint Administration Requested

DECLARATION OF SHAWN HASSEL IN SUPPORT OF THE DEBTORS' MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS AUTHORIZING THE DEBTORS TO PAY PREPETITION CLAIMS OF CERTAIN FOREIGN VENDORS AND LIEN CLAIMANTS

Pursuant to 28 U.S.C. § 1746, I, Shawn Hassel, hereby declare as follows under penalty of perjury:

1. I submit this declaration in support of the motion of Conexant Systems, Inc. its debtor affiliates (collectively, the "***Debtors***") for entry of an interim order (the "***Interim Order***") and a final order (the "***Final Order***"), authorizing, but not directing, the Debtors to pay or honor prepetition obligations of certain foreign vendors and lien claimants (the "***Motion***").[2] Except as otherwise noted herein, the facts set forth in this Declaration are based upon my personal knowledge, upon information and belief or upon information that was reviewed by me, employees of Alvarez & Marsal North America, LLC and Alvarez and Marsal Securities, LLC (collectively, "***A&M***") under my general supervision and direction, or employees of the Debtors.

2. Pursuant to the Motion, the Debtors seek permission to pay, outstanding

[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). The Debtors' main corporate address is 4000 MacArthur Blvd., Newport Beach, California 92660.

[2] All capitalized terms used and not otherwise defined herein shall have the meaning ascribed to them in the Motion.

prepetition amounts to certain vendors and suppliers located outside of the United States and its territories that, in the Debtors' business judgment, are critical to the Debtors' business operations or may discontinue providing goods and services absent payment of their prepetition claims (collectively, the "***Foreign Vendors,***" and the claims of Foreign Vendors, whether unsecured or administrative, the "***Foreign Vendor Claims***"). To ensure that the Debtors maintain access to key goods and services during these chapter 11 cases, the Debtors seek authority to remit payment on account of the Foreign Vendor Claims in an amount up to $4.5 million within 21-days from the Petition Date. Pursuant to the Final Order, the Debtors seek the authority, but not the direction, to pay Foreign Vendor Claims in an amount up to $5.6 million.

3. Additionally, the Debtors seek permission to pay, subject to the terms of the Interim Order, the Final Order and the Procurement Policy, outstanding prepetition amounts to both foreign and domestic third-party carriers who are in possession of the Debtors' property as of the Petition Date (collectively, the "***Lien Claimants,***" and the claims of Lien Claimants, the "***Lien Claims***"). Because the Debtors will face substantial harm if the Lien Claimants move to assert their lien rights or fail to release the goods in their possession, the Debtors seek authority on an interim and final basis to remit payment to Lien Claimants up to an aggregate of $55,000.

4. As explained herein:

- With the help of A&M and their other professionals, the Debtors have followed a comprehensive and thoughtful process to identify potential Foreign Vendors and Lien Claimants and appropriately size the amount of the relief requested.
- The Debtors will use commercially reasonable efforts to obtain agreement from Foreign Vendors and Lien Claimants to provide goods and/or services on customary trade terms (the "***Customary Trade Terms***") in accordance with a procurement policy (the "***Procurement Policy***").
- I believe that the Debtors' ability to ensure the Foreign Vendors and Lien Claimants continue to provide goods and services is vital to the success of their businesses and overall restructuring efforts.

5. I believe that payment of the Foreign Vendor Claims and Lien Claims as

described herein will be necessary to preserve operations and successfully reorganize. The need for the flexibility to pay such claims is particularly acute in the period immediately following the Petition Date. During this period, the Debtors and their advisors will be focusing on stabilizing operations and pursuing confirmation of a plan of reorganization as expeditiously as possible. At the same time, Foreign Vendors and Lien Claimants may attempt to assert their considerable leverage and stop providing goods and services, suddenly and without notice, potentially crippling operations. I firmly believe that any occurrence affecting operations could prolong the Debtors' chapter 11 cases, increase administrative expenses and jeopardize their reorganization.

Professional Background

6. I am a Managing Director of Alvarez and Marsal North America, LLC and manage its Phoenix office. I have nearly eighteen (18) years of restructuring and financial advisory experience. During my career, I have been involved in numerous out-of-court and chapter 11 restructurings involving public and private companies. I have been involved in all aspects of the reorganization process and have acted, among other roles, as Chief Restructuring Officer, Chief Operating Officer and Chief Financial Officer. My experience includes developing and negotiating complex capital structure solutions, formulating and evaluating strategic business plans, developing and implementing short-term turnaround strategies and helping companies mitigate crisis situations to manage their return to corporate viability. My notable engagements include William Lyon and Shea (market-leading homebuilders), Leiner Health Products (a leading vitamin manufacturer), as well as cases related to the semiconductor industry, including Vitesse Semiconductor, in which I served as the Chief Restructuring Officer and Chief Financial Officer and Read-Rite Corporation, which involved debt and equity financings, mergers & acquisitions, and restructurings.

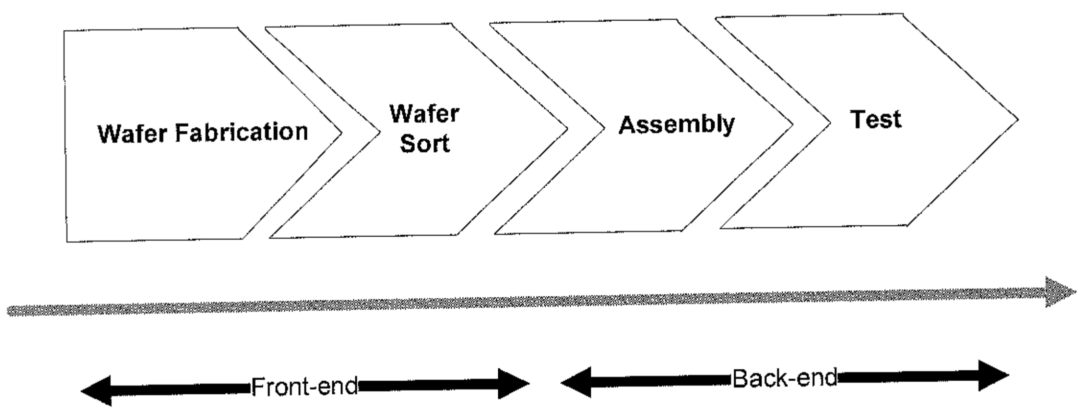
7. In September 2012, the Debtors engaged A&M to act as their advisor in

connection with the Debtors' restructuring initiatives.[3] Since last September, I have worked with Debtors' management and other professionals retained by the Debtors. In that process, we have become well-acquainted with the Debtors' capital structure and business operations.

Overview of the Debtors' Supply Chain and Relationship with Foreign Vendors

8. The Debtors design, develop and sell semiconductor system solutions, comprised of semiconductor devices, software and reference designs for imaging, audio, embedded-modem and video application. The Debtors are a leading "fabless" semiconductor company, meaning that the Debtors outsource the fabrication of their semiconductors to third parties. This structure allows the Debtors to focus on the design, development and marketing of their products. While this business structure has greatly contributed to the Debtors' cutting-edge innovations, it leaves the Debtors particularly vulnerable to disruptions in their supply chain.

9. More specifically, the Debtors' supply chain is primarily located overseas and consists of various foundries – specialized manufacturers – that fabricate the Debtors' products. Typically, the Debtors' products are manufactured as follows:



- *Wafer Fabrication*: The Debtors receive a number of bids from foundries to fabricate wafers – slices of semiconductor material that serve as the foundation that circuits are deposited on. The Debtors select a wafer foundry and then qualify such party to produce their wafers in an

[3] Contemporaneously herewith, the Debtors have filed that certain *Application for Entry of an Order Authorizing the Employment and Retention of Alvarez & Marsal North America, LLC as Restructuring Advisor and Financial Advisor to the Debtors Nunc Pro Tunc to the Petition Date.*

extensive process that takes seven to eight months. Once a wafer foundry has been qualified, the Debtors seek customer sign-off on the foundry selection. These wafer foundries, once fully vetted by the Debtors and their customers, create integrated circuits on raw wafers using photolithography – a process that uses light to transfer the desired circuit pattern onto wafers through "masks" (opaque plates with transparencies that allow light to shine through, which are designed by the Debtors and manufactured by third parties).

- *Wafer Sort and Probe*: A third party vendor tests the individual circuits on the fabbed wafers (also called die) and determines the die bank (*i.e.*, the inventory of good die). Circuits are typically stored in die bank form until a customer order is received. The process of wafer fabrication and sorting is considered front-end manufacturing.

- *Assembly*: Once a customer order is received, the back-end manufacturing process begins. At this stage, the die bank are assembled into packages by qualified third party vendors. Any change in a vendor at this stage requires not only that the Debtors qualify a new vendor in a process that takes three to four months, but the issuance of a product change notice to the Debtors' customers.

- *Test*: Finished packages are tested by third party vendors, and, if the packages meet specifications, they are sent directly to the Debtors' customers. A change at this stage requires the Debtors qualify a new vendor in a process that takes sixe to eight weeks, and the issuance of a product change notice.

Notably, the Debtors do not take possession of the semiconductors at any point during the manufacturing process.

10. The Debtors' manufacturing process is complex and is viable only if the Debtors' vendors and suppliers have been qualified by both the Debtors and their customers. Any change in the Debtors' supply chain will result in material delays that will have a significant impact the Debtors' ability to operate their business.

11. The Debtors regularly transact business with Foreign Vendors in Taiwan, Korea, Singapore, China, the Philippines and Malaysia. Foreign suppliers often have confused and guarded reactions to the U.S. bankruptcy process. For example, many of these entities are unfamiliar (or uncomfortable) with the unique debtor-in-possession mechanism that is at the

heart of chapter 11. A debtor seeking to explain the chapter 11 process to a foreign vendor and convince that foreign vendor – particularly one unfamiliar with chapter 11 – to continue shipments post-petition is often greeted with a high degree of skepticism and mistrust. And there is a significant risk that the nonpayment of even a single invoice could cause a Foreign Vendor to sever its business relationship with the Debtors. Nonpayment of prepetition claims may cause Foreign Vendors to utilize extreme caution and adopt a wait-and-see attitude in approaching the unfamiliar territory of chapter 11, resulting in costly delays in the shipment of goods. The Debtors can ill afford delays of this nature.

12. In short, the vendors identified as Foreign Vendors supply goods and services that are vital to the Debtors' business operations. I believe that the authority to pay the Foreign Vendors Claims up to the maximum amount set forth herein will be necessary to preserve operations and successfully reorganize the Debtors. The need for the flexibility to pay such claims is particularly acute in the period immediately following the Petition Date. At this juncture, the Debtors and their advisors, including A&M, will be focusing on stabilizing operations and moving quickly to secure their plan of reorganization. At the same time, Foreign Vendors may attempt to assert their considerable leverage and stop providing goods and services, suddenly and without notice, potentially crippling the Debtors' manufacturing process. Any occurrence affecting operations could prolong the Debtors' chapter 11 cases, increase administrative expenses and jeopardize their reorganization.

<u>The Lien Claimants</u>

13. The Debtors require the delivery of goods on a regular basis for the production and distribution of their finished products throughout the world. The Debtors' business operations rely on their ability to distribute finished goods in a timely fashion. To maintain their operations and efficiently transport products, the Debtors employ an extensive distribution

network that uses both foreign and domestic third-party carriers who are in current possession of the Debtors' property as of the Petition Date. It is my understanding that these carriers will, in certain circumstances, have a lien on the goods in their possession that secures the charges or expenses incurred in connection with the transportation of the goods. If the Lien Claimants' claims are not satisfied, they may refuse to release the Debtors' property, thereby disrupting the Debtors' product flow and operations.

14. The Lien Claimants fall into the following general categories:

- *Shippers*: The Debtors' distribution network depends upon the use of reputable domestic and foreign common carriers, truckers, rail carriers, barge owners and dockers (collectively, the "***Shippers***") to deliver goods to the Debtors' production facilities and distribute products to the Debtors' customers. The services provided by the Shippers are essential to the Debtors' daily operations. At any given time, there are numerous shipments of products at various points in production or to the Debtors' customers. Thus, it is a certainty that some of the Shippers are currently in possession of the Debtors' property. The delivery of these goods is vital to maintaining the Debtors' operations during their transition into, and ultimately their emergence from, chapter 11. If the Debtors do not pay the prepetition, ordinary course obligations owed to these Shippers, the Shippers may refuse to deliver or release such property, thereby disrupting the Debtors' business operations.

- *Warehousemen*: The Debtors store products at facilities owned by other parties (the "***Warehousemen***"). In the event that the Debtors fail to remit payment owed to the Warehousemen before the Petition Date, the Warehousemen may refuse to release the goods they retain pending satisfaction of all or a portion of their claims, thereby disrupting the Debtors' operations.

- *Processors*: The Debtors also rely on third-party processors to manufacture or finish goods according to the Debtors' detailed specifications (the "***Processors***"). At any given time, the Processors may be performing services on, and therefore be in possession of, the Debtors' works in process and finished goods. Accordingly, the Debtors' failure to satisfy payment obligations to the Processors would result in the Processors' refusal to return the Debtors' goods, thereby disrupting the Debtors' business operations.

<u>The Debtors' Identification of Foreign Vendors and Lien Claimants</u>

15. The identification of the potential Foreign Vendors and Lien Claimants has been

the culmination of a detailed review of the Debtors' business operations and trade creditor base. The Debtors, together with their advisors (including A&M), spent more than two months before the Petition Date reviewing and analyzing their books and records, and consulting operations management and personnel in each of their business divisions, to identify certain critical business relationships, the disruption of which would impair the Debtors' ability to continue as a going concern. As part of this process, the Debtors and their professionals rigorously scrutinized their open accounts and approximately trade payables and considered a variety of factors to identify creditors that potentially could be designated as Foreign Vendors and Lien Claimants, including the following:

a. whether there would be a disruption to the Debtors' business associated with a long lead time in finding a replacement vendor that could meet the Debtors' needs;

b. whether the vendor is an integral part of the Debtors' well-established, coordinated production and supply process;

c. whether a particular vendor is a "sole source" vendor;

d. whether there are alternative vendors who could provide similar goods or services on better (or equal) terms and price;

e. whether certain quality and customer specifications would prevent the Debtors from obtaining a vendor's products or services from alternative sources;

f. whether the Debtors have sufficient inventory to continue operations while a replacement vendor, if any, could be located;

g. whether the failure to pay amounts owed would cause the Debtors to incur higher costs or cause the Debtors to lose significant sales or profit margin;

h. whether an agreement exists that would compel the vendor to maintain its commercial relationship with the Debtors and, if so, whether the enforcement thereof could be accomplished in a timely and cost-efficient manner without unduly disrupting the Debtors' business;

i. whether the goods or materials supplied by the vendor are in short capacity and, thus, whether the vendor in question is vital to the

Debtors' ability to obtain sufficient quantities of the goods or materials necessary for production;

j. whether a vendor operates outside the domestic United States such that it may be less likely to continue to work with the Debtors during the chapter 11 cases;

k. whether a vendor will have a lien on the Debtors' goods in their possession that secured the charges or expenses incurred in connection with the transportation of the goods;

l. whether a vendor satisfying the foregoing criteria is able or likely to refuse to ship products to the Debtors postpetition in the event that its prepetition balances are not paid; and

m. whether a vendor meeting the foregoing criteria might face liquidity constraints in the event its prepetition balances are not paid within a short period of time after the Petition Date.

16. At the core of this analysis is the Debtors' need to maintain a seamless and well-coordinated supply and production chain postpetition. Crucial to the Debtors' supply chain are the Debtors' strategic partnerships with existing third-party vendors and suppliers that provide the Debtors with goods and services. The Debtors' manufacturing process is complex and is viable only if the Debtors' vendors and suppliers have been qualified by both the Debtors and their customers. Any change in the Debtors' supply chain, which is primarily located overseas, disrupts the careful coordination contemplated with each production line and will materially impact the Debtors' ability to operate their business.

17. Importantly, the Debtors did not include in the classification of potential Foreign Vendors and Lien Claimants those parties who are subject to a prepetition contract because those counterparties are compelled to perform after the Petition Date.

<u>The Debtors' Proposed Procurement Policy</u>

18. The Debtors seek authority to pay prepetition claims of Foreign Vendors and Lien Claimants solely to the extent that such payments are necessary on a postpetition basis to ensure that a particular vendor continues to provide necessary goods and services to the Debtors, up to a

maximum of $4.5 million to Foreign Vendors pursuant to the Interim Order and $5.6 million to Foreign Vendors pursuant to the Final Order and up to a maximum of $55,000 to Lien Claimants.

19. To further ensure that the Debtors' business operations will be minimally impacted during these chapter 11 cases, the Debtors will use commercially reasonable efforts to obtain agreement from Foreign Vendors and Lien Claimants to provide goods and/or services on Customary Trade Terms in accordance with the Procurement Policy annexed as **Exhibit 1** to **Exhibit A** attached to the Motion. The Debtors will endeavor to ensure that the Customary Trade Terms will be no less favorable than those trade terms provided by each Foreign Vendor and Lien Claimant to the Debtors as of the Petition Date.

20. The Debtors have also incorporated a mechanism to provide information regarding actual Foreign Vendor and Lien Claimant payments on a confidential basis to the United States Trustee for the District of Delaware. The Debtors believe this measured process further justifies the relief requested herein, and will help ensure that the relief sought in the Interim Order and the Final Order maximizes the value of the Debtors' estates for all stakeholders.

21. In sum, payment of Foreign Vendor Claims and Lien Claims is essential to continue the uninterrupted supply of goods and services on Customary Trade Terms that directly affect the viability of the Debtors' ongoing day-to-day operations. Indeed, the Debtors only seek to pay the claims of Foreign Vendors and Lien Claimants where non-payment would likely lead to the interruption of the delivery of goods and services or would seriously disrupt the Debtors' operations.

22. I am informed that the Debtors have sufficient availability of funds to pay the amounts described herein in the ordinary course of business by virtue of cash reserves, expected

cash flows from ongoing business operations and anticipated access to debtor in possession financing. Also, under the Debtors' existing cash management system, I understand that checks or wire transfer requests can be readily identified as relating to an authorized payment made to a Foreign Vendor or Lien Claimant. Accordingly, I understand that checks or wire transfer requests, other than those relating to authorized payments, will not be honored inadvertently and that all applicable financial institutions should be authorized, when requested by the Debtors, to receive, process, honor and pay any and all checks or wire transfer requests with respect to the Foreign Vendor Claims and Lien Claims.

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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed on: February 28, 2013

By:
/s/ Shawn Hassel
Shawn Hassel
Managing Director
Alvarez & Marsal North America, LLC