IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 7
	)	
LG.PHILIPS DISPLAYS, USA, INC.,	)	Case No. 06-10245 (BLS)
	)	
Debtor.	)	**RE: Docket Nos. 414 and 411**
	)	

LIMITED OBJECTION TO (I) THE NON-APPROVED PROVISIONS OF THE AGREEMENT BY AND BETWEEN JEOFFREY L. BURTCH, CHAPTER 7 TRUSTEE FOR THE BANKRUPTCY ESTATE OF LG.PHILIPS DISPLAYS, USA, INC. AND PATRICK T. CANAVAN AND (II) THE RENEWED MOTION OF PEPPER HAMILTON, AS ESCROW AGENT, FOR DISPOSITION OF REMAINING ESCROWED FUNDS

JPMorgan Chase Bank, N.A., Hong Kong Branch (the "Security Agent"), as agent and security agent for itself and on behalf of certain lenders (the "Pre-Petition Secured Lenders"), by and through its undersigned counsel, hereby submits this Limited Objection (the "Limited Objection") to (I) the Non-Approved Provisions of the Agreement By and Between Jeoffrey L. Burtch, the Chapter 7 Trustee for the Bankruptcy Estate of LG.Philips Displays, USA, Inc. and Patrick T. Canavan (the "Canavan Settlement Agreement")[1] and (II) the Renewed Motion of Pepper Hamilton, as Escrow Agent, for Disposition of Remaining Escrowed Funds (the "Escrow Agent Motion") and respectfully represents as follows:

PRELIMINARY STATEMENT

The Security Agent objects to the Trustee's use of its cash collateral without consent to fund payments, including to Patrick Canavan,[2] in excess of the amounts authorized under the severance program previously approved by the Court and agreed to by the Security Agent. The Trustee's proposed use of additional funds to compensate Canavan in exchange for his assistance

[1] Any capitalized term not defined herein shall have the meaning ascribed to such term as in the Canavan Settlement Agreement.

[2] Mr. Canavan is the former president of the Debtor and served as the Debtor's director of sales for North and South America.

with the Trustee's Investigation is not authorized under any prior order of this Court, and, in fact, directly violates the Court-approved stipulation between the Security Agent and the Trustee governing the Trustee's use of cash collateral in connection with his Investigation.

The Security Agent further objects to the provision in the Canavan Settlement Agreement declaring that all communications between the Trustee and Canavan are subject to attorney-client privilege. The existence of an attorney-client privilege is a question of fact and may not be invoked by an agreement between parties who may wish to assert such privilege at a future date.

Finally, the Security Agent objects to the relief sought in the Escrow Agent Motion to the extent that Pepper Hamilton LLP (the "Escrow Agent") seeks to turnover certain excess Collateral (as that term is defined below in paragraph 2) held in escrow to the Trustee. Funds held in escrow that are not being used to pay the obligations for which they originally were placed in escrow, should either be returned to the Security Agent, or, with respect to funds earmarked for withholding taxes, should be returned to the Trustee, subject to the Security Agent's rights to such Collateral as set forth in prior orders of the Court.

BACKGROUND

1. On March 15, 2006 (the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, as amended, (the "Bankruptcy Code").

2. The Debtor and its affiliates are jointly obligated on approximately $578 million in indebtedness owed to the Pre-Petition Secured Lenders. This indebtedness is secured by a lien on substantially all of the Debtor's assets including, but not limited to, inventory, accounts receivable, cash and the Debtor's outstanding stock (collectively, the "Collateral").

3. On the Petition Date, the Debtor filed the Debtor's Motion for Order (I) Authorizing Use of Cash Collateral; (II) Granting of Adequate Protection; (III) Scheduling a Final Hearing; and (IV) Granting Related Relief.

4. On March 17, 2006, the Court entered the Interim Order Authorizing Debtor's Limited Use of Cash Collateral Pursuant to 11 U.S.C. § 363, Granting Replacement Liens, Adequate Protection and Superpriority Administrative Expense Claims to Certain Pre-petition Secured Parties (the "Interim Order").

5. On April 19, 2006, the Court approved an agreement between the Debtor and Canavan (the "Original Canavan Agreement"), whereby the Debtor retained Canavan as an independent contractor to perform certain services for the Debtor in connection with its bankruptcy case.[3]

6. The services to be performed by Canavan under the Original Canavan Agreement included assisting the Debtor in the sale of all or substantially all of its assets, negotiating agreements with the Debtor's customers, providing information on inter-company relationships and otherwise assisting the Debtor and its legal and financial advisors and investment bankers (collectively, and as more fully set forth in the Canavan Settlement Agreement, the "Services"). In exchange for the performance of these Services, the Debtor agreed to reimburse Canavan's out-of-pocket expenses incurred in providing such services and to make the following payments to Canavan: (a) $37,500 upon execution of the Original Canavan Agreement, (2) $37,5000 on May 16, 2006, (3) $37,500 on June 16, 2006, (4) $37,5000 on July 16, 2006, and (5) $30,000 within 90 days after the Debtor's closing on a sale of substantially all of its assets, but no later than October 31, 2006 (collectively, the "Payments").

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[3] As a result of the resolution of certain objections to the Debtor's motion to approve a severance program for certain officers, the Debtor and Canavan entered into the Original Canavan Agreement which ultimately was approved by the Court. The Security Agent does not object to the payment of any monies from the escrow account to participants in such severance program that previously were authorized by this Court.

7. The Pre-Petition Secured Lenders consented to the use of the Collateral to fund the Payments in accordance with the terms of the Original Canavan Agreement. Accordingly, at the request of the Debtor and with the consent of the Pre-Petition Secured Lenders, the funds necessary to provide for the Payments (together with the funds necessary to make the other required payments under the severance program) were placed into an escrow account on the condition that they be held exclusively for such purposes.

8. On April 28, 2006, the Court entered the Second Interim Order Authorizing Debtor's Limited Use of Cash Collateral Pursuant to 11 U.S.C. § 363, Granting Replacement Liens, Adequate Protection and Superpriority Administrative Expense Claims to Certain Pre-petition Secured Parties (the "Second Interim Order" and, together with the Interim Order, the "Interim Orders").

9. On May 24, 2006, the Security Agent filed the Motion of JPMorgan Chase Bank, N.A., Hong Kong Branch, as Security Agent, for Relief from the Automatic Stay and for Other Relief (the "Lift Stay Motion").

10. By order dated May 25, 2006, the Court converted the Debtor's chapter 11 case to a chapter 7 case, and on May 26, 2006, the United States Trustee appointed the Trustee.

11. On June 6, 2006, the Court entered an order approving the Stipulation Regarding Continued Use of Cash Collateral Pursuant to Second Interim Order Authorizing Debtor's Limited Use of Cash Collateral Pursuant to 11 U.S.C. § 363, Granting Replacement Liens, Adequate Protection and Superpriority Administrative Expense Claims to Certain Pre-Petition Secured Parties (the "Cash Collateral Stipulation").

12. On June 30, 2006, the Court entered an order approving the Second Stipulation Regarding Continued Use of Cash Collateral Pursuant to Second Interim Order Authorizing Debtor's Limited Use of Cash Collateral Pursuant to 11 U.S.C. § 363, Granting Replacement

Liens, Adequate Protection and Superpriority Administrative Expense Claims to Certain Pre-Petition Secured Parties (the "Second Cash Collateral Stipulation").

13. On July 17, 2006, the Court entered an order approving the Third Stipulation Regarding Continued Use of Cash Collateral Pursuant to Second Interim Order Authorizing Debtor's Limited Use of Cash Collateral Pursuant to 11 U.S.C. § 363, Granting Replacement Liens, Adequate Protection and Superpriority Administrative Expense Claims to Certain Pre-Petition Secured Parties (the "Third Cash Collateral Stipulation" and, together with the Cash Collateral Stipulation and the Second Cash Collateral Stipulation, the "Chapter 7 Cash Collateral Stipulations").

14. On July 31, 2006, the Trustee and the Security Agent entered into a revised stipulation that partially resolved the Lift Stay Motion and provided the terms for the Trustee's continued use of cash collateral (the "Lift Stay/Abandonment Stipulation"). The Court approved the Lift Stay/Abandonment Stipulation by an order dated August 1, 2006.

15. On February 1, 2007, Canavan filed the Motion of Patrick T. Canavan for an Order Authorizing the Escrow Agent to Make Payments Pursuant to, and for Indemnification Under, the Agreement Dated April 19, 2006 (the "Canavan Motion") seeking to compel the Trustee to make all outstanding Payments under the Original Canavan Agreement. The Security Agent had no objection to the Payments in accordance with the terms of the Original Canavan Agreement. However, we are advised that the Trustee objected to the Canavan Motion.

16. The Trustee and Canavan subsequently sought to resolve the Canavan Motion by entering into the Canavan Settlement Agreement on March 15, 2007. By order dated April 3, 2007, the Court approved the Canavan Settlement Agreement in part and scheduled a hearing for May 1, 2007 for further consideration of the following provisions therein (the "Non-Approved Provisions"):

(a) the approval of the use or other disposition of the funds currently being held in the escrow account for any purpose, including the payment or reimbursement of any fees, expenses or other costs, that have not otherwise been approved pursuant to the terms of the order approving the Original Canavan Agreement (the "Non-Approved Payment Provision");

(b) the creation of any privilege or confidentiality to communications between Canavan and the Trustee, the Trustee's counsel or other professionals as set forth in paragraph 6 of the Canavan Settlement Agreement beyond what exists under applicable law (the "Non-Approved Privilege Provision"), and

(c) the payment of five thousand dollars ($5,000) in attorneys' fees to Canavan ("Canavan's Legal Fees").

17. On April 12, 2007, the Escrow Agent filed the Escrow Agent Motion seeking the Court's approval of its proposed final disposition of the funds held in escrow.

LIMITED OBJECTION TO THE NON-APPROVED PROVISIONS

A. The Non-Approved Payment Provision

18. The Security Agent objects to the use of its Collateral to fund payments under the Canavan Settlement Agreement that were not expressly provided for and already authorized under the Interim Orders, the Chapter 7 Cash Collateral Stipulations, the Original Canavan Agreement, or any other order of this Court. Specifically, the Security Agent objects to the Trustee's attempt to use the Security Agent's cash collateral to compensate Canavan in return for his assistance during the Trustee's Investigation period and in any litigation arising out of the Investigation.[4] The payment of such funds was not contemplated under the Original Canavan Agreement and is an attempt by the Trustee to unilaterally increase the $35,000 carve out to investigate claims against the Pre-Petition Secured Lenders (the "Investigatory Carve Out") as provided for in the Lift Stay/Abandonment Stipulation.

[4] According to the Canavan Settlement Agreement as proposed, after May 31, 2007, Canavan shall be compensated "at the rate of $260.00 per hour for continuing to answer questions and providing such additional services as Canavan and the Trustee may agree." See Canavan Settlement Agreement, at ¶ 6.

19. Indeed, paragraph 6 the Lift Stay/Abandonment Stipulation, entitled "Limitation on Use of Collateral and Investigatory Carve Out," provides that:

> Notwithstanding anything herein or in any order of the Court to the contrary, no Collateral and no portion of the Investigatory Carve Out may be used to (a) object, contest or raise any defense to the validity, perfection, priority, extent, or enforceability of any amount due under any of the Finance Documents or the liens or claims granted under the Interim Orders or under the Finance Documents; (b) ***assert any claims or defenses or causes of action against the Security Agent, the Pre-Petition Secured Parties or their respective agents, affiliates, representatives, attorneys, or advisors;*** (c) prevent, hinder or otherwise delay the Security Agent's enforcement or realization on the Collateral in accordance and consistent with [the Lift Stay/Abandonment Stipulation] and the relevant Finance Documents; and (d) seek to modify any rights granted to the Security Agent [t]hereunder and in the Interim Orders, in each of the foregoing cases without the Security Agent's prior written consent; provided, however, that nothing in this paragraph [...] shall be construed to limit the Trustee's investigation as to matters described in [the proceeding] paragraph], subject to the limitations contained herein. (emphasis added)

20. Accordingly, with the exception of the Investigatory Carve Out, the Trustee may not use the Collateral to fund the Trustee's investigation into potential claims against the Security Agent and/or the Pre-Petition Secured Lenders. Thus, the use of the Security Agent's Collateral to make payments under the Canavan Settlement Agreement that were not previously authorized under the Original Canavan Agreement would violate the terms of the Lift Stay/Abandonment Stipulation. The Security Agent has no objection to the use of the Investigatory Carve Out or other lien free assets of the estate, to the extent they exist, to fund any additional payments under the Canavan Settlement Agreement.

B. The Non-Approved Privilege Provision

21. The Security Agent further objects to approval of the Canavan Settlement Agreement to the extent that such approval would constitute a determination by this Court that all conversations between the Trustee and Canavan are protected by the attorney-client privilege.

22. Such a blanket determination based on a contractual provision between two parties seeking to protect their conversations, without giving any party the right to object and without any judicial findings regarding the specific communications sought to be protected, would violate the spirit of the attorney-client privilege. See Upjohn Co. v. U.S., 449 U.S. 383, 396 (1981) ("the recognition of a privilege based on a confidential relationship ... should be determined on a case-by-case basis").

23. Accordingly, approval of the Non-Approved Privilege Protection would be a premature determination that lacks the necessary consideration of relevant facts and applicable judicial analysis, which should be undertaken when particular communications are sought to be protected.

24. To the extent such conversations are privileged under applicable law, such conversations will be protected. However, the Trustee's request that this Court grant a blanket ruling as to all conversations between such parties is inappropriate.

C. Canavan's Legal Fees

25. The Security Agent does not object to the payment of Canavan's Legal Fees and specifically consents to the use of its cash collateral for payment of such fees despite the fact that, as alleged in the Canavan Motion, the Trustee's actions in failing to honor the terms of the Original Canavan Agreement for no legitimate reason caused each of the parties to incur additional costs to resolve this situation.

LIMITED OBJECTION TO THE ESCROW AGENT MOTION

26. The Escrow Agent seeks to have any remaining balance of the escrowed funds paid to the Trustee, who will receive those funds subject to any obligations imposed by the Bankruptcy Code or further order of the Court. The Security Agent has no objection to the disbursement of funds to the participants in the severance program or, to the extent that participants may not yet be entitled to the payment of such amounts, the continued maintenance of the escrow for such participants. However, the Security Agent respectfully submits that the remaining balance of escrowed funds, including any accrued interest,[5] should not be transferred to the Trustee, but either must be returned directly to the Security Agent, or transferred to the Trustee with the express requirement that the Trustee pay such funds to the Security Agent in accordance with the Lift Stay/Abandonment Stipulation.[6]

27. Similarly, although the Security Agent does not object to the distribution of funds reserved for payment of withholding taxes to the Trustee, such funds should be distributed subject to the provision of the Lift Stay/Abandonment Stipulation requiring any excess funds be paid to the Security Agent.

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[5] As set forth in the Escrow Agent Motion, as of April 12, 2007, the escrow account accrued $14,688.01 in interest.

[6] Specifically, paragraph 4 of the Lift Stay/Abandonment Stipulation provides that "to the extent the Trustee receives additional cash after the [effective date of the Lift Stay/Abandonment Stipulation], the Trustee shall pay such Additional Collateral to the Security Agent...."

Wherefore, the Security Agent respectfully requests that this Court (i) deny approval of the Non-Approved Payment Provision and the Non-Approved Privilege Provision, (ii) that any approved distribution of escrow funds to the Trustee be subject to the Trustee's obligation to pay such funds to the Security Agent, as set forth in the Lift Stay/Abandonment Stipulation, and (iii) grant any other or further relief that is just and proper.

Dated: Wilmington, Delaware
April 26, 2007

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