

open to inspection by any party or other person except with the prior leave of the court. I rule accordingly.

#### **SCHEDULE**

#### **CROSS-BORDER INSOLVENCY PROTOCOL STIPULATION REGARDING TRIDENT MICROSYSTEMS, INC. AND TRIDENT MICROSYSTEMS (FAR EAST) LTD.**

Subject to the authorization from the Grand Court of the Cayman Islands (the "Cayman Court") and the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), Gordon MacRae and Eleanor Fisher of Zolfo Cooper ("ZC"), as joint provisional liquidators of Trident Microsystems (Far East) Ltd. ("TMFE") enter into this Stipulation Regarding Cross-Border Insolvency Protocol along with Trident Microsystems, Inc. ("TMI") and TMFE, as follows:

#### **Preliminary Statement**

The purpose of the Stipulation is to ensure the just, efficient and expeditious administration of the pending insolvency proceedings of TMFE in the Cayman Islands (the "Cayman Proceedings") and the chapter 11 proceedings of TMI and TMFE (the "Bankruptcy Proceedings") before the Bankruptcy Court. It is in the interest of all parties, including the joint provisional liquidators of TMFE (the "Cayman Liquidators"), TMI and their respective creditors, and the respective courts, to seek to cooperate in the conduct of the insolvency proceedings and TMFE and TMI's chapter 11 proceedings, with the following objectives:

- Reducing the total costs incurred by the Cayman Liquidators in protecting the interests of creditors by avoiding duplication of efforts;
- Avoiding any potential conflict between the Cayman Proceedings and the Bankruptcy Proceedings;
- Ensuring transparency and accountability in the conduct of the proceedings in the United States and the Cayman Islands; and
- Providing a framework for protecting the interests of, and maximizing returns to, all creditors including by way of exploring a plan of compromise or arrangement with the creditors of TMFE.

Mindful of these goals, the parties enter into this Stipulation.

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#### **Background**

##### *The Parties*

TMI was incorporated in California in 1987 and reincorporated in Delaware in 1992. TMI is the direct parent company of TMFE, which is the direct or indirect parent of subsidiary entities organized under the laws of various foreign countries (the "Foreign Subsidiaries," collectively with TMI and TMFE, the "Group"). TMI's principal executive offices are located in Sunnyvale, California. TMI serves as the corporate head of the Group's entities and provides corporate oversight and administrative services necessary for the operations of the Group.

TMFE has no employees and it holds as its principal assets work in progress, receivables and intellectual property in the form of approximately 1,600 patents, and its interest in the Foreign Subsidiaries. In addition, the TMFE is also responsible for the control and administration of accounts payable for the Group. Through administration services performed at TMFE's Hong Kong subsidiary and TMI, the TMFE is responsible for the control and administration of accounts payable on behalf of the entire Group.

##### *The Proceedings*

(1) On January 4, 2012, TMI and TMFE commenced chapter 11 proceedings in the Bankruptcy Court. TMI and TMFE are continuing to serve as a debtors-in-possession pursuant to section 1107 of the United States Bankruptcy Code (the "Bankruptcy Code"), and to operate their businesses pursuant to section 1108 of the Bankruptcy Code.

(2) On January 4, 2012, TMFE filed a Winding Up Petition, Cause No. FSD 1 of 2012 PCJ, in the Cayman Court.

#### **The Stipulation**

(3) It is agreed among the Cayman Liquidators, TMFE, TMI and Andrew Hinkleman of FTI Consulting, TMI's proposed chief restructuring officer (the "CRO"), that a framework of general principles is appropriate to address certain issues that are likely to arise in connection with the cross-border insolvency proceedings of TMI and TMFE including, without limitation, (a) the administration of TMI and TMFE during their respective proceedings, (b) the sale of certain material assets of TMI and TMFE, (c) the payment of certain claims of TMI and TMFE necessary for the continued operation of the Group, and (d) the resolution of claims against TMI and TMFE and the payment of creditors.

(4) The purpose of the protocol contemplated by this Stipulation is to protect the interests of all creditors of TMI and TMFE and to protect the

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process by which the Bankruptcy Proceedings and Cayman Proceedings are administered. The protocol will provide a framework for cooperation between multiple jurisdictions and to eliminate wherever possible duplication of effort and promote judicial economy.

NOW THEREFORE, the Cayman Liquidators, TMFE and TMI hereby stipulate and agree, subject to the approval by the Bankruptcy Court and the Cayman Court the following:

(1) Approval shall be sought from the Bankruptcy Court for the joint administration of the bankruptcy cases of TMI and TMFE solely for procedural purposes.

(2) An Official Committee of Unsecured Creditors (the "Committee") was formed in the Bankruptcy Proceedings on January 17, 2012 and it is contemplated that a Cayman liquidation committee will be formed in the Cayman Proceedings (the "Cayman Committee," and collectively with the Committee, the "Creditors Committees"). While it is understood that the Committee and the Cayman Committee shall individually have certain statutory obligations, TMI, TMFE, the CRO and the Cayman Liquidators will work with the legal and professional advisors to the Creditors Committees to establish protocols for the efficient administration of the cross-border restructurings. Nothing contained in this Stipulation shall modify or alter the rights of the Creditors Committees in their respective proceedings.

(3) With respect to the sales of material assets of the Group, TMI and the Cayman Liquidators will seek approval of the procedures for such sales (including but not limited to the marketing of such assets and subsequent auction of such assets) and for authority to sell the material assets first from the Bankruptcy Court and thereafter seek any necessary approvals from the Cayman Court; provided, however, that TMI and TMFE will not consummate any sales of such material assets unless the necessary approvals are received from the Bankruptcy Court and the Cayman Court.

(4) With respect to the ordinary course sale of non-material assets that do not require approval of the Bankruptcy Court, the Cayman Liquidators may require that any sale of such non-material assets be subject to the approval of the Cayman Court. For the avoidance of doubt, the sales referenced in this paragraph shall not include ordinary course product sales or licensing transactions by the Company.

(5) TMI and the Cayman Liquidators shall use their reasonable best efforts to file a status report and/or operating report with the Bankruptcy Court and the Cayman Court, within four weeks of the commencement of the Bankruptcy Proceedings and the Cayman Proceedings setting forth the status of their efforts for the prior month and thereafter file reports at such

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future intervals as the Bankruptcy Court and the Cayman Court may direct. A copy of such reports shall be served on the Office of the United States Trustee, the members of the Creditors Committees and their counsel or other advisors. TMI and the Cayman Liquidators shall use their reasonable best efforts to ensure that a representative (including the CRO) shall also be available for weekly conference calls with the Creditors Committees and their advisors, at which time they or their representatives will apprise and inform the Creditors Committees of the status of their efforts, subject to applicable law. Nothing contained in this paragraph shall alter or modify the obligations of TMI and TMFE to file monthly operating reports as required by the Office of the United States Trustee in the Bankruptcy Proceedings.

(6) TMI and TMFE shall be permitted to operate in the ordinary course of their business operations unless otherwise ordered by the Bankruptcy Court or the Cayman Court including in respect of ordinary course product sales between TMFE and TMHK and the licensing of the intellectual property of TMFE to third parties in the ordinary course. To facilitate these operations, the CRO, and/or the officers and directors (or their authorized representatives) of the Company, TMI, TMHK and their subsidiaries, and the Cayman Liquidators shall meet in person or by telephone or videoconference or by whatever means is most appropriate on a weekly basis to address budgeting, cash expenditures, employee matters, ordinary course transactions and all other matters necessary to fully operate the Group's business operations.

(7) The Cayman Liquidators shall receive and be given notice of all proceedings in the Bankruptcy Court in accordance with the practices of the Bankruptcy Court and have the right to appear in all proceedings in the Bankruptcy Court. TMFE shall give notice to the CRO, the Committee, the Office of the United States Trustee and TMI of all proceedings in the Cayman Court and will not object to their attending and seeking to be heard at any hearings before the Cayman Court. For so long as they have an interest in the estate of TMFE, Entropic Communications, Inc. or any other successful bidder for the assets of TMFE shall receive and be given notice of all proceedings in the Cayman Court in accordance with the practices of the Cayman Court and TMFE will not object to their attending and seeking to be heard at such hearings before the Cayman Court. For the avoidance of doubt, this will not operate to preclude TMFE from seeking orders that confidential information be sealed where TMFE deems necessary and appropriate.

(8) For the avoidance of doubt, the Cayman Liquidators shall be required to act in a manner consistent with the terms of the Cayman Court orders and shall be required to act in a manner consistent with the laws governing the Bankruptcy Proceedings and the Cayman Proceedings. Nothing in this Stipulation requires the Cayman Liquidators to take any

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action that violates any provision of Cayman Islands Law or any order of any Cayman Court or any other applicable law.

(9) All creditors of TMFE shall have the opportunity to file a request for service with the Clerk of the Bankruptcy Court, or to participate in the case or proceedings in the Cayman Proceedings. To the extent required, TMI, TMFE and the Cayman Liquidators shall seek to amend this Stipulation pursuant to paragraph 19 hereof, to provide additional protocols governing the filing, administration and adjudication of claims asserted against TMFE.

(10) Notice and requirements for approval and authorization of any transactions regarding disposition, liquidation or distribution of assets shall be in accordance with applicable law.

(11) TMI and TMFE have sought authority from the Bankruptcy Court and the Cayman Liquidators will seek authority from the Cayman Court to maintain the Group's cash management system and bank accounts as described in Exhibit C to the Motion of the Debtors and Debtors in Possession for Entry of Interim and Final Orders (a) Approving the Continued Use of the Debtors' Cash Management System, (b) Approving Continued Transfers Between Debtors and Non-Debtor Subsidiaries, (c) Scheduling a Final Hearing on the Motion, and (d) Granting Related Relief. Thereafter, the TMI and TMFE shall maintain their cash management system and bank accounts in accordance with the Orders of the Bankruptcy Court and the Cayman Court. Any modifications to the cash management system and/or the bank accounts shall be subject to the approval of the Cayman Liquidators and, if required by the applicable law, the Bankruptcy Court and the Cayman Court.

(12) TMI and TMFE have obtained authority from the Bankruptcy Court and the Cayman Liquidators will seek authority from the Cayman Court to pay pre-petition debts of certain critical vendors ("Critical Vendors") as set out at Exhibit B to the Motion of the Debtors for an Order Authorizing the Payment of Certain Prepetition Claims of Critical subject to an aggregate cap of \$2 million (USD), and as further modified by the Bankruptcy Court. Subject to such approval, TMFE can take steps to pay the Critical Vendors at its discretion in order to minimize any interruption to the day to day operation of the Group, but subject always to the express consent of the Cayman Liquidators.

(13) The Cayman Court shall have sole jurisdiction and power over the Cayman Liquidators, as to their tenure in office, the conduct of the Cayman Proceedings under Cayman Islands Law, the appointment, role and powers of the Cayman Liquidators and the hearing and determination of matters arising in the Cayman Proceedings under Cayman Islands Law. The Cayman Liquidators shall be compensated for their services in accordance with Cayman principles under Cayman Islands Law.

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(14) The Bankruptcy Court shall have sole jurisdiction and power over the conduct of the Bankruptcy Proceedings, the compensation of the professionals rendering services in the Bankruptcy Proceedings, and the hearing and determination of matters arising in the Bankruptcy Proceedings.

(15) The Bankruptcy Court will be requested to hold monthly omnibus hearings during which the status of the Bankruptcy Proceedings and the Cayman Proceedings will be discussed.

(16) The Bankruptcy Court, and the Cayman Court, may, to the extent permitted by practice and procedure, and with the prior consent of each court, conduct joint hearings or conferences with respect to any matter related to the conduct, administration, determination or disposition of any aspect of the Cayman Proceedings, or Bankruptcy Proceedings, where considered by the two Courts to be necessary or advisable and in particular, without limiting the generality of the foregoing, to facilitate or coordinate the proper and efficient conduct of the Bankruptcy Proceedings and Cayman Proceedings. With respect to any such hearings or conferences, unless otherwise ordered, the following may be considered to be appropriate:

- (i) A telephone link may be established such that the two Courts may be able to simultaneously hear the matter in the other Court.
- (ii) TMFE, TMI and the Cayman Liquidators shall ensure that appropriate materials (including all briefs, memoranda or skeleton arguments) are filed in advance of such hearing consistent with the procedural and evidential rules and requirements of each participating Court, such that each Court has identical or substantially similar materials before it, to enable each Court to properly consider the issues to be determined at the joint hearing.

(17) The Cayman Court and the Bankruptcy Court may, but are not required to, communicate with one another, without advance notice to counsel or counsel being present for any purpose, including, without limitation, to establish guidelines for the orderly making of submissions and rendering of decisions to deal with any other procedural, administrative, or preliminary matters or for the purpose of determining whether consistent rulings can be made by the Cayman Court and/or the Bankruptcy Court and the terms upon which such rulings should be made, and to deal with any other procedural or non-substantive matter in relation to such applications.

(18) This Stipulation shall be binding on and inure to the benefit of the parties hereto and their respective successors, assignees, representatives,

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heirs, executors, administrators, trustees (including any trustees under chapters 7 or 11 of the Bankruptcy Code), and receivers, receiver managers, or custodians appointed under United States law, Cayman Islands Law, as the case may be.

(19) This Stipulation may not be waived, amended, or modified orally or in any other way or manner except by a writing signed by the party to be bound, and such approval and authorization of the Bankruptcy Court or Cayman Court as may be necessary and appropriate in the circumstances. Notice of any proposed amendment or modification of the Stipulation shall be provided by the party proposing such amendment to the Bankruptcy Court, Cayman Court, TMI and TMFE and their counsel of record, the Cayman Liquidators, any representative of the Creditors Committees and the CRO (the "Notice Parties"). This Stipulation may be supplemented from time to time by the parties hereto as circumstances require with any supplementing stipulations as approved by the Bankruptcy Court, and Cayman Court.

(20) Any request for the entry of an order which is contrary to the provisions of this Stipulation must be made on notice by the proponent of the order to the Notice Parties.

(21) Each party represents and warrants to the other that its execution, delivery, and performance of this Stipulation are within the power and authority of such party and have been duly authorized by such party, except that, with respect to the Cayman Liquidators and TMI, Cayman Court and Bankruptcy Court, respectively, approval is required.

(22) This Stipulation may be signed in any number of counterparts, each of which shall be deemed an original and all of which together shall be deemed to be one and the same Instrument, and may be signed by facsimile signature, which shall be deemed to constitute an original signature.

(23) The Bankruptcy Court and Cayman Court shall retain jurisdiction over the parties for the purpose of enforcing the terms and provisions of this Stipulation or approving any amendments or modifications thereto.

(24) The parties hereto are hereby authorized to take such actions and execute such documents as may be necessary and appropriate to implement and effectuate this Stipulation.

(25) The Stipulation is not intended to otherwise circumvent, alter, or otherwise affect the rights, obligations, or laws of any jurisdiction and accordingly, if a party to the Stipulation is directed by its Court to act (or not to act) with respect to a particular issue whether on his own application or otherwise, that party's obligation to follow its Court's direction should not be impaired or abridged by the Stipulation. To the extent any party's obligation to follow its Court's order conflicts with its

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obligations under the Stipulation, that party shall be relieved from its obligation under the Stipulation, but such party must notify in writing all other parties of the conflict between its Court's direction or order and the Stipulation. In all other material respects, the affected party will remain bound by the terms of the Stipulation.

(26) This Stipulation shall be deemed effective upon its approval of the Bankruptcy Court and the Cayman Court. This Stipulation shall have no binding or enforceable legal effect until approved by the Bankruptcy Court and the Cayman Court.

IN WITNESS WHEREOF the parties hereto have caused this Stipulation to be executed either individually or by their respective attorneys or representatives hereunto authorized.

*Application granted.*

Attorneys: *Maples & Calder* for the JPLs; *Walkers* for Sigma Designs Inc.