

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:)	Chapter 11
)	
HARTFORD COMPUTER HARDWARE,)	Case No. 11-49744 (PSH)
INC., <i>et al.</i> , ¹)	(Joint Administration Pending)
)	
Debtors.)	Hon. Pamela S. Hollis

**APPLICATION OF THE DEBTORS FOR ORDER AUTHORIZING THE RETENTION
AND EMPLOYMENT OF PARAGON CAPITAL PARTNERS, LLC AS FINANCIAL
ADVISOR AND INVESTMENT BANKER TO THE DEBTORS**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) submit this application to this Court for the entry of an order authorizing the retention and employment of Paragon Capital Partners, LLC (“Paragon”) as financial advisor and investment banker to the Debtors, effective as of the Petition Date (defined below). In support of this motion, the Debtors submit the Declaration of Brian Mittman in Support of Chapter 11 Petitions and First Day Motions and Applications, sworn to on the date hereof (the “Declaration in Support of First Day Relief”) and the Declaration of Michael E. Levy of Paragon (the “Levy Declaration”) attached hereto as **Exhibit A** and respectfully represent as follows:

INTRODUCTION

1. On December 12, 2011 (the “Petition Date”), the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), together with various motions and applications seeking certain typical “first day” orders.



2. The Debtors continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. No request has been made for the appointment of a trustee or examiner, and no official committee(s) has been appointed in these cases.

4. This Court has jurisdiction over this motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue of the Debtors' chapter 11 cases and this motion is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding under 28 U.S.C. § 157(b)(2).

5. The statutory bases for the relief requested herein are sections 327, 328, 330, and 331 of title 11 of the Bankruptcy Code and Rules 2014 and 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

BACKGROUND

6. The Debtors are one of the leading providers of repair and installation services in North America for consumer electronics and computers. The Debtors operate in three complementary business lines: parts distribution and repair, depot repair, and onsite repair and installation. Products serviced include laptop and desktop computers, commercial computer systems, flat-screen television, consumer gaming units, printers, interactive whiteboards, peripherals, servers, POS devices, and other electronic devices.

7. A more detailed explanation of the Debtors' businesses and operations, and the events leading to the commencement of these cases, is provided in the Declaration of Brian

¹ The Debtors are Hartford Computer Hardware, Inc. (FEIN 27-4297525), Nexicore Services, LLC (FEIN 03-0489686), Hartford Computer Group, Inc. (FEIN 36-2973523), and Hartford Computer Government, Inc (FEIN 20-0845960).

Mittman filed in Support of First Day Relief contemporaneously herewith and which is incorporated herein by reference.

RELIEF REQUESTED

8. By this application, the Debtors seek entry of an order pursuant to sections 327(a) and 328(a) of the Bankruptcy Code and Bankruptcy Rules 2014 and 2016 (a) authorizing the employment and retention of Paragon as financial advisor and investment banker to the Debtors in the sale of their business assets upon the terms and conditions contained in the Engagement Letter, dated as of June 29, 2010 and as amended on July 3, 2011 (together, the “Engagement Letter”), a copy of which is attached as **Exhibit 1** to the Levy Declaration filed herewith; (b) approving the terms of Paragon employment, including the proposed fee structure and the indemnification provisions set forth in the Engagement Letter; and (c) granting such other and further relief as the Court deems appropriate.

BASIS FOR RELIEF

A. Necessity of Employment.

9. The Debtors seek to retain Paragon as their financial advisor and investment banker, because, among other things, Paragon not only has extensive experience and an excellent reputation in providing high quality financial advice and investment banking services, but also because Paragon has a deep knowledge of the Debtors’ business and potential buyers. The knowledge, resources, capabilities and experience of Paragon in advising the Debtors are crucial to the Debtors’ chapter 11 strategy to achieve the best possible outcome for all constituencies.

10. Paragon is an investment banking firm with its principal office located at 450 Park Avenue, Suite 2500, New York, New York 10022. Paragon is a registered broker-dealer

with the United States Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

11. Paragon provides a broad range of financial advisory services to public and private companies, including, without limitation, services pertaining to: sale transactions, divestitures, mergers, acquisitions, financings, and corporate restructurings. Paragon is dedicated to providing focused senior-level attention at every step of each transaction, combined with high quality advice and top-tier execution, to help its clients maximize value and/or achieve other specified objectives. Paragon's professionals have served as financial advisor and investment banker in a significant number of complex transactions including, among others, advising 1-800-FLOWERS.COM in the sale of its Home & Children's Gifts division to PH International, Thinkorswim Group Inc. in its sale to TD Ameritrade for \$703 million, Investools Inc. in its acquisition of Thinkorswim Group Inc. for \$474 million, Dynamic Confections in its acquisition of House of Brussels, Investools Inc. in its acquisition of Prophet Financial, Factset Research Systems Inc. in its acquisition of JCF Group for \$68 million, Factset Research Systems Inc. in its acquisition of CallStreet, Investools Inc. in its acquisition of 360 Group, PharMedium Healthcare in its acquisition of Compass Services from Baxter Healthcare, CSG Systems in its acquisition of Kenan Systems for \$300 million from Lucent, CFW Communications in its acquisition of R&B Communications for \$131 million, Golden Sky in its acquisition of Pegasus Communications for \$1 billion, Trimble Navigation in its acquisition of Spectra Physics for \$300 million from Thermo Electron, Interim Services in its acquisition of Norrell Corp. for \$658 million, The Rival Company in its sale to Holmes Product Group for \$290 million, Boeing Information Services in its sale to SAIC for \$162 million, SunBridge, Inc. in its sale to American

Senior Living for \$87 million, Assisted Living Investments in its sale to Epoch Senior Living for \$85 million, Pacific Scientific in its sale to Danaher for \$457 million, Coleman Safety and Security Products in its sale to Siebe for \$105 million, Clementina-Clemco Holdings in its sale to Atlas Copco for \$70 million, Coulter Corporation in its sale to Beckman Instruments for \$1.2 billion, the Discretes Division of Fairchild Semiconductor in its sale to Citicorp Venture Capital for \$255 million, Paracelsus Healthcare in its acquisition of Champion Healthcare for \$843 million, Maybelline Inc. in its sale to L'Oreal for \$758 million, Rykoff-Sexton in its acquisition of U.S. Foodservice for \$650 million, Signature Healthcare Corporation in its sale to Unison Healthcare Corporation for \$95 million, Southern Management Services in its sale to TheraTx Inc. for \$120 million, Todd Uniform in its sale to Aramark Corporation for \$120 million, and Seatt Corporation in its sale to The Coleman Company for \$64 million.

12. Paragon and its senior professionals also have extensive expertise in advising, reorganizing and restructuring distressed middle market companies, both out-of-court and in chapter 11 proceedings, such as Alpine Confections in its restructuring, refinancing and subsequent sale of Fannie May Confections Brands, Inc. to 1-800-FLOWERS.COM, Archibald Candy Corporation (Case No. 04-03200 in the Northern District of Illinois Eastern Division) in connection with its Section 363 sale for which it received industry awards including Transaction of the Year and Turnaround of the Year, and Archibald Candy Canada Corporation in connection with its cross-border restructuring and CCAA proceeding in the stalking-horse sale of Laura Secord (Court File No. 04-CL-5461 Ontario Superior Court).

13. Prior to the commencement of these chapter 11 cases, the Debtors retained Paragon to act in an advisory capacity to provide financial advice and assistance in connection

with evaluating and/or pursuing potential strategic and financial alternatives for the companies' including a sale, debt financing, equity financing, or acquisition transaction.

14. As set forth in more detail in the Debtors' motion for authority to sell its assets filed on the Petition Date, the Debtors, with the assistance of Paragon, actively marketed their businesses since late January 2011, focusing on a sale of substantially all of their assets as a going concern. The Debtors conducted a well-orchestrated sale process targeting the companies' universe of potential strategic and financial buyers in an effort to maximize the value of their businesses.

B. Services to be Rendered.

15. At this time, the Debtors wish to employ Paragon to continuing assisting them with the sale of their business assets as a going concern in these chapter 11 cases as set forth in the Engagement Letter (a "Sale"). The professional services that Paragon will render to the Debtors include, but shall not be limited to, the following:

- A. assisting the Debtors in their consideration and analysis of a Sale of their business assets as a going concern;
- B. assisting the Debtors in identifying any additional potential parties to a Sale;
- C. advising and assisting the Debtors in developing a general strategy for accomplishing a Sale;
- D. assisting in efforts to prepare descriptive information for distribution or presentation to potential buyers (including, without limitation, working with management to prepare an effective management presentation to potential purchasers, and managing a process designed to accomplish a sale);
- E. assisting and advising the Debtors with respect to the form and structure of a Sale;

- F. advising the Debtors as to strategy and tactics in connection with the negotiation of a Sale;
- G. assisting the Debtors in negotiating the financial aspects of a Sale;
- H. assisting the Debtors' management team in performing certain financial support activities relating to the preparation of key information, such as the preparation of detailed financial reports from the Debtors' general ledger data; and
- I. rendering such other advisory and investment banking services as may from time to time be agreed upon by Paragon and the Debtors with regard to a Sale.

16. The services proposed above and any potential Sale of the Debtors' assets in the course of these chapter 11 cases would be subject to order of this Court, including any order establishing bidding procedures with respect to Sale or auction of the Debtors' assets.

C. Disinterestedness of Paragon.

17. Paragon has informed the Debtors that, except as may be set forth in the Levy Declaration, Paragon (a) has no connection with the Debtors, their creditors, equity security holders, or other parties in interest, or their respective attorneys and accountants, the United States Trustee or any person employed in the office of the United States Trustee, in any matter related to the Debtors and their estates, (b) does not hold any interest adverse to the Debtors' estates, and (c) believes it is a "disinterested person" as that term is defined in section 101(14) of the Bankruptcy Code.

18. As of the Petition Date, the Debtors were current in their payments to Paragon and Paragon does not hold a pre-petition claim against the Debtors. A summary of all payments received by Paragon within ninety days of the date hereof, invoices to which those payments were applied, along with all retainers received, is attached to the Levy Declaration as **Exhibit 3**.

19. Paragon will conduct an ongoing review of its files to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new material facts or relationships are discovered or arise, Paragon will inform the Court.

D. Professional Compensation.

20. Pursuant to the Engagement Letter, Paragon was paid a nonrefundable advisory fee of \$125,000, which was paid in two installments, the first on September 1, 2010 (\$30,000) and the second on September 9, 2010 (\$95,000).

21. Since January 1, 2011, Paragon has received a nonrefundable monthly fee \$20,000 payable on the first of each month and deemed fully earned when paid (the “Monthly Work Fee”).

22. The Monthly Work Fee for the months of August 2011 through November 2011 were paid by the Debtors to Paragon in advance in one payment. The Debtors also paid the Monthly Work Fee for the months of December 2011 through March 2012 to Paragon in advance in one payment.

23. When Paragon was retained by the Debtors in 2010, the Debtors’ pre-petition secured lender, Delaware Street Capital Master Fund, L.P. (“Delaware Street”) consented to the Debtors’ retention of Paragon and the Debtors’ payment to Paragon for its services free and clear of any lien, claim or interest that Delaware Street may have in the Debtors’ assets or the proceeds thereof. See letter agreement dated June 29, 2010 (the “Letter Agreement”) attached to the Levy Declaration as Exhibit 2. As more fully set forth in the Letter Agreement, Delaware Street further agreed to the payment in full to Paragon of any Sale Fee (defined below) from the proceeds of any Sale, as a cost thereof and funded free and clear of any lien, claim or interest that

Delaware Street may have in the Debtors' assets or the proceeds thereof. Delaware Street further agreed to guaranty payment in full, as a primary obligor, of (i) the Monthly Work Fee, the Sale Fee (defined below), and the Restructuring Advisory Fee (defined below) due to Paragon but unpaid by the Debtors; (ii) Paragon's Counsel Fees (defined below) due to Paragon but unpaid by the Debtors; (iii) any fees owed under the Indemnification Provisions (defined below) and (iv) any other obligations of the Debtors to Paragon under the Engagement Letter; provided that the amounts guaranteed shall (i) never exceed, in the aggregate, the amount of the proceeds of a Sale payable to Delaware Street, (ii) be payable only to the extent Delaware Street actually receives such proceeds of a Sale and (iii) terminate 30 days following the distribution to Delaware Street of substantially all of the proceeds of a Sale which Delaware Street is entitled to receive.

24. The Debtors do not believe that the provisions in the Letter Agreement are materially adverse to the interest of the Debtors' estates or any class of creditors or equity security holders for any reason.

25. Subject to approval by this Court, the Debtors and Paragon have agreed that Paragon will be paid as follows in respect of its services:²

- A. Paragon shall continue to receive the Monthly Work Fee.
- B. Immediately upon the consummation of a Sale, an additional fee equal to 3.5% of Aggregate Consideration (as defined below), subject to an Aggregate Minimum Fee (as defined below) for all Sales of \$500,000 (the "Sale Fee").
- C. "Aggregate Consideration" means the total amount of:

² This summary is qualified in its entirety by reference to the provisions of the Engagement Letter. To the extent there is any discrepancy between the terms contained in this application and those set forth in the Engagement Letter, the terms of the Engagement Letter shall control. Unless otherwise defined, capitalized terms used in this summary shall have the meanings ascribed to them in the Engagement Letter.

- i. Cash and the fair market value (on the date of payment) of all other consideration paid or payable (including amounts paid into escrow) to the Debtors, the holders of the Debtors' senior or subordinated debt, or the Debtors' equity holders in connection with a Sale, including amounts paid or payable in respect of convertible securities, warrants, stock appreciation rights, options or similar rights; provided, however, that "aggregate consideration" shall not include (for any purpose whatsoever) the value of any net operating losses of the Debtors that are retained by the Debtors or any of their stockholders or affiliates in connection with any Sale; plus
 - ii. the principal amount of all debt, capitalized leases, and/or other liabilities or obligations assumed by a buyer or buyers in connection with a Sale, other than current trade payables (within 90 days of invoice date) and accrued ordinary course operating expenses that are assumed by the buyer(s) or other transferee; plus
 - iii. the aggregate dividends, other than normal quarterly cash dividends, or other distributions declared by the Debtors in connection with a Sale.
- D. Notwithstanding the foregoing, for purposes of calculating Aggregate Consideration, the fair market value of the following types of payments ("Deferred Consideration") shall be determined based on the present value of the reasonable expected maximum amount of such payments using a 15 percent per annum discount rate (the "Discount Rate"):
- i. The principal amount of deferred installments of purchase price or other consideration including, without limitation, promissory notes and any portion of the aggregate consideration held in escrow subject to closing; and
 - ii. Future payments that are contingent on the future earnings or operations of the Debtors (or in the case of a Sale, the underlying assets).
- E. The Sale Fee shall be paid by the Debtors upon the closing of the Sale; provided, however, that in the event the Aggregate Consideration includes Deferred Consideration, Paragon shall have the right, in its sole discretion, to elect (at least 2 business days prior to the Sale closing date), to receive fees owed on such Deferred Compensation at the same time such Deferred Compensation is paid (rather than upon the closing date of the Sale), whereby neither the Discount Rate nor the amount of the Deferred Compensation would be utilized for the purpose of determining Aggregate

Consideration for the purpose of determining any Sale Fee payable at the closing of a Sale. Debtors agree to seek all consents, waivers, authorizations or other agreements from its lenders and other parties in interest necessary to ensure prompt payment in full to Paragon of all compensation and other obligations pursuant to the Engagement Letter.

- F. Payment of Paragon's reasonable out-of-pocket expenses (other than any fees and expenses of Paragon's counsel) incurred in connection with the Sale ("Expenses").
- G. Payment of the reasonable fees and disbursements of Paragon's legal counsel during these chapter 11 cases ("Counsel Fees").
- H. Payment for its court-related services in connection with these chapter 11 cases at hourly rates of \$650 per hour per partner, \$350 per hour per principal/vice president and \$150 per hour per analyst ("Restructuring Advisory Fees"). However, no Monthly Work Fee shall be payable with respect to any calendar month for which Paragon bills the Debtors for Restructuring Advisory Fees.
- I. The Debtors and Paragon acknowledge and agree that (i) the hours worked, (ii) the results achieved and (iii) the ultimate benefit to the Debtors of the work performed, in each case, in connection with this engagement, may be variable, and that the Debtors and Paragon have taken such factors into account in setting the fees hereunder.
- J. Paragon shall be paid its Monthly Work Fee, Expenses, Counsel, and Restructuring Advisory Fees on a monthly basis without application to the Court; provided, however, all such payments are subject to final approval by this Court and Paragon shall file a final fee application for approval of such fees as well as the Sale Fee.

26. Under the terms of the Engagement Letter, the Debtors have also agreed to indemnify Paragon and each "Indemnified Party" as set forth in Schedule I to the Engagement Letter (the "Indemnification Provisions"). The Debtors have agreed to hold each "Indemnified Party" harmless against any and all losses, claims, damages, expenses, liabilities, joint or Liabilities (as defined in Schedule I to the Engagement Letter) to which the Indemnified Parties may become liable, directly or indirectly, arising out of, or relating to the Engagement Letter,

unless it is finally judicially determined that the Liabilities resulted from the gross negligence or willful misconduct of any Indemnified Party.

27. The Debtors understand that the terms and conditions of Paragon's employment are reasonable and comparable to compensation generally charged by financial advisors and investment bankers of similar stature for comparable engagements, both in and out of court. Given the numerous issues that Paragon may be required to address in these chapter 11 cases, Paragon's commitment to the level of time and effort necessary to address all such issues as they arise and the market prices for Paragon's services for engagements of this nature in both out-of-court and chapter 11 contexts, the Debtors agree that the fee arrangements in the Engagement Letter are reasonable under the standards set forth below.

28. The Debtors understand that the terms of Paragon's employment and compensation, as described in the Engagement Letter and the Letter Agreement, are consistent with employment and compensation arrangements typically entered into by Paragon when providing such financial advice and investment banking services. Paragon and the Debtors believe that the foregoing compensation requirements are both reasonable and market-based.

29. To the best of the Debtors' knowledge, information, and belief, and except and to the extent disclosed in the Levy Declaration and herein, no promises have been received by Paragon as to compensation in connection with these chapter 11 cases other than as outlined in the Engagement Letter and the Letter Agreement and, except as set forth herein, Paragon has no agreement with any other entity to share any compensation received with any person other than the principals and employees of Paragon, pursuant to section 504 of the Bankruptcy Code.

30. The Debtors seek approval of Paragon's retention and employment as set forth in the Engagement Letter pursuant to sections 327(a) and 328(a) of the Bankruptcy Code and Bankruptcy Rules 2014 and 2016.

31. Section 327(a) of the Bankruptcy Code provides that "the trustee, with the court's approval, may employ one or more attorneys, accountants, appraisers auctioneers or other professional persons ... to represent and assist the trustee." 11 U.S.C. § 327(a); see Fed. R. Bankr. P. 2014.

32. The Debtors seek approval of Paragon's retention and employment as set forth in the Engagement Letter pursuant to sections 328(a) of the Bankruptcy Code. Section 328(a) of the Bankruptcy Code provides, in relevant part:

The trustee ... with the court's approval, may employ or authorize the employment of a professional person under section 327 ... of this title ... on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, on a fixed or percentage fee basis or on a contingent fee basis. Notwithstanding such terms and conditions, the court may allow compensation different from the compensation provided under such terms and conditions after the conclusion of such employment, if such terms and conditions prove to have been improvident in light of developments not capable of being anticipated at the time of fixing of such terms and conditions.

11 U.S.C. § 328(a).

33. Furthermore, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 amended section 328(a) of the Bankruptcy Code as follows:

The trustee, or a committee appointed under section 1102 of this title, with the court's approval, may employ or authorize the employment of a professional person under section 327 or 1103 of this title, as the case may be, on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, *on a fixed or percentage fee* basis, or on a contingent fee basis.

11 U.S.C. § 328(a) (emphasis added). This change makes clear that debtors are able to retain a professional on a fixed or percentage fee basis with bankruptcy court approval such as the Sale Fee and Monthly Work Fee agreements with Paragon in this case.

34. The terms of Paragon's engagement, including its proposed compensation and fee structure, were negotiated in good faith and at arm's length between the Debtors and Paragon, and the Debtors submit that such terms are reasonable and in the best interests of their estates and creditors, and thus should be approved under section 328(a) of the Bankruptcy Code.

35. The proposed fee structure appropriately reflects the nature and scope of services to be provided by Paragon, Paragon's substantial experience with respect to financial advisory and investment banking services, and the fee structures typically utilized by Paragon and other leading investment bankers, who do not bill their clients on an hourly basis.

36. Similar monthly fee and transaction fee structures have been approved and implemented in other large chapter 11 cases in this District and elsewhere. *See, e.g., In re Hartmarx Corp.*, Case No. 09-02046 (Bankr. N.D. Ill. Mar. 4, 2009); *In re Global Power Equip. Group Inc.*, Case No. 06-11045 (BLS) (Bankr. D. Del. Dec. 18, 2006) *In re Kmart Corp.*, Case No. 02-02474 (Bankr. N.D. Ill. Apr. 24, 2002); *In re Kaiser Aluminum Corp.*, Case No. 02-10429 (JKF) (Bankr. D. Del. Mar. 19, 2002); *In re Casual Male Corp.*, Case No. 01-41404 (REG) (Bankr. S.D.N.Y. Mar. 18, 2001); *In re Trans World Airlines, Inc.*, Case No. 01-0056 (PJW) (Bankr. D. Del. Jan. 26, 2001).

37. Accordingly, the Debtors respectfully submit that the terms of the Engagement Letter and the Letter Agreement, including the proposed compensation and fee structures, are

reasonable and customary and should be approved under section 328(a) of the Bankruptcy Code in these chapter 11 cases.

38. Bankruptcy Rule 2016 and Local Rule 5082-1 require retained professionals to submit applications for payment of compensation in chapter 11 cases. Additionally, Local Rule 5082-1(c) requires retained professionals to submit detailed time entries that set forth, among other things: the name of the person performing the work, a brief statement of the nature of the work, the time expended on the work in increments of tenths of an hour, the subject matter of the activity, and the fee charged for the work described. However, Local Rule 5082-1(e) allows a retained professional to request a waiver of the requirements of Local Rule 5082-1.

39. The Debtors submit that the requirements of Local Rule 5082-1 should be tailored to the nature of Paragon's engagement and its compensation structure. Paragon has requested, pursuant to section 328(a) of the Bankruptcy Code, (i) payment of its Sale Fee on a percentage basis, (ii) payment of its Monthly Work Fee on a fixed-rate, and (iii) payment of its Counsel Fee and Restructuring Advisory Fee on a monthly basis. Such fee structures, as set forth above, are customary in the investment banking industry.

40. It is not the general practice of investment banking firms to keep detailed time records similar to those customarily kept by attorneys for fixed fees and fees earned upon the closing of a sale.

41. Paragon's professionals, when formally retained in chapter 11 cases, and when required by local rules, do, and in these chapter 11 cases for purposes of its work performed for its Monthly Work Fee will, keep time records in one-hour increments describing their daily activities and the identity of persons who performed such tasks. Paragon will supplement this

information with a list of the non-restructuring professionals who assist the restructuring professionals on this matter but who do not, as a matter of general practice, keep time records. In addition, apart from the time recording practices described above, Paragon's restructuring personnel do not maintain their time records on a "project category" basis. Given that the Debtors will be paying Paragon's Monthly Work Fee as a fixed monthly fee, the Debtors submit (a) it is appropriate that Paragon be permitted to maintain time entries related to its Monthly Work Fee in one hour increments only and (b) that requiring Paragon to account for its time in increments shorter than one hour imposes an unnecessary administrative burden on Paragon. Moreover, given that the Debtors will be paying Paragon's Sale Fee on a percentage basis, the Debtors submit it is appropriate to relieve Paragon from its duties in maintaining time entries related to such fee.

42. Paragon will maintain its time records for its Counsel Fees, Restructuring Advisory Fee and Expenses pursuant to Bankruptcy Rule 2016 and Local Rule 5082-1.

43. Paragon will file a final fee application with the Court for approval of its Sale Fee, Monthly Work Fee, Counsel Fee, Restructuring Advisory Fee and Expenses.

44. The terms of the Engagement Letter, including the Indemnification Provisions, were fully negotiated between the Debtors and Paragon and the Debtors respectfully submit that the entire Engagement Letter is reasonable and in the best interests of the Debtors, their estates, and their creditors.

45. The Debtors and Paragon believe that the terms of the Indemnification Provisions and the Letter Agreement are customary and reasonable for investment banking engagements, both out-of-court and in chapter 11 proceedings. *See, e.g., In re Comdisco, Inc.*, Case No 02-C-

1174 (N.D. Ill. Sept. 23, 2002); *In re United Artists Theatre Co.*, Case No. 00-3514 (SLR) (Bankr. D. Del. Dec. 1, 2000); *In re Joan & David Halpern, Inc.*, 248 B.R. 43 (Bankr. S.D.N.Y. 2000), *aff'd*, 2000 WL 1800690 (S.D.N.Y. Dec. 6, 2000).

46. The Indemnification Provisions are similar to terms that have been approved by bankruptcy courts. *See, e.g., In re Hartmarx Corp.*, Case No. 09-02046 (Bankr. N.D. Ill. Mar. 4, 2009); *In re Global Power Equip. Group Inc.*, Case No. 06-11045 (BLS) (Bankr. D. Del. Dec. 18, 2006) *In re Kmart Corp.*, Case No. 02-02474 (Bankr. N.D. Ill. Apr. 24, 2002); *In re Kaiser Aluminum Corp.*, Case No. 02-10429 (JKF) (Bankr. D. Del. Mar. 19, 2002); *In re Casual Male Corp.*, Case No. 01-41404 (REG) (Bankr. S.D.N.Y. Mar. 18, 2001); *In re Trans World Airlines, Inc.*, Case No. 01-0056 (PJW) (Bankr. D. Del. Jan. 26, 2001).

47. Accordingly, the Debtors respectfully submit that the terms of the Engagement Letter, including the Indemnification Provisions, and the Letter Agreement are reasonable and customary and should be approved in these chapter 11 cases.

NOTICE

48. The Debtors will provide notice of this application to the following parties or, in lieu thereof, to their counsel, if known: (a) the Office of the United States Trustee; (b) the Debtors' secured lenders; (c) the creditors holding the thirty (30) largest unsecured claims on a consolidated basis; and (d) all known taxing authorities that have claims against the Debtors. In light of the nature of the relief requested, the Debtors submit that no further notice is required.

NO PRIOR REQUEST

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

WHEREFORE, the Debtors respectfully request that the Court enter an order granting the relief requested herein, and such other and further relief as the Court deems just and proper.

Dated: December 13, 2011

Respectfully submitted,

By: /s/ John P. Sieger

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*Proposed Counsel to the Debtors and
Debtors in Possession*

Exhibit A

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:)	Chapter 11
)	
HARTFORD COMPUTER HARDWARE,)	Case No. 11-49744 (PSH)
INC., <i>et al.</i> , ¹)	(Joint Administration Pending)
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Debtors.)	Hon. Pamela S. Hollis

**DECLARATION OF MICHAEL E. LEVY IN SUPPORT OF APPLICATION
OF THE DEBTORS FOR ENTRY OF AN ORDER AUTHORIZING THE
RETENTION AND EMPLOYMENT OF PARAGON CAPITAL PARTNERS,
LLC AS FINANCIAL ADVISOR AND INVESTMENT BANKER TO THE
DEBTORS UNDER SECTIONS 327(a) AND 328(a) OF THE BANKRUPTCY CODE**

I, Michael E. Levy, having personal knowledge of the facts herein, state as follows under the penalty of perjury in accordance with 28 U.S.C. § 1746:

1. I am a partner at and co-founder of the investment banking firm of Paragon Capital Partners, LLC ("Paragon"), which maintains its principal offices at 450 Park Avenue, Suite 2500, New York, New York 10022. I am authorized to execute this affidavit on behalf of Paragon. Unless otherwise stated in this Verified Statement (the "Levy Declaration"), I have personal knowledge of the facts set forth herein.

2. I submit this Levy Declaration in support of the application (the "Application") of the above captioned debtors and debtors-in-possession (collectively, the "Debtors"), for an order authorizing the retention and employment of Paragon as financial advisors and investment bankers, pursuant to the terms and conditions set forth in that certain engagement letter dated as of June 29, 2010, as amended on July 3, 2011 (together, the "Engagement Letter"), a copy of which is attached hereto as **Exhibit 1**.

¹ The Debtors are Hartford Computer Hardware, Inc. (FEIN 27-4297525), Nexicore Services, LLC (FEIN 03-0489686), Hartford Computer Group, Inc. (FEIN 36-2973523), and Hartford Computer Government, Inc (FEIN 20-0845960).

3. Paragon is a registered broker-dealer with the United States Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Paragon's principal office is located at 450 Park Avenue, Suite 2500, New York, New York 10022.

4. Paragon is an investment banking firm which provides financial advisory services to public and private companies on sale transactions, divestitures, mergers, acquisitions, financings, and corporate restructurings. Paragon is dedicated to providing focused senior-level attention at every step of each transaction, combined with high quality advice and top-tier execution, to help its clients maximize value and/or achieve other specified objectives. Paragon's professionals have served as financial advisor and investment banker in a significant number of complex transactions including, among others, advising 1-800-FLOWERS.COM in the sale of its Home & Children's Gifts division to PH International, Thinkorswim Group Inc. in its sale to TD Ameritrade for \$703 million, Investools Inc. in its acquisition of Thinkorswim Group Inc. for \$474 million, Dynamic Confections in its acquisition of House of Brussels, Investools Inc. in its acquisition of Prophet Financial, Factset Research Systems Inc. in its acquisition of JCF Group for \$68 million, Factset Research Systems Inc. in its acquisition of CallStreet, Investools Inc. in its acquisition of 360 Group, PharMedium Healthcare in its acquisition of Compass Services from Baxter Healthcare, CSG Systems in its acquisition of Kenan Systems for \$300 million from Lucent, CFW Communications in its acquisition of R&B Communications for \$131 million, Golden Sky in its acquisition of Pegasus Communications for \$1 billion, Trimble Navigation in its acquisition of Spectra Physics for \$300 million from Thermo Electron, Interim Services in its acquisition of Norrell Corp. for \$658 million, The Rival Company in its sale to Holmes Product Group for \$290 million, Boeing Information Services in

its sale to SAIC for \$162 million, SunBridge, Inc. in its sale to American Senior Living for \$87 million, Assisted Living Investments in its sale to Epoch Senior Living for \$85 million, Pacific Scientific in its sale to Danaher for \$457 million, Coleman Safety and Security Products in its sale to Siebe for \$105 million, Clementina-Clemco Holdings in its sale to Atlas Copco for \$70 million, Coulter Corporation in its sale to Beckman Instruments for \$1.2 billion, the Discretes Division of Fairchild Semiconductor in its sale to Citicorp Venture Capital for \$255 million, Paracelsus Healthcare in its acquisition of Champion Healthcare for \$843 million, Maybelline Inc. in its sale to L'Oreal for \$758 million, Rykoff-Sexton in its acquisition of U.S. Foodservice for \$650 million, Signature Healthcare Corporation in its sale to Unison Healthcare Corporation for \$95 million, Southern Management Services in its sale to TheraTx Inc. for \$120 million, Todd Uniform in its sale to Aramark Corporation for \$120 million, and Seatt Corporation in its sale to The Coleman Company for \$64 million.

5. Paragon and its senior professionals also have extensive expertise in advising, reorganizing and restructuring distressed middle market companies, both out-of-court and in chapter 11 proceedings, such as Alpine Confections in its restructuring, refinancing and subsequent sale of Fannie May Confections Brands, Inc. to 1-800-FLOWERS.COM, Archibald Candy Corporation (Case No. 04-03200 in the Northern District of Illinois Eastern Division) in connection with its Section 363 sale for which it received industry awards including Transaction of the Year and Turnaround of the Year, and Archibald Candy Canada Corporation in connection with its cross-border restructuring and CCAA proceeding in the stalking-horse sale of Laura Secord (Court File No. 04-CL-5461 Ontario Superior Court).

6. Prior to co-founding Paragon in 2003, I was a Senior Vice President in the Global Mergers & Acquisitions Group of Lehman Brothers, where I headed the firm's group focused on

mergers and acquisitions of technology services companies. Prior to joining Lehman Brothers, I was a Principal in the Mergers and Acquisitions Department of Banc of America Securities LLC, where I had also served as chief operating officer of the Mergers & Acquisitions Department, and as a member of the firm's Fairness Opinion Review Committee. I have a B.S. in Economics from the Wharton School of the University of Pennsylvania, and an MBA from the University of Chicago's Booth School of Business.

7. Prior to the commencement of these chapter 11 cases, the Debtors retained Paragon to provide financial advice and assistance in connection with evaluating and/or pursuing potential strategic and financial alternatives for the companies including a sale, debt financing, equity financing, or acquisition transaction. Since being engaged in June 2010, Paragon has, and I personally have, been actively involved in assisting the Debtors' management team in preparing and analyzing extensive information, preparing a comprehensive descriptive information memorandum, conducting a sale process, conducting extensive meetings with interested parties, facilitating detailed due diligence, and conducting negotiations with the various parties of interest. Paragon and I are therefore very familiar with the Debtors' business, as well as with the Debtors' industry and universe of potential buyers.

8. As set forth in more detail in the Debtors' motion for authority to sell its assets filed on the Petition Date, the Debtors, with the assistance of Paragon, actively marketed their businesses since late January 2011, focusing on a sale of substantially all of their assets as a going concern. The Debtors conducted a well-orchestrated sale process targeting the companies' universe of potential strategic and financial buyers in an effort to maximize the value of their business assets as a going concern.

9. Pursuant to the terms of the Engagement Letter, in consideration for the compensation contemplated therein, Paragon will continue assisting the Debtors with the sale of their businesses in these chapter 11 cases (a "Sale"). The professional services that Paragon will render to the Debtors include, but shall not be limited to, the following:

- A. assisting the Debtors in their consideration and analysis of a Sale of their business assets as a going concern;
- B. assisting the Debtors in identifying any additional potential parties to a Sale;
- C. advising and assisting the Debtors in developing a general strategy for accomplishing a Sale;
- D. assisting in efforts to prepare descriptive information for distribution or presentation to potential buyers (including, without limitation, working with management to prepare an effective management presentation to potential purchasers, and managing a process designed to accomplish a sale);
- E. assisting and advising the Debtors with respect to the form and structure of a Sale;
- F. advising the Debtors as to strategy and tactics in connection with the negotiation of a Sale;
- G. assisting the Debtors in negotiating the financial aspects of a Sale;
- H. assisting the Debtors' management team in performing certain financial support activities relating to the preparation of key information, such as the preparation of detailed financial reports from the Debtors' general ledger data; and
- I. rendering such other advisory and investment banking services as may from time to time be agreed upon by Paragon and the Debtors with regard to a Sale.

10. The services proposed above and any potential sale of the Debtors' assets in the course of these chapter 11 proceedings would be subject to order of this Court, including any order establishing bidding procedures with respect to sale or auction of the Debtors' assets.

11. Based upon available information, Paragon has made an effort to identify all of its

connections, if any, with the Debtors, their primary creditors, shareholders and other parties-in-interests, as well as their respective attorneys and accountants. Paragon will continue to monitor all of its connections with such parties and will supplement this Declaration in the future if additional connections become known to it.

12. In connection with the preparation of this Declaration, Paragon has (a) researched its internal records and (b) issued a general inquiry to Paragon's advisory professionals, relying on information provided by the Debtors, to determine whether Paragon has any connection with the Debtors, creditors and other parties-in-interest, or their respective attorneys or accountants.

13. Paragon has worked previously as the investment banker on matters with certain attorneys currently employed by Katten Muchin, as well as with Delaware Street Capital and certain of its professionals, and may be involved with other matters and/or maintain ongoing relationships with such parties. In the past, Paragon has been a client of Winston & Strawn LLP (legal counsel for a creditor) on a variety of general corporate matters unrelated to the Debtor or this case, and is currently not involved in any active matter. Except as stated above, based on the results of this due diligence, the members and professionals of Paragon do not have any connections with the Debtors, creditors or any other parties-in-interest, and their respective attorneys or accountants. Moreover, to the best of my knowledge, neither I, Paragon, nor any of its professionals or members hold or represent any interest adverse to the Debtors.

14. Given the large number of unsecured creditors and other parties-in-interest in these chapter 11 cases, there may be other unsecured creditors and parties in interest that are served by Paragon. While Paragon may have provided or may in the future provide services to the parties above and other parties-in-interest involved in these chapter 11 cases, none of those relationships or matters have or will have any connection with these chapter 11 cases. Despite

the efforts described above to identify and disclose Paragon's relationships with parties-in-interest in these chapter 11 cases, Paragon is unable to state with certainty that every client relationship or other connection has been disclosed. Paragon will file supplementary declarations regarding its retention if additional relevant information is obtained.

15. Except as otherwise set forth herein, to the best of my knowledge, neither I, Paragon, nor any of its professionals thereof:

- A. is a creditor, equity security holder or insider of the Debtors;
- B. is or has been within two years of the Petition Date, an officer, director or employee of the Debtors; or
- C. has any interest materially adverse to the interests of the estates or any class of creditors or equity security holders, by reason of any direct or indirect relationship, connection with or interest in the Debtors or for any other reason.

16. Certain of Paragon's professionals may have investments in or use the services of the Debtors, creditors, suppliers, customers or other parties-in-interest, none of which are material to such professional or to Paragon as a firm. Accordingly, to the best of my knowledge, information and belief, Paragon is a "disinterested person" as that phrase is defined in section 101(14) of the Bankruptcy Code.

17. Pursuant to the Engagement Letter, Paragon was paid a nonrefundable advisory fee of \$125,000 in two installments, the first of which was paid on September 1, 2010 (\$30,000) and the second was paid on September 9, 2010 (\$95,000).

18. Since January 1, 2011, Paragon has received a nonrefundable fee \$20,000 per month payable on the first of each month and deemed fully earned when paid (the "Monthly Work Fee").

19. The Monthly Work Fee for the months of August 2011 through November 2011 were paid by the Debtors to Paragon in advance in one payment. The Debtors also paid the

Monthly Work Fee for the months of December 2011 through March 2012 to Paragon in advance in one payment.

20. A summary of all payments received by Paragon within ninety days of the date hereof, invoices to which those payments were applied, along with all retainers received, is attached to the Levy Declaration as **Exhibit 3**.

21. When Paragon was retained by the Debtors in 2010, the Debtors' pre-petition secured lender, Delaware Street Capital Master Fund, L.P. ("Delaware Street") consented to the Debtors' retention of Paragon and the Debtors' payment to Paragon for its services free and clear of any lien, claim or interest that Delaware Street may have in the Debtors' assets or the proceeds thereof. See letter agreement dated June 29, 2010 (the "Letter Agreement") attached hereto as **Exhibit 2**. As more fully set forth in the Letter Agreement, Delaware Street further agreed to the payment in full to Paragon of any Sale Fee (defined below) from the proceeds of any Sale, as a cost thereof and funded free and clear of any lien, claim or interest that Delaware Street may have in the Debtors' assets or the proceeds thereof. Delaware Street further agreed to guaranty payment in full, as a primary obligor, of (i) the Monthly Work Fee, the Sale Fee, and the Restructuring Advisory Fee due to Paragon but unpaid by the Debtors; (ii) Paragon's Counsel Fees due to Paragon but unpaid by the Debtors; (iii) any fees owed under the Indemnification Provisions and (iv) any other obligations of the Debtors to Paragon under the Engagement Letter; provided that the amounts guaranteed shall (i) never exceed, in the aggregate, the amount of the proceeds of a Sale payable to Delaware Street, (ii) be payable only to the extent Delaware Street actually receives such proceeds of a Sale and (iii) terminate 30 days following the distribution to Delaware Street of substantially all of the proceeds of a Sale which Delaware Street is entitled to receive.

22. Subject to approval by this Court, the Debtors and Paragon have agreed that Paragon will be paid as follows in respect of its services:²

- A. Paragon shall continue to receive the Monthly Work Fee.
- B. Immediately upon the consummation of a Sale, an additional fee equal to 3.5% of Aggregate Consideration (as defined below), subject to an Aggregate Minimum Fee (as defined below) for all Sales of \$500,000 (the “Sale Fee”).
- C. “Aggregate Consideration” means the total amount of:
 - i. Cash and the fair market value (on the date of payment) of all other consideration paid or payable (including amounts paid into escrow) to the Debtors, the holders of the Debtors’ senior or subordinated debt, or the Debtors’ equity holders in connection with a Sale, including amounts paid or payable in respect of convertible securities, warrants, stock appreciation rights, options or similar rights; provided, however, that “aggregate consideration” shall not include (for any purpose whatsoever) the value of any net operating losses of the Debtors that are retained by the Debtors or any of their stockholders or affiliates in connection with any Sale; plus
 - ii. the principal amount of all debt, capitalized leases, and/or other liabilities or obligations assumed by a buyer or buyers in connection with a Sale, other than current trade payables (within 90 days of invoice date) and accrued ordinary course operating expenses that are assumed by the buyer(s) or other transferee; plus
 - iii. the aggregate dividends, other than normal quarterly cash dividends, or other distributions declared by the Debtors in connection with a Sale.
- D. Notwithstanding the foregoing, for purposes of calculating Aggregate Consideration, the fair market value of the following types of payments (“Deferred Consideration”) shall be determined based on the present value of the reasonable expected maximum amount of such payments using a 15 percent per annum discount rate (the “Discount Rate”):
 - i. The principal amount of deferred installments of purchase price or other consideration including, without limitation, promissory notes

² This summary is qualified in its entirety by reference to the provisions of the Engagement Letter. To the extent there is any discrepancy between the terms contained in this application and those set forth in the Engagement Letter, the terms of the Engagement Letter shall control. Unless otherwise defined, capitalized terms used in this summary shall have the meanings ascribed to them in the Engagement Letter.

and any portion of the aggregate consideration held in escrow subject to closing; and

- ii. Future payments that are contingent on the future earnings or operations of the Debtors (or in the case of a Sale, the underlying assets).
 - E. The Sale Fee shall be paid by the Debtors upon the closing of the Sale; provided, however, that in the event the Aggregate Consideration includes Deferred Consideration, Paragon shall have the right, in its sole discretion, to elect (at least 2 business days prior to the Sale closing date), to receive fees owed on such Deferred Compensation at the same time such Deferred Compensation is paid (rather than upon the closing date of the Sale), whereby neither the Discount Rate nor the amount of the Deferred Compensation would be utilized for the purpose of determining Aggregate Consideration for the purpose of determining any Sale Fee payable at the closing of a Sale. Debtors agree to seek all consents, waivers, authorizations or other agreements from its lenders and other parties in interest necessary to ensure prompt payment in full to Paragon of all compensation and other obligations pursuant to the Engagement Letter.
 - F. Payment of Paragon's reasonable out-of-pocket expenses (other than any fees and expenses of Paragon's counsel) incurred in connection with the Sale ("Expenses").
 - G. Payment of the reasonable fees and disbursements of Paragon's legal counsel during these chapter 11 cases ("Counsel Fees").
 - H. Payment for its court-related services in connection with these chapter 11 cases at hourly rates of \$650 per hour per partner, \$350 per hour per principal/vice president and \$150 per hour per analyst ("Restructuring Advisory Fees"). However, no Monthly Work Fee shall be payable with respect to any calendar month for which Paragon bills the Debtors for Restructuring Advisory Fees.
 - I. The Debtors and Paragon acknowledge and agree that (i) the hours worked, (ii) the results achieved and (iii) the ultimate benefit to the Debtors of the work performed, in each case, in connection with this engagement, may be variable, and that the Debtors and Paragon have taken such factors into account in setting the fees hereunder.
 - J. Paragon shall be paid its Monthly Work Fee, Expenses, Counsel, and Restructuring Advisory Fees on a monthly basis without application to the Court; provided, however, all such payments are subject to final approval by this Court and Paragon shall file a final fee application for approval of such fees as well as the Sale Fee.
23. Under the terms of the Engagement Letter, the Debtors have also agreed to

indemnify Paragon and each “Indemnified Party” as set forth in Schedule I to the Engagement Letter (the “Indemnification Provisions”). The Debtors have agreed to hold each “Indemnified Party” harmless against any and all losses, claims, damages, expenses, liabilities, joint or Liabilities (as defined in Schedule I to the Engagement Letter) to which the Indemnified Parties may become liable, directly or indirectly, arising out of, or relating to the Engagement Letter, unless it is finally judicially determined that the Liabilities resulted from the gross negligence or willful misconduct of any Indemnified Party. The Indemnification Provisions are standard in the investment banking industry, and I believe they are fair and reasonable.

24. The terms and conditions of Paragon’s employment are reasonable and comparable to compensation generally charged by financial advisors and investment bankers of similar stature for comparable engagements, both in and out of court. Given the numerous issues that Paragon may be required to address in these chapter 11 cases, Paragon’s commitment to the level of time and effort necessary to address all such issues as they arise and the market prices for Paragon’s services for engagements of this nature in both out-of-court and chapter 11 contexts, the fee arrangements in the Engagement Letter and the Letter Agreement are reasonable under the standards set forth below.

25. The terms of Paragon’s employment and compensation, as described in the Engagement Letter, are consistent with employment and compensation arrangements typically entered into by Paragon when providing such financial advice and investment banking services. Paragon believes that the foregoing compensation requirements are both reasonable and market-based.

26. No promises have been received by Paragon as to compensation in connection with these chapter 11 cases other than as outlined in the Engagement Letter and the Letter

Agreement and, except as set forth herein, Paragon has no agreement with any other entity to share any compensation received with any person other than the principals and employees of Paragon, pursuant to section 504 of the Bankruptcy Code.

27. I submit that the requirements of Local Rule 5082-1 should be tailored to the nature of Paragon's engagement and its compensation structure. Paragon has requested, pursuant to section 328(a) of the Bankruptcy Code, (i) payment of its Sale Fee on a percentage basis, (ii) payment of its Monthly Work Fee on a fixed-rate, and (iii) payment of its Counsel Fee and Restructuring Advisory Fee on a monthly basis. Such fee structures, as set forth above, are customary in the investment banking industry.

28. It is not the general practice of investment banking firms to keep detailed time records similar to those customarily kept by attorneys for fixed fees and fees earned upon the closing of a sale.

29. Paragon's professionals, when formally retained in chapter 11 cases, and when required by local rules, do, and in these chapter 11 cases for purposes of its work performed for its Monthly Work Fee will, keep time records in one-hour increments describing their daily activities and the identity of persons who performed such tasks. Paragon will supplement this information with a list of the non-restructuring professionals who assist the restructuring professionals on this matter but who do not, as a matter of general practice, keep time records. In addition, apart from the time recording practices described above, Paragon's restructuring personnel do not maintain their time records on a "project category" basis. Given that the Debtors will be paying Paragon's Monthly Work Fee as a fixed monthly fee, I believe (a) it is appropriate that Paragon be permitted to maintain time entries related to its Monthly Work Fee in one hour increments only and (b) that requiring Paragon to account for its time in increments

shorter than one hour imposes an unnecessary administrative burden on Paragon. Moreover, given that the Debtors will be paying Paragon's Sale Fee on a percentage basis, I believe it is appropriate to relieve Paragon from its duties in maintaining time entries related to such fee.

30. Paragon will maintain its time records for its Counsel Fees, Restructuring Advisory Fee and Expenses pursuant to Bankruptcy Rule 2016 and Local Rule 5082-1.

31. Paragon will file a final fee application with the Court for approval of its Sale Fee, Monthly Work Fee, Counsel Fee, Restructuring Advisory Fee and Expenses.


32. The terms of the Engagement Letter, including the Indemnification Provisions, were fully negotiated between the Debtors and Paragon and the Debtors respectfully submit that the entire Engagement Letter is reasonable and in the best interests of the Debtors, their estates, and their creditors.

33. The Debtors and Paragon believe that the terms of the Indemnification Provisions and Letter Agreement are customary and reasonable for investment banking engagements, both out-of-court and in chapter 11 proceedings.

34. It is currently anticipated that I will be primarily responsible for rendering services on Paragon's behalf.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on 12/9/2011



Michael E. Levy

60927045

my 12/9/2011

Exhibit 1



PARAGON CAPITAL PARTNERS, LLC
MERCHANT BANKING

June 29, 2010

VIA EMAIL

Special Committee of
the Board of Directors
Hartford Computer Group, Inc.

Attention: Mr. Shepherd G. Pryor IV (*ShepPryor4@aol.com*)
Chairman of Special Committee

Copy To: Ms. Maryann A. Waryjas (*maryann.waryjas@kattenlaw.com*)
Partner
Katten Muchin Rosenman LLP
525 W. Monroe Street
Chicago, IL 60661-3693

This letter will confirm our understanding that Paragon Capital Partners, LLC ("**Paragon**") has been engaged to act as sole financial advisor to the Special Committee for Strategic Alternatives (the "**Special Committee**") of the Board of Directors of Hartford Computer Group, Inc. ("**HCG**" or the "**Company**"), whose corporate headquarters is located at 3949 Heritage Oak Court, Simi Valley, California 93063.

1. **Services.** In its capacity as the Special Committee's financial advisor, Paragon's primary objectives will be to provide financial advice and assistance to the Committee in connection with evaluating and/or pursuing potential strategic and financial alternatives for the Company which may include a Sale or Debt Financing (whereby a Sale or Debt Financing, as defined below, are referred to hereinafter, individually or collectively, as a "**Transaction**"). Paragon's services hereunder may include:

- (i) assisting the Special Committee (and, at the request of the Special Committee, the Board of Directors (the "**Board**")) in its consideration and analysis of a Transaction;
- (ii) assisting the Special Committee in identifying potential parties to a Transaction whom Paragon believes in good faith to be financially qualified and potentially interested in participating in a Transaction, which list shall be approved in writing by the Special Committee, and contacting such parties if appropriate;
- (iii) advising and assisting the Special Committee in developing a general strategy for accomplishing a Transaction;
- (iv) assisting in efforts to prepare descriptive information for distribution or presentation to potential buyers and/or investors (including, without limitation, working with management to prepare an effective management presentation to potential Purchasers (as defined below), and managing a process designed to accomplish a Transaction; provided, however, that Paragon shall not share with any prospect any confidential information relating to the Company unless the prospect has executed a

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confidentiality agreement in a form pre-approved by the Special Committee; and provided, further, that the final drafts of any confidential memorandum or other materials to be distributed to any prospect will be presented to the Special Committee for its approval prior to any such distribution

- (v) assisting and advising the Special Committee with respect to the form and structure of a Transaction;
- (vi) advising the Special Committee as to strategy and tactics in connection with its negotiations of a Transaction;
- (vii) assisting the Special Committee in negotiating the financial aspects of a Transaction; and
- (viii) rendering such other financial advisory and investment banking services as may from time to time be agreed upon by Paragon and the Special Committee.

2. **Definitions.** The term "**Sale**" means one or a series of transactions (outside the ordinary course of business of the Company and its subsidiaries) whereby, directly or indirectly, all or any substantial portion of the Company and its subsidiaries, their assets (or any right to all or any substantial portion of the revenues or income) of the Company and its subsidiaries, or the voting securities of the Company or any of its subsidiaries, are transferred to, acquired by or combined with any person or one or more persons formed by or affiliated with such person (the "**Purchaser**"). A Sale shall also include any transaction or series of transactions whereby a substantial portion of the assets of the Company or its subsidiaries are sold, transferred or otherwise conveyed in connection with a restructuring or liquidation.

The term "**Debt Financing**" means one or a series of transactions whereby, directly or indirectly, any form of debt securities of the Company are issued to, transferred to, acquired by or combined with any person or one or more persons formed by or affiliated with such person; provided, however, that "Debt Financing" shall not include any funding or refinancing provided by Delaware Street Capital Master Fund, L.P. or its affiliates (collectively, "**DSCMF**"), IBM Credit LLC or its affiliates (collectively, "**IBM**") or any other existing senior lender to the Company or its subsidiaries on or after the date hereof.

3. **Fees.** As compensation for its services under this engagement, the Company shall pay to Paragon the following cash fees:

- (i) A nonrefundable upfront advisory fee of \$125,000 (the "**Upfront Advisory Fee**"). The Upfront Advisory Fee shall be deemed fully earned when paid. In the event a Sale closes on or before October 1, 2011, Paragon shall credit 100% of the Upfront Advisory Fee received by Paragon towards any Sale Fee or Debt Financing Fee.
- (ii) Beginning on January 1, 2011, a nonrefundable fee of \$20,000 per month (the "**Monthly Work Fee**"), payable on the first day of each month. Each Monthly Work Fee shall be deemed fully earned when paid. Paragon shall credit 50% of the Monthly Work Fees received by Paragon towards any Sale Fee, up to a maximum total amount to be credited of \$60,000.
- (iii) In the event any Sale is consummated, an additional fee (a "**Sale Fee**") equal to 3.5% of aggregate consideration (as defined below), subject to an aggregate minimum fee for all Sales of \$500,000. The Sale Fee shall be deemed fully earned when paid.

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- (iv) In the event of a Debt Financing, an additional fee ("**Debt Financing Fee**") in an amount determined as follows: 1.0% of senior debt arranged and 3.0% of any other third-party debt arranged, whereby the Debt Financing Fee shall be subject to a minimum fee of \$350,000. For the avoidance of doubt, (A) no Debt Financing Fee shall be payable with respect to any funding provided by DSC, IBM or any other existing senior lender to the Company or its subsidiaries, and (B) no Debt Financing Fee shall be payable in connection with any Transaction for which a Sale Fee is payable with respect to the same Transaction. The Debt Financing Fee shall be deemed fully earned when paid.
- (v) In the event that the nature, timing, scope of services or other circumstances of this engagement change materially from the Company's and Paragon's current expectations, the parties hereto will discuss the Company's payment to Paragon of an additional mutually agreeable fee.

For purposes hereof, the term "**aggregate consideration**" means the total amount of:

- (a) cash and the fair market value (on the date of payment) of all other consideration paid or payable (including amounts paid into escrow) to the Company, the holders of the Company's senior or subordinated debt, or the Company's equityholders in connection with a Sale, including amounts paid or payable in respect of convertible securities, warrants, stock appreciation rights, options or similar rights; provided, however, that "aggregate consideration" shall not include (for any purpose whatsoever) the value of any net operating losses of the Company and its subsidiaries that are retained by the Company or any of its stockholders or their affiliates in connection with any Transaction; plus
- (b) the principal amount of all debt, capitalized leases, and/or other liabilities or obligations assumed by a buyer or buyers in connection with a Sale, other than current trade payables (within 90 days of invoice date) and accrued ordinary course operating expenses that are assumed by the buyer(s) or other transferee; plus
- (c) the aggregate amount of any dividends, other than normal quarterly cash dividends, or other distributions declared by the Company in connection with a Sale.

Notwithstanding the foregoing, for purposes of calculating "aggregate consideration," the fair market value of the following types of payments ("**Deferred Consideration**") shall be determined based on the present value of the reasonably expected maximum amount of such payments using a 15 percent per annum discount rate (the "**Discount Rate**"):

- (I) The principal amount of deferred installments of purchase price or other consideration including, without limitation, promissory notes and any portion of the aggregate consideration held in escrow subsequent to closing; and
- (II) Future payments that are contingent on the future earnings or operations of the Company or its subsidiaries (or in the case of an asset sale, the underlying assets).

In the event a Sale involves less than all but more than 50% of the securities of the Company or any of its subsidiaries or affiliates, aggregate consideration shall be calculated as if all such securities were being acquired.

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Unless otherwise specified in this letter agreement, compensation which is payable to Paragon pursuant to paragraph 3(iii), 3(iv) or 3(v) of this letter agreement shall be paid by the Company to Paragon upon the closing of the applicable Transaction; provided, however, that in the event aggregate consideration includes Deferred Consideration, Paragon shall have the right, in its sole discretion, to elect (at least 2 business days prior to the closing date) to receive fees owed on such Deferred Consideration at the same time such Deferred Consideration is paid (rather than upon the closing date of the applicable Transaction), whereby neither the Discount Rate nor the amount of Deferred Consideration would be utilized for the purpose of determining aggregate consideration for the purpose of determining any Sale Fee payable at the closing of the applicable Transaction. The Company agrees to seek all consents, waivers, authorizations or other agreements from its lenders and other parties in interest necessary to ensure prompt payment in full to Paragon of all compensation and other obligations payable pursuant to this letter agreement.

In the event the Company undertakes a filing under applicable insolvency and restructuring legislation in connection with consummating a potential Transaction, the Special Committee and Company shall use their best efforts reasonably advisable to ensure the continuation of this letter agreement, including seeking any and all court approvals for Paragon's retention by the Company's bankruptcy estate pursuant to 11 U.S.C. §§ 327 and 328, or otherwise, which approvals shall authorize payment to Paragon of all fees and expenses as specified herein on an administrative expense basis pursuant to 11 U.S.C. § 503, the indemnification provisions and other terms set forth in this letter agreement and the retention of Paragon. The Special Committee shall supply Paragon with a draft of all retention related documents and any related proposed order authorizing the retention of Paragon and the continuation of this letter agreement which are to be filed in any insolvency proceeding for Paragon's review and comment. Such filings shall also seek all approvals necessary to reimburse Paragon for all reasonable expenses incurred in connection with Paragon's participation in any court-related activities associated with the Company, including the reasonable fees and disbursements of its legal counsel. Paragon shall also receive a fee of \$650 per hour per Partner, \$350 per hour per Principal/Vice President, and \$150 per hour per Analyst based on the number of hours Paragon's professionals are involved with such court-related activities or in preparation for such activities ("**Restructuring Advisory Fees**"); provided, however, that no Monthly Work Fee shall be payable with respect to any calendar month for which Paragon bills the Company for Restructuring Advisory Fees. In the event the Company becomes a debtor under applicable insolvency and restructuring legislation and Paragon's retention hereunder is approved by the applicable court, the Company shall pay all fees and expenses of Paragon contemplated hereunder as promptly as possible in accordance with the terms hereof, subject to applicable court orders regarding professional compensation. Prior to the commencement of any such proceeding, the Company shall pay all invoiced amounts to Paragon in immediately available funds by wire transfer. The Special Committee, on behalf of the Company, agrees that, given the numerous issues which Paragon may be required to address in the performance of its services hereunder, Paragon's commitment to the variable level of time and effort necessary to address all such issues as they arise, and the market prices for Paragon's services for engagements hereunder, are reasonable under the standards set forth in 11 U.S.C. § 328(a).

4. **Expense Reimbursement.** Regardless of whether a Transaction is proposed or completed, and in addition to the compensation described in paragraph 3, the Company shall, immediately upon request, reimburse Paragon for all reasonable out-of-pocket expenses (other than any fees or disbursements of Paragon's counsel) incurred in connection with this engagement. Paragon agrees that the Company shall not be obligated to reimburse Paragon for expenses in excess of \$30,000 without the Company's consent, whereby such consent shall not be unreasonably withheld.

5. **Representations and Warranties of the Special Committee.** To induce Paragon to enter into this letter agreement, the Special Committee represents and warrants to Paragon as follows:

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- (a) It is duly authorized to execute, deliver and perform this letter agreement, to bind the Company and to retain Paragon as contemplated herein; and
- (b) The execution, delivery and performance of this letter agreement has been duly authorized by all necessary corporate (or equivalent) action, and does not require any consent or approvals which have not been already obtained; contravene any organic documents of any party hereto; violate any laws or constitute a breach of any agreement; or require any registration or filing with, or any other action by, any governmental authority.

6. **Obligation to Special Committee.** Notwithstanding any other provision in this letter agreement, Paragon's performance under this letter agreement will be overseen by, Paragon shall exclusively advise, and Paragon shall take instructions exclusively from, the Special Committee.

7. **Information.** The Company will furnish, or cause to be furnished, to Paragon (and will request that each potential Purchaser furnish Paragon) such information as Paragon believes appropriate to its engagement hereunder (all such information, the "**Information**"), and the Company represents that all such Information will be accurate and complete in all material respects to the best of its knowledge. Paragon may rely on the accuracy and completeness of the Information without independent verification. It is specifically understood that Paragon has not made, and will not make, any physical inspection of the properties or assets of the Company or any potential Purchaser and with respect to any financial forecasts that may be furnished to or discussed with Paragon by the Company or any potential Purchaser, Paragon will assume that they have been reasonably prepared and reflect the best then currently available estimates and judgments of the Company's or such potential Purchaser's management as to the expected future financial performance of the Company or such potential Purchaser. The Company will notify Paragon promptly of any material change in any Information previously made available to Paragon by the Company.

8. **Use of Advice.** The Special Committee agrees that all advice given by Paragon in connection with its engagement hereunder is for the benefit and use of the Special Committee in considering a potential transaction, and that no such advice shall be used for any other purpose or be disclosed, reproduced, disseminated, quoted or referred to at any time, in any manner or for any purpose, nor shall any public references to Paragon be made by or on behalf of the Special Committee or the Company, in each case without Paragon's prior written consent, which consent shall not be unreasonably withheld.

9. **Independent Contractor to Company.** Paragon has been retained to act solely as financial advisor to the Special Committee, and not as an advisor to or agent of any other person, and the engagement contemplated herein is not intended to confer rights upon any person not a party hereto (including stockholders, employees or creditors of the Company) as against Paragon or its affiliates, or their directors, officers, employees or agents. The Special Committee further agrees that under no circumstances shall the execution of this letter agreement or any act of Paragon hereunder commit or be deemed a commitment by Paragon (or any affiliate) to provide or arrange any bank financing or other debt or equity financing for any transaction or to purchase any security in connection therewith. It is specifically understood that neither the Special Committee nor the Company's Board of Directors will base their decisions regarding whether and how to pursue any Transaction solely on Paragon's advice, but will also consider the advice of their respective legal, tax and other business advisors and such other factors which they consider appropriate. Paragon, as an independent contractor under this letter agreement, shall not assume the responsibilities of a fiduciary to the Company or its stockholders in connection with the performance of Paragon's services hereunder, and any duties arising out of its engagement shall be owed solely to the Special Committee and Paragon.

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10. **Indemnification.** The Special Committee and Paragon agree to the provisions with respect to the Company's indemnity of Paragon and other matters set forth in Schedule I, the terms of which are incorporated herein in their entirety. Schedule I is an integral part of this letter agreement and shall survive any termination or expiration of this letter agreement.

11. **Termination.** Paragon's engagement hereunder may be terminated in writing at any time by either Paragon or the Special Committee, it being understood that upon termination, this letter agreement shall have no further force or effect, except that any termination of Paragon's engagement hereunder for any reason shall not affect the Company's obligations to pay to Paragon fees accruing prior to such termination to the extent provided for herein, to provide indemnification as provided in Schedule I hereto and to reimburse expenses as set forth herein. In the event of a termination by the Special Committee, the Company shall pay to Paragon fees to the extent provided for herein with respect to any Transaction consummated within 12 months after such termination. In addition, provisions relating to the status of Paragon as an independent contractor, the limitation on to whom Paragon shall owe any duties, governing law, choice of forum, successors and assigns, and the waiver of the right to trial by jury shall survive any termination of this letter agreement.

12. **No Modifications.** This letter agreement, Schedule I and any rights, duties or obligations hereunder may not be waived, amended, modified or assigned, in any way, in whole or in part, including by operation of law, without the prior written consent of, and shall inure to the benefit of and be binding upon the successors, assigns and personal representatives of, each of the parties hereto.

13. **No Impairment.** In case any provision of this letter agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this letter agreement shall not in any way be affected or impaired thereby.

14. **Governing Law.** This letter agreement and any claim or dispute of any kind or nature whatsoever arising out of, or relating to, this letter agreement or Paragon's engagement hereunder, directly or indirectly (including any claim concerning advice provided pursuant to this letter agreement), shall be governed by and construed in accordance with the laws of the State of New York. Any rights to trial by jury with respect to any claim, action or proceeding, directly or indirectly, arising out of, or relating to, this letter agreement or Paragon's engagement hereunder are waived by Paragon, the Special Committee and the Company.

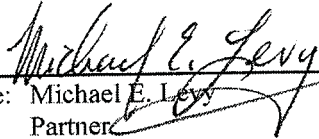
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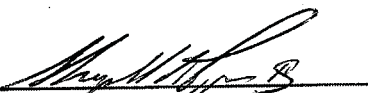
We are pleased to accept this engagement and look forward to working with the Special Committee. Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed duplicate of this letter, which shall thereupon constitute a binding agreement.

Very truly yours,

PARAGON CAPITAL PARTNERS, LLC

By: 
Name: Michael E. Levy
Title: Partner

THE SPECIAL COMMITTEE FOR STRATEGIC ALTERNATIVES
OF THE BOARD OF DIRECTORS OF
HARTFORD COMPUTER GROUP, INC.

By: 
Name: Mr. Shepherd G. Pryor IV
Title: Chairman of the Special Committee
and Authorized Signatory

my 6/29/2010

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Schedule I
Indemnification Agreement

The Company agrees to indemnify Paragon, any controlling person of Paragon and each of their respective directors, officers, employees, agents, affiliates and representatives (each, an "**Indemnified Party**") and hold each of them harmless against any and all losses, claims, damages, expenses, liabilities, joint or several (collectively, "**Liabilities**") to which the Indemnified Parties may become liable, directly or indirectly, arising out of, or relating to, the letter agreement to which this Schedule I is attached (the "**Letter Agreement**"), unless it is finally judicially determined that the Liabilities resulted from the gross negligence or willful misconduct of any Indemnified Party. The Company further agrees to reimburse each Indemnified Party immediately upon request for all reasonably incurred expenses (including reasonable attorneys' fees and expenses) as they are incurred in connection with the investigation of, preparation for, defense of, or providing evidence in, any action, claim, suit, proceeding or investigation, directly or indirectly, arising out of, or relating to, the Letter Agreement or Paragon's services thereunder, whether or not pending or threatened and whether or not any Indemnified Party is a party to such proceeding. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company or any person asserting claims on behalf of or in right of the Company, directly or indirectly, arising out of, or relating to, the Letter Agreement or Paragon's services thereunder, unless it is finally judicially determined that such liability resulted from the gross negligence or willful misconduct of such Indemnified Party. Moreover, in no event, regardless of the legal theory advanced, shall any Indemnified Party be liable to the Company or any person asserting claims on behalf of or in the right of the Company for any consequential, indirect, incidental or special damages of any nature. In the event that an Indemnified Party is requested or required to appear as a witness in any action brought by or on behalf of or against the Company or any affiliate of the Company, or any purchaser or investor referred to in the Letter Agreement, in which such Indemnified Party is not named as a defendant, the Company agrees to reimburse Paragon for all reasonable expenses incurred by it in connection with such Indemnified Party's appearing and preparing to appear as such a witness, including, without limitation, the reasonable fees and disbursements of its legal counsel.

The Company agrees that, without Paragon's prior written consent, it will not settle, compromise or consent to the entry of any judgment in or otherwise seek to terminate any claim, action, suit, proceeding or investigation in respect of which indemnification could be sought hereunder (whether or not Paragon or any other Indemnified Party is an actual or potential party to such claim, action, suit, proceeding or investigation), unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Party from any liabilities arising out of such claim action, suit, proceeding or investigation.

The Company and Paragon agree that if any indemnification or reimbursement sought pursuant to the first paragraph of this Schedule I is for any reason unavailable or insufficient to hold any Indemnified Party harmless (except by reason of the gross negligence or willful misconduct of the Indemnified Party) then, whether or not Paragon is the person entitled to indemnification or reimbursement, the Company and Paragon shall contribute to the Liabilities for which such indemnification or reimbursement is held unavailable in such proportion as is appropriate to reflect (a) the relative benefits to the Company on the one hand and Paragon on the other hand, in connection with the transaction to which such indemnification or reimbursement relates or (b) if the allocation provided by clause (a) above is not available, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause (a), but also the relative fault of the parties as well as any other relevant equitable considerations; provided, however, that in no event shall the amount to be contributed by Paragon exceed the fees actually received by Paragon under the Letter Agreement. The Company agrees that, for the purposes of this paragraph, the relative benefits to the Company and Paragon of the contemplated transaction (whether or not such transaction is consummated) shall be deemed to be in the same proportion that the aggregate consideration payable, exchangeable or transferable (or contemplated to be payable, exchangeable or

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transferable) in such transaction bears to the fees paid or payable to Paragon as financial advisor under the Letter Agreement.

The rights of the Indemnified Parties referred to above shall be in addition to any rights that any Indemnified Party may otherwise have.

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PARAGON CAPITAL PARTNERS, LLC

MERCHANT BANKING

July 3, 2011

Special Committee of
the Board of Directors
Nexicore, Inc.
3949 Heritage Oak Court
Simi Valley, CA 93063

Attention: Mr. Shepherd G. Pryor IV (*ShepPryor4@aol.com*)
Director and Member of Special Committee

Dear Shep:

In connection with the engagement agreement entered into by and among Paragon Capital Partners, LLC ("Paragon") and Hartford Computer Group, Inc. ("HCG" or the "Company") on June 29, 2010 (the "2010 Engagement Letter"), the Company has requested that Paragon provide certain additional services that were not contemplated in the scope of services and fees set forth in the 2010 Engagement Letter. This letter (the "2011 Addendum") hereby adds and/or amends certain services, terms, fees, provisions and/or definitions to 2010 Engagement Letter. All defined terms set forth in the 2010 Engagement Letter shall apply to the 2011 Addendum. Except as set forth explicitly below in this 2011 Addendum, all terms and provisions set forth in the 2010 Engagement Letter, including the Indemnification Agreement set forth in Schedule I, shall remain in full force and effect. Upon execution of this agreement, the 2011 Addendum shall be incorporated into, and become part of, the 2010 Engagement Letter.

A. Support Services

Since commencing the engagement, Paragon has provided certain additional support services, at the Company's request, that were not contemplated in the scope of services and fees set forth in the 2010 Engagement Letter (the "Support Services"). These Support Services have included: (a) assisting the Company's management team in performing certain financial support activities relating to the preparation of key information, such as the preparation of detailed financial reports from the Company's general ledger data; (b) assisting the Company in exploring a divestiture of the Company's hardware division based in Maryland; and (c) performing certain other financial or administrative activities that would typically be performed by internal employees of a company, or on a contract basis by an outside third-party.

As consideration for providing additional Support Services outside the scope of the 2010 Engagement Letter since the original date upon which Paragon was engaged, and as consideration for providing a modest level of such services, as needed, in order to facilitate the Company's efforts to address matters relating to the potential sale of the Company, the Company and Paragon hereby agree to eliminate the crediting of the Upfront Advisory Fee and all Monthly Work Fees as set forth in the 2010 Engagement Letter. To reflect this contractually, the Company and Paragon hereby nullify the last sentence of paragraph 3(i) in the 2010 Engagement Letter, and the last sentence of paragraph 3(ii) in the 2010 Engagement Letter, that would have required Paragon to credit 100% of the Upfront Advisory Fee, and 50% of Monthly Work Fees up to a certain amount, towards any Sale Fee or Debt Financing Fee.

July 3, 2011
Page 2 of 3

In the future, in the event the event the Company desires Paragon to provide a level of Support Services that would require an extensive amount of time from certain professionals of Paragon, Paragon and the Company shall enter into a separate agreement concerning the scope of work and compensation relating to such services.

B. Equity Financing

If upon request, Paragon assists the Company with an Equity Financing, as defined below, upon consummation of the Equity Financing, the Company shall pay to Paragon an additional fee ("Equity Financing Fee") in an amount equal to 5.0% of all consideration paid or payable (including amounts paid into escrow) to the Company or its securityholders, creditors, shareholders, and/or other constituents in connection with an Equity Financing, including amounts paid or payable in respect of equity, equity-like instruments, convertible securities, warrants, stock appreciation rights, options or similar rights, provided that the Equity Financing Fee shall be subject to a minimum fee of \$500,000. The Equity Financing Fee shall be deemed fully earned when paid. The term "Equity Financing" means one or a series of transactions whereby, directly or indirectly, any form of equity, equity-like securities (i.e., convertible debt), warrants, rights or other similar types of securities of the Company or any of its subsidiaries or affiliates, involving 50% or less of the securities of the Company or any of its subsidiaries or affiliates, are issued to, transferred to, acquired by or combined with any person or one or more persons formed by or affiliated with such person (the "Equity Investor").

C. Acquisition

If upon request, Paragon assists the Company with an Acquisition, as defined below, upon consummation of any Acquisition, the Company shall pay to Paragon an additional fee (an "Acquisition Fee") equal to 3.5% of aggregate consideration (as defined below), subject to a minimum fee of \$500,000. The Acquisition Fee shall be deemed fully earned when paid. The term "Acquisition" means one or a series of transactions whereby, directly or indirectly, all or any substantial portion of a business of a target, the assets (or any right to all or any substantial portion of the revenues or income) of a target or the voting securities of a target are transferred to, acquired by or combined with the Company or one or more persons formed by or affiliated with the Company (each, an "Acquisition Affiliate").

D. Definition of Transaction

The definition of "Transaction" set forth in the 2010 Engagement Letter shall hereby include an Equity Financing and Acquisition, as defined above, in addition to a Sale and Debt Financing as set forth in the 2010 Engagement Letter.

E. Expense Reimbursement

In paragraph 4 of the 2010 Engagement Letter relating to reimbursement for reasonable out-of-pocket expenses, the expense cap amount shall be increased from \$30,000 to \$50,000.



July 3, 2011
Page 3 of 3

Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed duplicate of this letter, which shall thereupon constitute a binding agreement.

Very truly yours,

PARAGON CAPITAL PARTNERS, LLC

By: Michael E. Levy
Name: Michael E. Levy
Title: Partner

THE SPECIAL COMMITTEE FOR STRATEGIC ALTERNATIVES
OF THE BOARD OF DIRECTORS OF
HARTFORD COMPUTER GROUP, INC.

By: Shepherd G. Pryor IV
Name: Mr. Shepherd G. Pryor IV
Title: Chairman of the Special Committee
of the Board of Directors, Nexicore, Inc.
Authorized Signatory

MS

Exhibit 2

PARAGON CAPITAL PARTNERS, LLC
MERCHANT BANKING

June 29, 2010

Delaware Street Capital Master Fund, L.P.
c/o DSC Advisors, L.P.
900 N. Michigan Avenue, 19th Floor
Chicago, IL 60611

Attention: Mr. David Heller

Dear David:

This letter references the engagement letter agreement dated [June 29, 2010] (the "HCG Agreement") executed by and between Paragon Capital Partners, LLC ("Paragon") and Hartford Computer Group, Inc. ("HCG" or the "Company").

Delaware Street Capital Master Fund, L.P., and/or their affiliates (collectively, "DSC") hereby consent to the retention of Paragon by the Special Committee for Strategic Alternatives (the "Special Committee") of the Board of Directors of HCG, and to the Company's payment to Paragon of the fees set forth in Section 3 of the HCG Agreement (the "Fees"), free and clear of any lien, claim or interest that DSC may have in the Company's assets or the proceeds thereof. DSC also agrees to the payment in full to Paragon of any Sale Fee or Debt Financing Fee (as set forth in the HCG Agreement) from the proceeds of any Transaction (as defined in the HCG Agreement), as a cost thereof and funded free and clear of any lien, claim or interest that DSC may have in the Company's assets or the proceeds thereof, at closing, out of the proceeds of such Transaction irrespective of whether or not the proceeds of such Transaction are sufficient to satisfy in full the Company's obligations to DSC. If any portion of a Sale Fee or Debt Financing Fee is funded to DSC rather than to Paragon, DSC agrees to promptly remit such funds to Paragon. In the event the Company undertakes a filing under applicable insolvency and restructuring legislation in connection with consummating a potential Transaction, DSC consents to the inclusion of Paragon's fees in all budgets attached to any financing order entered in the Company's bankruptcy case and the payment in full of such fees to Paragon in accordance therewith. DSC further absolutely, unconditionally and irrevocably guarantees the payment in full, as a primary obligor and not just as a surety, of (i) the Fees (to the extent due under the HCG Agreement but unpaid by the Company), (ii) the costs of legal counsel incurred by Paragon (to the extent due under the HCG Agreement but unpaid by the Company) (iii) the indemnification obligations set forth in Section 10 and Schedule I the HCG Agreement and (iii) any other obligations of the Company to Paragon pursuant to the HCG Agreement; provided that the guarantees being provided by DSC above shall (i) never exceed, in the aggregate, the amount of the proceeds of a Sale (as defined in the HCG Agreement) payable to DSC, (ii) be payable only to the extent DSC actually receives any such proceeds of a Sale (as defined in the HCG Agreement) and (iii) terminate 30 days following the distribution to DSC of substantially all of the proceeds of a Sale (as defined in the HCG Agreement) which DSC is entitled to receive. In order for Paragon to receive payments due from DSC hereunder, Paragon shall provide a written request for payment to DSC, which shall include details of the obligations which were not honored on a timely basis by the Company.

June 29, 2010
Page 2 of 2

Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed duplicate of this letter, which shall thereupon constitute a binding agreement.

Very truly yours,

PARAGON CAPITAL PARTNERS, LLC

By: 

Name: David Y. Adler

Title: Partner

DELAWARE STREET CAPITAL MASTER FUND, L.P.

By: 

Name: Mr. Prashant Gupta

Title: Chief Financial Officer, DSC Advisors, L.P., Investment Manager of Delaware Street Capital Master Fund, L.P.

EXHIBIT 3

Disclosure of Payments Received Within 90 Days of the Petition Date

Payment For	Date of Payment	Amount of Payment
Monthly Work Fee, payment in advance for December 2011 to March 2012	November 14, 2011	\$80,000.00
Out-of-Pocket Expenses, 10/6/2011 – 11/9/2011	November 14, 2011	\$499.54
Out-of-Pocket Expenses, 7/26/2011 – 10/5/2011	October 25, 2011	\$13,827.09

60929994

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:)	Chapter 11
)	
HARTFORD COMPUTER HARDWARE,)	Case No. 11-49744 (PSH)
INC., <i>et al.</i> , ¹)	(Joint Administration Pending)
)	
Debtors.)	Hon. Pamela S. Hollis

**ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT OF
PARAGON CAPITAL PARTNERS, LLC AS FINANCIAL ADVISOR
AND INVESTMENT BANKER TO THE DEBTORS UNDER SECTIONS
327(a) AND 328(a) OF THE BANKRUPTCY CODE**

This matter coming before the Court on the Debtors' Application to Retain and Employ Paragon Capital Partners, LLC ("Paragon") as the Debtors' financial advisor and investment banker pursuant to sections 327(a) and 328(a) of title 11 of the Bankruptcy Code, Bankruptcy Rules 2014 and 2016 and Local Bankruptcy Rule 5028-1(c) (the "Application");² the Court having reviewed the Application, the Declaration of Michael E. Levy and the Declaration in Support of First Day Relief; the Court having found that (a) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, (b) venue is proper in this district pursuant to 28 U.S.C. § 1408 and 1409, (c) this is a core proceeding pursuant to 28 U.S.C. § 157(b), (d) notice of the Application having been sufficient under the circumstances; and the Court having determined that the legal and factual basis set forth in the Application establish just cause for the relief granted herein;

IT IS HEREBY ORDERED as follows:

1. The Application is GRANTED.

¹ The Debtors are Hartford Computer Hardware, Inc. (FEIN 27-4297525), Nexicore Services, LLC (FEIN 03-0489686), Hartford Computer Group, Inc. (FEIN 36-2973523), and Hartford Computer Government, Inc (FEIN 20-0845960).

² Capitalized terms not defined herein shall have the meaning given to them in the Application.

2. All objections to the Application or the relief requested therein that have not been made, withdrawn, waived, or settled, and all reservations of rights included therein, hereby are overruled on the merits.

3. Notice of the Application was proper, timely, adequate and sufficient under the particular circumstances.

4. In accordance with section 328(a) of the Bankruptcy Code, the Debtors are authorized to employ and retain Paragon as their financial advisor and investment banker on the terms set forth in the Application and to pay fees to Paragon on the terms and at the times specified in the Application.

5. Paragon shall keep time records for its Monthly Work Fee in one-hour increments describing their daily activities and the identity of persons who performed such tasks. Paragon does not need to maintain its time records for its Monthly Work Fee on a “project category” basis. Paragon shall supplement this information with a list of the non-restructuring professionals who assist the restructuring department on this matter but who do not, as a matter of general practice, keep time records.

6. Paragon is not required to keep time records related to its Sale Fee.

7. Paragon shall maintain its time records for its Counsel Fees, Restructuring Advisory Fee and Expenses pursuant to Bankruptcy Rule 2016 and Local Rule 5082-1.

8. Paragon shall be paid its Monthly Work Fee, Expenses, Counsel, and Restructuring Advisory Fees on a monthly basis without application to the Court; provided, however, all such payments are subject to final approval by this Court and Paragon shall file a final fee application for approval of such fees, as well as, the Sale Fee.

9. Notwithstanding anything herein, the fees payable to Paragon pursuant to the Engagement Letter shall be subject to review only pursuant to the standards set forth in section 328(a) of the Bankruptcy Code and shall not be subject to the standard of review set forth in section 330 of the Bankruptcy Code.

10. The Indemnification Provisions of the Engagement Letter are approved in their entirety.

11. This Order is effective as of the Petition Date.

12. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this order.

Dated: _____, 2011

UNITED STATES BANKRUPTCY JUDGE