

**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., *et al.*¹) (Joint Administration Pending)
)
Debtors.) Hon. Pamela S. Hollis

**DEBTORS’ MOTION FOR THE ENTRY OF AN ORDER (I) AUTHORIZING
PAYMENT OF PREPETITION EMPLOYEE OBLIGATIONS AND RELATED
WITHHOLDING TAXES; (II) AUTHORIZING THE PREPETITION EMPLOYEE
BENEFITS AND CONTINUATION OF EMPLOYEE BENEFIT PLANS; AND
(III) DIRECTING ALL BANKS TO HONOR PREPETITION CHECKS
FOR PAYMENT OF PREPETITION EMPLOYEE OBLIGATIONS**

The above-captioned debtors and debtors in possession (the “Debtors”) submit this motion for entry of an order, pursuant to sections 105(a), 363(b), 507(a), and 541 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), (i) authorizing the Debtors to pay (a) their employees’ unpaid wages, salaries, bonuses and commissions and related obligations that accrued prior to the commencement of these cases (collectively, the “Employee Obligations”), and (b) the appropriate federal, state and local taxing authorities and other governmental agencies (the “Taxing Authorities”) the state, local, and federal employment and withholding taxes, wage garnishments and other court ordered deductions with respect to the Employee Obligations (the “Employment and Withholding Taxes”); (ii) authorizing the continuation of employee benefit plans on a postpetition basis and the payment of certain prepetition obligations with respect to such programs (the “Employee Benefits”); and (iii) directing all banks to honor prepetition checks or wire transfers with respect to payments authorized by this motion. In support of this motion, the Debtors submit the

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-



Declaration of Brian Mittman in Support of Chapter 11 Petition and First Day Motions, sworn to on the date hereof (the "Declaration in Support of First Day Relief"), and respectfully represent as follows:

INTRODUCTION

1. On the date hereof (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code, together with various motions and applications seeking 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 this 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 predicates for the relief requested herein are sections 105(a), 363(b), 507(a), and 541 of the Bankruptcy Code.

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

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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 in Support of First Day Relief filed contemporaneously with this motion and which is incorporated herein by reference.

RELIEF REQUESTED

8. To minimize the personal hardship their employees will suffer if prepetition employee-related obligations are not paid when due, and to maintain employees' morale at this critical time, the Debtors seek authority, but not the requirement, to pay certain Employee Obligations and Employment and Withholding Taxes, as well as reimbursement of certain customary Reimbursable Expenses (as defined below).

9. By this motion, the Debtors seek the entry of an order (a) authorizing the Debtors to pay (i) the Employee Obligations and (ii) the Employment and Withholding Taxes; (b) authorizing the Debtors to continue certain existing employee benefit plans on a postpetition basis and pay the Employee Benefits; and (c) authorizing and directing the Debtors' banks to receive, process, honor and pay all of the Debtors' prepetition checks and fund transfers on account of any payments authorized by this motion, (d) prohibiting the Debtors' banks from placing any holds on, or attempting to reverse, any automatic transfers to any account of an Employee or other party for payments authorized by this motion, and (e) authorizing the Debtors to issue new postpetition checks or effect new postpetition fund transfers on account of the Employee Obligations to replace any prepetition checks or fund transfer requests that may be dishonored or rejected. For the reasons set forth below, the Debtors respectfully submit that it is in the best interest of their estates for this Court to grant the relief requested herein.

BASIS FOR RELIEF

A. Payment of Prepetition Employee Obligations.

10. As of October 31, 2011, the Debtors employed approximately 486 persons in the aggregate (the “Employees”), of which approximately 401 are salaried Employees and approximately 85 are paid on an hourly basis.² All Employees are paid bi-weekly every other Friday. In addition, certain Employees, mainly sales representatives and customer service representatives associated with sales, are entitled to bonuses and/or commissions based on the level of sales generated throughout the year. These commissions are generally paid during the last payroll cycle of each quarter.

11. As of the Petition Date, the Debtors estimate that the aggregate amount owed in the form of accrued but unpaid salary, wages, paid time off, bonuses and commissions is approximately \$1,300,000 (collectively, the “Unpaid Compensation”). Of the Unpaid Compensation, the Debtors seek to pay approximately \$500,000 in accrued salary and wages.³ The Debtors do not intend to pay Unpaid Compensation to any one Employee in excess of the \$11,725 cap imposed by section 507(a)(4) of the Bankruptcy Code.

12. Items of Unpaid Compensation were due and owing on the Petition Date because, among other things, the Debtors’ bankruptcy cases were filed in the midst of the Debtors’ regular and customary salary and hourly wage payroll periods, and some payroll checks issued to employees prior to the Petition Date may not have been presented for payment or cleared the banking system and therefore not honored and paid as of Petition Date.

² In addition to the Employees, the Debtors supplement their workforce by utilizing approximately four independent contractors who assist the Debtors in security, recruiting, installation of hardware, and sales with respect to specific customers.

³ The other significant components of Unpaid Compensation—bonuses and paid time off—are described below.

13. The Debtors offer incentive bonuses in their discretion, and pursuant to a limited number of compensation agreements, to certain Employees based on the achievement of established goals, objectives or quotas (collectively, the “Bonus Plans”). The Bonus Plans are designed to provide market-competitive cash bonus payments based on several measurements, including position-specific goals, customer service ratings, and production and sales growth.

14. Specifically, awards are made based on the quality and efficiency of service provided by the Employee. Bonus awards are payable throughout the year, but are generally paid to Employees monthly in arrears.

15. Approximately 104 Employees (who are not “insiders” under the Bankruptcy Code) are entitled to bonuses, in the aggregate, of approximately \$30,000 under the Bonus Plans as of the Petition Date. The average bonus for eligible Employees is approximately \$315; thus, payment of the bonuses will not cause any Employee to receive Unpaid Compensation in excess of the 507(a)(4) cap. By this motion, the Debtors seek authority to continue to honor and perform all Bonus Plans in the ordinary course of business, including payment of any prepetition claims to non-insider Employees on account of such plans.

16. In addition to their ordinary and customary wages, the Debtors provide regular, full-time Employees with paid time off to cover, among other things, vacation, sick days and holidays⁴ (collectively, “Paid Time Off”), which accrues for each Employee based on his or her length of service with the Debtors. For example, Employees that have been employed by the Debtors from zero to four years receive 4.92 hours of Paid Time Off per pay period, while Employees who have worked for the Debtors for ten years or more receive 8 hours of Paid Time

⁴ Full-time Employees are given 7 paid holidays designated each year by the Debtors. If a holiday falls on a workday while an Employee is on Paid Time Off, he or she will receive holiday pay for that day rather than Paid Time Off.

Off per pay period.⁵ Accordingly, Employees could earn 16 to 26 days of Paid Time Off per year. If Employees do not use their Paid Time Off, it continues to accrue up to an established maximum amount based on years of service, which ranges between 24 to 39 days. As of the Petition Date, the Debtors estimate that a total of approximately \$771,251 in earned but unpaid Paid Time Off has accrued for eligible Employees.

17. The Debtors request that all Employees be authorized to use such accrued Paid Time Off in the ordinary course of business, pursuant to the Debtors' policies in effect as of the Petition Date. In the event one or more of the Employees leave the Debtors' employ subsequent to the Petition Date, the Debtors seek further authorization (but not the direction or obligation) to pay such employees, in the Debtors' sole discretion, the accrued but unused Paid Time Off in accordance with the Debtors' prepetition policies and practices so long as payment would not cause the aggregate Unpaid Compensation for that Employee to be greater than the 507(a)(4) cap.

B. Reimbursable Expenses.

18. Prior to the Petition Date and in the ordinary course of business, the Debtors reimbursed Employees for certain expenses incurred in the scope of their employment, including business-related travel expenses, vendor purchases, business meals, phone costs, and miscellaneous business expenses (collectively, the "Reimbursable Expenses").⁶ The Debtors also provide travel stipends of \$50 to \$200 for up to twenty-five Employees who use their personal vehicles to travel to the Debtors' customers to install and repair products.

⁵ The Employees located in Canada are entitled also to a statutory vacation time of two weeks per year. As of the October 31, 2011, the Debtors had approximately 113 Employees (106 salaried and 7 hourly) located in Canada.

⁶ In the ordinary course of the Debtors' business, a limited number of Employees purchase inventory on behalf of the Debtors using personal credit, which is then reimbursed by the Debtors in a timely manner.

19. In addition, certain Employees pay for the Reimbursable Expenses with their personal or corporate credit cards. The credit card companies then invoice the Debtors directly for these charges and, following the Debtors' review of the invoices, such charges are paid directly by the Debtors to the credit card companies. Although the Debtors pay the invoices directly for the corporate credit cards of certain Employees, the accounts are held in the names of the Employees. Therefore, to the extent the Debtors fail to remit payment to the credit card companies for valid and legitimate Reimbursable Expenses, the credit card companies may seek to collect such unpaid amounts directly from the Employees, which may negatively impact the Employees' credit.

20. All Reimbursable Expenses were incurred as business expenses on the Debtors' behalf and with the understanding that the Employees would be reimbursed in the normal course. The Debtors estimate that, as of the Petition Date, less than \$15,000 was owed on account of outstanding Reimbursable Expenses to Employees. Accordingly, to avoid harm to individual Employees, the Debtors seek authorization, in their sole discretion, to pay the Reimbursable Expenses to the Employees in the ordinary course of business.

C. Employee Benefits.

21. The Debtors offer all of their full-time Employees certain benefits, including health insurance, dental insurance, vision care, flexible spending accounts, a 401(k)/profit sharing plan, term life insurance, accidental death and disability insurance, short-term disability, long-term disability, and COBRA (collectively the "Employee Benefits").⁷ The Debtors seek to continue to provide the Employee Benefits on a postpetition basis, and to honor all prepetition obligations relating thereto.

⁷ Employees become eligible for Employee Benefits on the first day of the month following 90 days of continuous employment. Hourly Employees must work a minimum of 30 hours per week for three consecutive

(i) Medical, Dental and Vision Benefits.

22. The Debtors offer health care coverage, including prescription drug coverage and dental and vision care, to approximately 401 full-time Employees and their dependents. The Debtors pay for all health care benefits of their Canadian Employees and share the cost of providing these benefits with their U.S. Employees. In addition, the Debtor fund a portion of the health care benefits offered to their U.S. Employees, the rest of which are funded by the U.S. Employees through funds withheld from their paychecks. In 2010, the Debtors paid approximately \$1.6 million for Employee health care benefits.

23. The Debtors offer their full-time Employees a medical plan, dental plan, and flexible spending reimbursement accounts (the "Medical and Dental Benefits") through Anthem Blue Cross and United Concordia Dental. The Medical and Dental Benefits represent an integral component of each Employee's employment, and without these benefits the Debtors believe they would be unable to retain all of their personnel. Additionally, discontinuance of these benefits would impose a severe hardship on the Employees and their families.

24. The Debtors believe that they have paid all administrative costs that have come due prior to the Petition Date. However, to the extent that any premiums due for the Medical and Dental Benefits or any claims in connection therewith, insofar as such premiums and claims relate to the prepetition period, remain unpaid on the Petition Date, the Debtors seek authorization to pay those amounts.⁸

months, and must maintain 30 hours a week thereafter to remain eligible.

⁸ The Debtors maintain and administer certain flexible spending accounts for their Employees. These accounts are funded by pre-tax dollars taken out of the Employees' wages for use in connection with medical coverage. None of the funds in those accounts are property of the estates or governed by this Motion. From time to time, the Debtors may remit funds from these accounts to the employees who own such funds.

(ii) Workers' Compensation Obligations and Related Insurance.

25. The Debtors provide workers' compensation insurance for their Employees at the statutorily-required level for each state in which the Debtors have business operations. As of the Petition Date, the Debtors do not believe they owe any prepetition amounts on account of workers' compensation insurance. However, out of an abundance of caution, the Debtors request authority to pay any petition amounts that may be outstanding.

(iii) Life Insurance/Short Term Disability/Long Term Disability.

26. The Debtors also provide basic life insurance through a premium based insurance policy through Lincoln National Life Insurance Company. Voluntary supplemental life insurance and voluntary long-term and short-term disability are also offered by the Debtors as premium based and fully paid by the employee through payroll deductions. As of the Petition Date, the Debtors do not believe they owe any prepetition amounts on account of life insurance. However, out of an abundance of caution, the Debtors request authority to pay any petition amounts that may be outstanding.

(iv) 401(k) Plan.

27. The Debtors maintain a qualified defined contribution savings plan for the benefit of all eligible Employees meeting the requirements of section 401(k) of the Internal Revenue Code. The Debtors provide a 401(k) plan for Employees that have worked for the Debtors for at least three consecutive months. Employees may contribute elect to contribute between 1% and 15% of their pay, or up to federally regulated dollar maximum per calendar year. The Debtors have the discretion to make matching contributions under the 401(k) plan. As of the Petition Date, the Debtors do not believe they owe any prepetition amounts in connection with the 401(k)

plan. However, out of an abundance of caution, the Debtors request authority to pay any petition amounts that may be outstanding.

D. Prepetition Employee Withholdings.

28. In the ordinary course, the Debtors deduct from their Employees' paychecks (a) payroll taxes and the Employees' portion of FICA and unemployment taxes, (b) Employee contributions to 401(k) plans and 401(k) loan repayments (the "401(k) Deductions"); (c) Employee voluntary insurance premiums, (d) Employee health benefit premiums and reimbursement/savings accounts; and (e) legally ordered deductions such as wage garnishments, child support and tax levies (collectively, the "Employee Deductions").

29. Due to the commencement of these cases, funds may have been deducted from Employee paychecks but may not have been forwarded to appropriate third-party recipients. Failure to forward the 401(k) Deductions to the 401(k) plan administrator may be a violation of the Employee Retirement Income Security Act of 1974, potentially resulting in the Debtors' officers and directors being held personally liable for such amounts. By this motion, the Debtors seek authority to forward the Employee Deductions to the appropriate parties.

E. Bank Accounts.

30. Finally, the Debtors request the entry of an order authorizing all banks to receive, process, honor and pay any and all checks or electronic transfers drawn on the Debtors' payroll and general accounts related to the Employee Obligations and Employee Benefits, whether presented before or after the Petition Date, upon receipt by each bank and institution of notice of such authorization, provided that sufficient funds are on deposit in the applicable accounts to cover such payments. The Debtors further request entry of an order prohibiting the Debtors' banks from placing any holds on, or attempting to reverse, any automatic transfers to any

account of an Employee or other party for Employee Obligations. The Debtors also seek an order authorizing them to issue new postpetition checks or effect new postpetition fund transfers on account of the prepetition Employee Obligations to replace any prepetition checks or fund transfer requests that may be dishonored or rejected.

31. In sum, pursuant to this motion, the Debtors seek to pay to, or for the benefit of, their Employees the prepetition Employee Obligations and Employee Benefits and to continue the programs providing the Employee Benefits in effect immediately prior to the filing of these cases. If the Debtors fail to pay or honor the Employees' prepetition compensation, reimbursement procedures and Employee benefits, the Employees will suffer extreme personal hardship and in many cases will be unable to pay their basic living expenses. This clearly would destroy Employee morale and result in unmanageable Employee turnover during the critical early stages of these chapter 11 cases. The Debtors submit that any significant deterioration in morale at this time will substantially and adversely impact the Debtors and their ability to maximize the value of the their estates, thereby resulting in immediate and irreparable harm to the Debtors and their estates.

32. By this motion, the Debtors are not seeking to assume any executory contracts. Also, the Debtors seek only the authority to make the compensation and reimbursement payments described herein, and are not assuming any obligations to make such payments, nor are the Debtors assuming any administrative or prepetition or post-petition liabilities with respect thereto.

33. The Debtors do not believe that any of their current Employees are owed amounts for services rendered prior to the Petition Date in excess of the \$11,725 amount to which such employee would be entitled to priority under section 507 of the Bankruptcy Code.

34. The Debtors further submit that the amounts to be paid the Employees pursuant to this motion are reasonable compared with the importance and necessity of preserving Employee loyalty and morale, and with the difficulties and losses the Debtors likely will suffer if those amounts are not paid. Accordingly, the Debtors seek authorization to pay (i) the Employee Obligations (or to maintain accrued levels of benefits and continue such accrual where payment is not yet due) and (ii) the Employee Benefits, all in accordance with the policies, plans and programs in place prior to the Petition Date. Failure to pay the current employees for their prepetition services in full would likely hinder the Debtors' ability to maximize the value of their assets and to administer these Chapter 11 Cases in an orderly fashion.

APPLICABLE AUTHORITY

35. Sections 507(a)(4) and (a)(5) of the Bankruptcy Code gives priority status for up to \$11,725 per individual for prepetition claims for wages, salaries, vacation and sick leave and claims for contributions to employee benefit plans. The Debtors believe that substantially all of the Employee Obligations and Reimbursable Expenses that the Debtors seek to pay are entitled to priority under sections 507(a)(4) and (a)(5), and, as such, most will be paid in full as a condition to confirmation of a plan in these Chapter 11 Cases. *See* 11 U.S.C. § 1129(a)(9).

36. The vast majority of the accrued amounts due and owing to individual Employees are less than the \$11,725 priority cap contained in section 507(a) of the Bankruptcy Code. Under these circumstances, payment of the Employee Obligations and Reimbursable Expenses in the ordinary course of business simply accelerates the timing of payment of obligations that otherwise will have to be paid. As such, the priority scheme set forth in the Bankruptcy Code is not altered.

37. The relief requested in this motion outside the scope of section 507(a) finds support under §§ 363(b)(1) and 105(a). Section 363(b)(1) authorizes a debtor-in-possession to use property of the estate other than in the ordinary course of business, after notice and hearing. In interpreting section 363(b)(1), courts have applied a variety of standards, including a business judgment test, *In re Condere Corp.*, 228 B.R. 615, 630 (Bankr. S.D. Miss. 1998); *WBO P'ship v. Va. Dep't of Med. Assistance Servs. (In re WBO P'ship)*, 189 B.R. 97, 102 (Bankr. E.D. Va. 1995), a good faith test determining whether the sale is fair and equitable, *In re Phoenix Steel Corp.*, 82 B.R. 334, 335-36 (Bankr. D. Del. 1987), and a test to assess whether the transaction is in the best interest of the estate, *In re Stein*, 281 B.R. 845, 852 (Bankr. S.D.N.Y. 2002). See *In re Zeigler*, 320 B.R. 362, 381 (N.D. Ill. 2005). Further, the Seventh Circuit has stated that there must be an “articulated business justification” for the use of property outside the ordinary course of business. *In re Schipper*, 933 F.2d 513, 515 (7th Cir. 1991). In addition, the Seventh Circuit’s decision in *Kmart Corp.*, 359 F.3d 866, 872-73 (7th Cir. 2004), does not foreclose the use of Section 363(b)(1) to satisfy a debtor’s prepetition employee obligations. Rather, *Kmart* stands for the proposition that section 363(b)(1) should be construed “to do the least damage possible to priorities established by contract and by other parts of the Bankruptcy Code.” *Id.* at 872.

38. Further, retention of the employees is critical to the Debtors. Therefore, in addition, section 105(a) authorizes this Court, pursuant to its general equitable powers, to issue such orders as are necessary to carry out the provisions of the Bankruptcy Code. The Court’s use of such authority to implement the priority provisions of sections 363(b)(1) and 507(a) of the Bankruptcy Code under appropriate circumstances is well established. The Debtors are attempting to treat each of their Employees equally, and seek Court authority to pay prepetition

obligations, almost all of which are entitled to priority treatment under the Bankruptcy Code. Further, since the priority claims must be satisfied in full before the claims of the Debtors' general unsecured creditors, unsecured creditors will be not be prejudiced by granting limited relief to a few Employees in excess of the priority provisions of section 507(a) of the Bankruptcy Code. Moreover, the Debtors' payment of the priority claims should neither prejudice general unsecured creditors nor materially affect the Debtors' estate, because such payments are essentially coming from the secured lenders' collateral that would not otherwise be available to unsecured creditors. Accordingly, appropriate circumstances exist to grant this motion.

39. The payment of the employee contribution component of the Employer taxes and 401(k) Plan or payment of garnished wages will not prejudice the Debtors' estates because such withholdings are held in trust for the benefit of the related payees and, thus, do not constitute property of the Debtors' estates under Bankruptcy Code section 541. *See Begier v. IRS*, 496 U.S. 53 (1990). Moreover, payments which are critical to the retention and morale of the Debtors' workforce actually add value to the estates because an unplanned reduction in Employee retention or productivity could have disastrous effects on recoveries to unsecured creditors.

40. The Debtors believe that the value of the Debtors' businesses will be maximized, and operational disruptions caused by the Debtors' bankruptcy minimized, by the payment of the Employee Obligations and Employee Benefits. The continued service and dedication of the Employees is critical to the Debtors' prospects for these chapter 11 cases.

41. Although the Debtors seek to pay the Employee Obligations and Employee Benefits and continue postpetition the programs providing the Employee Benefits in effect immediately prior to the Petition Date, such action, if authorized, should not be deemed to be an assumption or adoption of any agreement or policy providing such coverage. The Debtors retain

their rights to assume, reject or modify any Employee wage, incentive or benefits programs to the extent they are entitled to do so under existing contracts, agreements or applicable law.

42. To successfully implement the foregoing, to the extent that any aspect of the relief sought herein constitutes a use of property under Bankruptcy Code section 363(b), the Debtors seek a waiver of the notice requirements under Bankruptcy Rule 6004(a) and the fourteen-day stay under Bankruptcy Rule 6004(h).

43. Courts routinely recognize that payment of employee obligations is essential to a debtor's ability to operate in chapter 11 and accordingly authorize payment of prepetition wages, salaries, bonuses and commissions. *See, e.g., In re Giordano's Enters., Inc.*, Case No. 11-06098 (ERW) (Bankr. N.D. Ill. Feb. 17, 2011); *In re Gas City, Ltd.*, Case No. 10-47879 (ERW) (Bankr. N.D. Ill. Oct. 27, 2010); *In re Hartmarx Corp.*, Case No. 09-02046 (BWB) (Bankr. N.D. Ill. Jan. 26, 2009); *In re Kimball Hill, Inc.*, Case No. 08-10095 (SPS) (Bankr. N.D. Ill. Apr. 25, 2008); *In re Enesco Group, Inc.*, Case No. 07-00565 (ABG) (Bankr. N.D. Ill. Jan. 12, 2007).

NOTICE

44. The Debtors will provide notice of this motion 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

45. No previous motion for the relief requested herein has been made by the Debtors to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter the proposed order, (i) authorizing the Debtors to pay or otherwise honor the (a) Debtors' Employee Obligations and

Employee Benefits and (b) authorizing the Debtors to pay the Employment and Withholding Taxes; (ii) authorizing the Debtors to continue postpetition the programs providing the Employee Benefits in effect immediately prior to the Petition Date; (iii) (a) authorizing and directing the Debtors' banks to receive, process, honor and pay all of the Debtors' prepetition checks and fund transfers on account of any payments authorized by this motion, (b) prohibiting the Debtors' banks from placing any holds on, or attempting to reverse, any automatic transfers to any account of an Employee or other party for payments authorized by this motion, and (c) authorizing the Debtors to issue new postpetition checks or effect new postpetition fund transfers on account of the Employee Obligations to replace any prepetition checks or fund transfer requests that may be dishonored or rejected; and (iv) granting the Debtors such other and further relief as is just and proper.

Dated: December 12, 2011

Respectfully submitted,

By: /s/ John P. Sieger

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Debtors in Possession*

**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., *et al.*¹) (Joint Administration Pending)
)
Debtors.) Hon. Pamela S. Hollis

ORDER (I) AUTHORIZING PAYMENT OF PREPETITION EMPLOYEE OBLIGATIONS AND RELATED WITHHOLDING TAXES; (II) AUTHORIZING THE PREPETITION EMPLOYEE BENEFITS AND CONTINUATION OF EMPLOYEE BENEFIT PLANS; AND (III) DIRECTING ALL BANKS TO HONOR PREPETITION CHECKS FOR PAYMENT OF PREPETITION EMPLOYEE OBLIGATIONS

This matter having come before the Court on the motion, dated [date] (the “Motion”),² of the above-captioned debtors and debtors-in-possession (the “Debtors”), for entry of an order under 11 U.S.C. §§ 105(a), 363(b), 507(a)(4) and 541, (I) authorizing the Debtors to pay to (a) their employees unpaid wages, salaries, bonuses and commissions (including commissions earned by independent sales representatives) and related obligations that accrued prior to the commencement of these cases (the “Employee Obligations”), and (b) the appropriate federal, state and local taxing authorities and other governmental agencies (the “Taxing Authorities”) the state, local, and federal employment and withholding taxes, wage garnishments and other court ordered deductions with respect to the Employee Obligations (the “Employment and Withholding Taxes”); (II) authorizing the continuation of employee benefit plans on a postpetition basis and the payment of certain prepetition obligations with respect to such programs (the “Employee Benefits”); and (III) directing all banks to honor prepetition checks or

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² Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Motion.

wire transfers with respect to payments authorized by the Motion; and the Court having reviewed the Motion and the Declaration in Support of First Day Relief; and the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors and other parties-in-interest; and it appearing that notice of the Motion was good and sufficient under the particular circumstances and that no other or further notice need be given; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED AND DECREED THAT:

1. The Motion is GRANTED.
2. The Debtors are authorized, but not directed, to pay or otherwise honor (including to any third parties that provide or aid in the monitoring, processing or administration of the Employee Obligations) the Employee Obligations and Employee Benefits in the ordinary course of business.
3. The Debtors are authorized, but not directed, to continue to provide the Employee Benefits, including all benefits relating to, without limitation, the Medical and Dental Benefits, workers' compensation, life and disability insurance, the Debtors' 401(k) plan, in effect immediately prior to the filing of these cases.
4. The Debtors are authorized to continue to honor their obligations, including any prepetition obligations, to Employees and applicable third-parties for Reimbursable Expenses, including those owed through corporate credit cards.
5. As applicable, all of the Debtors' banks are hereby authorized and directed, when requested by the Debtors, to receive, process, honor, and pay any and all checks drawn on the Debtors' accounts to pay the prepetition obligations authorized by this Order, whether those

checks were presented prior to or after the Petition Date, provided that sufficient funds are available in the applicable accounts to make the payments. The Debtors' banks are hereby prohibited from placing any holds on, or attempting to reverse, any automatic transfers to any account of an Employee or other party for prepetition Employee Obligations. The Debtors are authorized to issue new postpetition checks or effect new postpetition fund transfers on account of the prepetition Employee Obligations to replace any prepetition checks or fund transfer requests that may be dishonored or rejected.

6. The Debtors may pay any and all Employee Deductions, including social security, FICA, federal and state income taxes, garnishments, health care payments, 401(k) Deductions and other types of withholding, whether these relate to the period prior to the date of the Debtors' chapter 11 filings or subsequent thereto.

7. Nothing in the Motion or this Order or the relief granted (including any actions taken or payments made by the Debtors pursuant to the relief) shall (a) be construed as a request for authority to assume any executory contract under 11 U.S.C. § 365; (b) waive, affect or impair any of the Debtors' rights, claims or defenses, including, but not limited to, those arising from Bankruptcy Code section 365, other applicable law and any agreement; (c) grant third-party beneficiary status or bestow any additional rights on any third party; or (d) be otherwise enforceable by any third party.

8. Authorizations given to the Debtors in this Order empower but do not direct the Debtors to effectuate the payments specified herein.

9. Notwithstanding Bankruptcy Rule 6004(h), this Order shall be effective and enforceable immediately upon entry hereof.

10. This Court shall retain jurisdiction over any and all issues arising from or related to the implementation and interpretation of this Order.

Dated:
Chicago, Illinois

United States Bankruptcy Judge