

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re) Chapter 11
)
HARTFORD COMPUTER HARDWARE,) Case No. 11-49744 (PSH)
INC., *et al.*,¹) (Jointly Administered)
)
Debtors.) Honorable Pamela S. Hollis

Objection Deadline: July 17, 2012
Hearing Date: July 24, 2012

**OBJECTION OF CERTAIN STOCKHOLDERS AND CREDITORS TO DEBTORS'
MOTION FOR ORDER (I) APPROVING THE ADEQUACY OF THE DISCLOSURE
STATEMENT, (II) ESTABLISHING PROCEDURES FOR SOLICITATION AND
TABULATION OF VOTES TO ACCEPT OR REJECT THE PLAN, (III) FIXING
THE BAR DATE FOR PROFESSIONAL FEE CLAIMS, (IV) FIXING THE DATE,
TIME AND PLACE FOR CONFIRMATION HEARING, AND (V) ESTABLISHING
PROCEDURES FOR REJECTION CLAIMS**

ARG Investments (“ARG”), Enable Systems, Inc. (“Enable”), MRR Venture LLC (“MRR”), SKM Equity Fund II, L.P. (“SKM Equity”), and SKM Investment Fund II (“SKM Investment,” and collectively with ARG, Enable, MRR and SKM Equity, the “Interested Parties”),² by and through their undersigned counsel, hereby object (the “Objection”) to the Debtor’s Motion for Order (I) Approving the Adequacy of the Disclosure Statement, (II) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject the Plan, (III) Fixing the Bar Date for Professional Fee Claims, (IV) Fixing the Date, Time and Place for Confirmation Hearing, and (V) Establishing Procedures for Rejection Claims [Docket No. 351] (the “Motion”), seeking, *inter alia*, the approval of the Disclosure Statement

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 The Interested Parties hold 46.6% of the voting power in Hartford Computer Group, Inc. (“HCG”). ARG and SKM Investment are also unsecured creditors of HCG. MRR is also a secured creditor of HCG.



for the Joint Plan of Liquidation of the Debtors and the Creditors' Committee [Docket No. 351] (the "Disclosure Statement").³ In support of the Objection, the Interested Parties respectfully state as follows:

PRELIMINARY STATEMENT

1. As set forth in further detail below, prior to the Petition Date the Interested Parties filed the Shareholder Suit (as defined herein) against Delaware Street Capital Master Fund, L.P. ("Delaware Street"), certain of Delaware Street's officers, HCG, and certain of HCG's officers, challenging, *inter alia*, Delaware Street's claims against the Debtors in the Chapter 11 Cases. The Shareholder Suit was removed to the United States District Court for the District of Delaware and a motion to transfer venue to the United States District Court for the Northern District of Illinois was granted on July 3, 2012.

2. The Interested Parties submit that the Plan is an inappropriate vehicle for the settlement of the claims raised in the Shareholder Suit and that confirmation of the Plan, or any plan of liquidation in the Chapter 11 Cases, is premature and unnecessary until, at the very least, the Shareholder Suit is settled or finally adjudicated, after which distributions to creditors may be readily determined. Furthermore, and the issue of the settlement of the claims raised in the Shareholder Suit notwithstanding, the Disclosure Statement is inadequate and lacks substantial and necessary information regarding, *inter alia*, (a) the Shareholder Suit and the nature of the claims raised therein, (b) the impact on the Plan and the distributions to Unsecured Creditors in the event that the Interested Parties prevail in connection with the Shareholder Suit or any claims related thereto, and (c) the settlement between the Creditors' Committee and Delaware Street, specifically the extent of the investigation of Delaware Street and its claims against the Debtors

³ Each capitalized term used but not defined herein shall have the meaning given to such term in the Motion or the Disclosure Statement, as applicable.

conducted by the Creditors' Committee and the process or method pursuant to which the Creditors' Committee valued the claims sought to be settled pursuant to the Plan.

3. As such information is necessary to enable creditors to make an informed judgment about whether to accept or reject the Plan, the Disclosure Statement does not contain adequate information as required by section 1125 of the Bankruptcy Code. Furthermore, the Disclosure Statement describes a Plan that improperly classifies the claims of MRR and HCG Financial Services, Inc. ("HCG Financial") against HCG in an attempt to gerrymander an impaired consenting class for purposes of confirming such Plan. The Plan described in the Disclosure Statement cannot be confirmed as drafted given the improper classification of the MRR and HCG Financial claims against HCG.

4. For these reasons, as explained more fully below, the Interested Parties submit that the Court should not approve the Disclosure Statement as containing adequate information and deny the Motion.

BACKGROUND

5. Delaware Street is HCG's largest single stockholder, the Debtors' prepetition secured lender, has controlled the Debtors by designating five of HCG's seven directors (constituting a majority of HCG's board) and is the DIP lender in the Chapter 11 Cases. The Interested Parties constitute all of the stockholders of HCG other than Delaware Street and Brian Mittman, HCG's Chief Executive Officer, who was appointed by Delaware Street and granted a twelve percent (12%) equity interest in the Debtors for \$40,000.

6. On August 8, 2011, the Interested Parties filed a Verified Shareholder Individual and Derivative Complaint (the "Complaint"), attached hereto as Exhibit A and incorporated herein by reference, against Delaware Street and Brian Mittman, Subhash Desai, Prashant Gupta,

David Heller, Shepherd Pryor IV, and Emily Roynesdal (collectively, the “Delaware Street Director Defendants”) in the Delaware Chancery Court. *See ARG Investments v. Delaware Street Capital Master Fund, L.P.*, C.A. No. 6764-VCL (Del. Ch.) (the “Shareholder Suit”). The Complaint alleges that Delaware Street controlled HCG’s board of directors; acted as both principal creditor and majority shareholder of HCG; and devised a plan to withhold principal and interest payments on the debt secured by the prepetition credit agreement, drive HCG into bankruptcy and recoup its initial investment, together with approximately \$35 million in interest, without any proceeds for the unsecured creditors in the Chapter 11 Cases or the Interested Parties, as shareholders and creditors of HCG. The Complaint further alleges that the conflicted Delaware Street Director Defendants breached their fiduciary duties by doing nothing to pay down, renegotiate or refinance the debt held by Delaware Street, which incurred interest at exorbitant rates of up to twenty-five percent (25%). The Interested Parties allege that this was unjustifiable in a market where interest rates have been at historic lows and HCG’s business had otherwise been profitable since 2007. In other words, the Shareholder Suit accuses Delaware Street and the conflicted Delaware Street Director Defendants of, among other things, using accrued but unpaid interest at above market rates to expropriate value from HCG for the benefit of Delaware Street, as if it were an equity holder.

7. On December 12, 2011 (the “Petition Date”), under the control of directors appointed by Delaware Street, the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in this Court.

8. On March 9, 2012, the Shareholder Suit was removed to the United States District Court for the District of Delaware. The Interested Parties subsequently filed a motion to transfer venue of the Shareholder Suit to the United States District Court for the Northern District of

Illinois (the “Venue Transfer Motion”). The Venue Transfer Motion was granted on July 3, 2012. The order transferring venue is attached hereto as Exhibit B.

9. On June 13, 2012, the Debtors filed the Disclosure Statement, the Plan and the Motion.

OBJECTIONS

A. A Disclosure Statement Must Contain Adequate Information

10. Section 1125(b) of the Bankruptcy Code prohibits the Debtors from soliciting acceptances of the Plan until this Court approves the Disclosure Statement as containing “adequate information.” Section 1125(a) of the Bankruptcy Code defines “adequate information” as:

[I]nformation of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor’s books and records ... that would enable ... a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the plan

11 U.S.C. § 1125(a)(1). The express statutory obligation to provide adequate information is a “pivotal concept in reorganization procedure under the [Bankruptcy] Code.” *Oneida Motor Freight, Inc. v. United Jersey Bank (In re Oneida Motor Freight)*, 848 F.2d 414, 417 (3d Cir. 1988), *cert denied*, 488 U.S. 967 (1988)); *see also Krystal Cadillac-Oldsmobile GMC Truck, Inc. v. General Motors Corp. (In re Krystal Cadillac Oldsmobile GMC Truck, Inc.)*, 142 F.3d 631 (3d Cir. 1998)), 337 F.3d 314, 322 (3d Cir. 2003) (“The importance of full disclosure is underlaid by the reliance placed upon the disclosure statement by the creditors and the court. Given this reliance, we cannot overemphasize the debtor’s obligation to provide sufficient data to satisfy the [Bankruptcy] Code standard of adequate information.”) (quotations and citations omitted); *Ryan Operations G.P. v. Santiam-Midwest Lumber Co.*, 81 F.3d 355, 358 (3d Cir. 1996) (“Because creditors and the bankruptcy court rely heavily on the debtor’s disclosure

statement in determining whether to approve a proposed reorganization plan, the importance of full and honest disclosure cannot be overstated.”) (citations omitted); *In re Unichem Corp.*, 72 B.R. 95, 97 (Bankr. N.D. Ill. 1987) (“The primary purpose of a disclosure statement is to provide all material information which creditors and equity security holders affected by the plan need in order to make an intelligent decision whether to vote for or against the plan.”); *In re Egan*, 33 B.R. 672, 675-76 (Bankr. N.D. Ill. 1983) (“The Disclosure Statement is intended to be a source of factual information upon which one can make an informed judgment about a reorganization plan.”)

11. To satisfy the standards of section 1125(a) of the Bankruptcy Code, a disclosure statement must contain, “at a minimum,” adequate information concerning “all those factors presently known to the plan proponent that bear upon the success or failure of the proposals contained in the plan.” *In re Beltrami Enters.*, 191 B.R. 303, 304 (Bankr. D. Pa. 1995) (quotations and citations omitted); *see also In re Ligon*, 50 B.R. 127, 130 (Bankr. D. Tenn. 1985); *In re Stanley Hotel, Inc.*, 13 B.R. 926, 929 (Bankr. D. Colo. 1981). “Conclusory allegations or opinions without supporting facts” concerning these factors “are generally not acceptable.” *In re Beltrami Enters.*, 191 B.R. at 304.

12. These factors include, among others: information regarding current litigation against the debtor or litigation likely to arise in a non-bankruptcy context; an accurate description of the debtor’s available assets and their value; and information relevant to the risks posed to creditors and equity security holders under the plan. *See In re Microwave Products of Am., Inc.*, 100 B.R. 376, 378 (Bankr. D. Tenn. 1989); *In re Scioto Valley Mortg. Co.*, 88 B.R. 168, 170 (Bankr. D. Ohio 1988).

13. The Disclosure Statement does not satisfy the statutory standards of disclosure as required under section 1125(a) of the Bankruptcy Code because it lacks (a) an adequate and accurate summary of the Shareholder Suit and the nature of the claims raised therein, (b) adequate information regarding the impact on the Plan and the distributions to Unsecured Creditors in the event that the Interested Parties prevail in connection with the Shareholder Suit, (c) adequate information on the prepetition interest rates charged by Delaware Street, (d) adequate information on any and all amounts paid to Delaware Street, whether as fees, interest or otherwise, by the Debtors, and (e) adequate information with respect to the settlement between the Creditors' Committee and Delaware Street, specifically the extent of the investigation of Delaware Street and its claims against the Debtors conducted by the Creditors' Committee and the process or method pursuant to which the Creditors' Committee valued the claims sought to be settled pursuant to the Plan, *i.e.*, the Disclosure Statement fails to adequately describe a material asset of the Debtors, the estates' claims against Delaware Street, and their value. Although the description of the Disclosure Statement's deficiencies below identify information missing from the Disclosure Statement and many of the questions that the Disclosure Statement raises but does not answer, it cannot address all of the deficiencies therein and is not intended to be limiting. The Interested Parties reserve their right to further object to the Disclosure Statement at or prior to the hearing to be held on July 24, 2012, and to review and object to any revised disclosure statements the Debtors may file in the future.

B. The Disclosure Statement Does Not Contain Adequate Information

I. The Disclosure Statement Lacks an Adequate and Accurate Summary of the Shareholder Suit

14. The summary of the Shareholder Suit in section 2.11 of the Disclosure Statement is inaccurate and inadequate. While section 2.11 of the Disclosure Statement fails to include even

a basic description or summary of the claims raised in the Shareholder Suit, it nonetheless states that “pursuant to the Creditors’ Committee/Delaware Street Settlement, the claims set forth in the Shareholder Suit will be deemed settled, released and dismissed with prejudice as of the Effective Date.” (Disc. Stat. § 2.11.) The Interested Parties actively dispute the contention that the claims raised in the Shareholder Suit can be settled pursuant to the Plan and the nature of the claims, *i.e.*, whether the claims are derivative, and therefore estate causes of action, or direct causes of action that run to the Interested Parties. The Disclosure Statement should reflect these facts and should further disclose that, in the event that the Interested Parties prevail in connection with the Shareholder Suit, the recovery for Unsecured Creditors will change considerably, either to the benefit or the detriment of the Unsecured Creditors as described below. In addition, pursuant to the Shareholder Suit, the Interested Parties actively dispute the status of their claims against the Debtors as subordinated to the claims of Delaware Street. Any description of the Interested Parties’ claims as “subordinated claims” should include the caveat that the Interested Parties are challenging such classification and treatment of their creditor and equity claims pursuant to the Shareholder Suit.

II. The Disclosure Statement Lacks Adequate Information Regarding the Impact on the Plan and Distributions to Unsecured Creditors if the Shareholder Suit is Successful

15. As set forth above and in the attached Complaint, the Interested Parties are challenging the status of Delaware Street’s claims against the Debtors pursuant to the Shareholder Suit. In the event that the Shareholder Suit is successful and, as a result, the claims of Delaware Street against the Debtors are recharacterized or subordinated to the claims of all of the Debtors’ other creditors, there will be ample funds from the sale of the Debtors’ assets to pay the Unsecured Creditors and the Debtors’ preferred equity interest holders in full. Alternatively, the Court may determine that the Subordination Agreement, dated as of February 3, 2004, by and

among, *inter alia*, MRR, HCG Financial and Delaware Street (as amended, supplemented or otherwise modified at times and from time to time, the “Subordination Agreement”), should not be enforced as a result of the inequitable conduct of Delaware Street as described in the Complaint such that the claim of HCG Financial against the Debtors shall constitute a General Unsecured Claim that, subject to the Plan, shares in the Settlement Sum. The inclusion of HCG Financial’s approximately \$1.5 million claim against the Debtors as a General Unsecured Claim entitled to share in the Settlement Sum will dramatically reduce the recovery available to the Unsecured Creditors reflected in the Disclosure Statement. In addition, if it prevails, the claim of MRR in the approximate amount of \$1.6 million will either be paid in full or share in the Settlement Sum.

16. The Disclosure Statement should contain information regarding the above potential outcomes of the Shareholder Suit so that Unsecured Creditors have all available information regarding the potential payout of their claims when they are determining whether to accept or reject the Plan.

III. The Disclosure Statement Lacks Adequate Information with Respect to the Creditors’ Committee/Delaware Street Settlement

17. Section 2.10 of the Disclosure Statement indicates that the Creditors’ Committee undertook an investigation of Delaware Street and its pre-petition liens and claims against the Debtors, but not much more. The extent of the investigation conducted by the Creditors’ Committee is not disclosed—while the Disclosure Statement provides that the Creditors’ Committee “requested documents from and depositions of officers of the Debtors, Delaware Street and the Debtors’ other secured creditors[,] ... [and] [s]uch parties responded to the Creditors’ Committee’s requests and cooperated with the Creditors’ Committee in its investigation,” the extent of the Creditors’ Committee’s investigation remains unclear, as does

whether the Creditors' Committee received all of the responsive documents it requested or deposed any of the relevant parties during its investigation. Indeed, the Interested Parties believe that the Creditors' Committee did not conduct a single deposition during the course of its "investigation" of Delaware Street and the claims the Debtors' and their estates may have against Delaware Street.

18. It appears from the Disclosure Statement that the Creditors' Committee agreed to settle "all claims" against Delaware Street following its "investigation." Pursuant to the Disclosure Statement, "all claims" includes the claims raised in the Shareholder Suit, a contention that the Interested Parties dispute as set forth above and in the Complaint. Such dispute notwithstanding, the Disclosure Statement should provide information regarding the process and method pursuant to which the Creditors' Committee valued the claims sought to be settled pursuant to the Plan, including the preference actions against Delaware Street that the Creditors' Committee at one time appeared determined to prosecute on behalf of the Debtors' estates. The Interested Parties believe that, in general, the claims that the Creditors' Committee and Delaware Street seek to settle have a value greater than the Settlement Sum and that the Creditors' Committee may have grossly undervalued such claims without the benefit of a full and proper investigation of Delaware Street.

19. Without additional detail regarding the process pursuant to which the Creditors' Committee investigated the claims of Delaware Street, the Debtors' estates' claims against Delaware Street, and the other claims the Plan purports to settle, including information as to the valuation method utilized by the Creditors' Committee with respect to all such claims, the Disclosure Statement fails to adequately describe the Debtors' available assets (the estate claims against Delaware Street) and the value of such assets.

IV. The Disclosure Statement Should Include a Summary of the Release Contained in the Plan and the Consideration Therefore

20. The Disclosure Statement references releases pursuant to the Plan, but fails to include a description of such releases and the consideration, if any, received by the Debtors and the other releasing parties in connection therewith. Pursuant to the Plan, Delaware Street will receive a release from the Debtors and the Creditors' Committee of any and all Claims and Causes of Action relating in any way to the Debtors, including any potential preference claims the Creditors' Committee could bring against Delaware Street. The Disclosure Statement does not provide any information with respect to the payments received by Delaware Street, whether as fees, interest or otherwise, from the Debtors. As such, parties in interest cannot determine the potential preference exposure of Delaware Street or, importantly, the relationship between such preference exposure and the amount of the Settlement Sum.

21. The releases are an important element of the Plan and as such the Disclosure Statement should contain a description of the releases so as to allow the Debtors' creditors and interest holders to the make an informed decision in connection with voting on the Plan.

C. The Disclosure Statement Describes a Plan that Improperly Classifies Claims

22. As set forth in the Disclosure Statement, the Plan classifies the claims of MRR and HCG Financial as Class II Subordinated Secured Claims. While MRR and HCG Financial are parties to the Subordination Agreement, HCG Financial's claim against HCG is not secured. Indeed, as set forth in the proof of claim filed by HCG Financial against HCG in the Chapter 11 Cases (claim number 188, the "HCG Financial Proof of Claim"), attached hereto as Exhibit C and incorporated herein by reference, HCG Financial holds an unsecured claim against HCG in the approximate amount of \$1.5 million (the "HCG Financial Claim"). As set forth in the proof of claim filed by MRR against HCG in the Chapter 11 Cases (claim number 187, the "MRR

Financial Proof of Claim”), attached hereto as Exhibit D and incorporated herein by reference, MRR holds a secured claim against HCG in the approximate amount of \$1.6 million (the “MRR Claim”).

23. Pursuant to section 1129(a)(1) of the Bankruptcy Code, a plan must comply with the applicable provisions of the Bankruptcy Code. 11 U.S.C. § 1129(a)(1). In determining whether a plan complies with section 1129(a)(1) of the Bankruptcy Code, the Court “must consider the entire plan in the context of ... the particular facts and circumstances [of the case].” *In re D&F Constr. Inc.*, 865 F.2d 673, 675 (5th Cir. 1989). The legislative history of section 1129(a)(1) of the Bankruptcy Code explains that it embodies and incorporates the requirements of sections 1122 and 1123 of the Bankruptcy Code governing the classification of claims and the contents of a plan, respectively. *See* H.R. Rep. No. 595, 95th Cong., 1st Sess. 214 (1977); S. Rep. No. 989, 9th Cong., 2d Sess. 126 (1978).

24. Section 1122 of the Bankruptcy Code governs the classification of claims in a plan and provides:

(a) Except as provided in subsection (b) of this section, a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interest of such class.

(b) A plan may designate a separate class of claims consisting only of every unsecured claim that is less than or reduced to an amount that the court approves as reasonable and necessary for administrative convenience.

11 U.S.C. § 1122. Section 1122(a) addresses the types of claims that may be placed in the same class and requires that such claims be “substantially similar.” 11 U.S.C. § 1122(a). While no specific test or definition of substantially similar claims has been articulated by the Seventh Circuit, *see In re Sentinel Management Group, Inc.*, 398 B.R. 281, 297 (N.D. Ill. 2008) (“Lacking a specific test or definition [of “substantially similar”] from the Seventh Circuit, the Court turns to other circuits.”); *but see In re Wabash Valley Power Ass’n, Inc.*, 72 F.3d 1305,

1321 (7th Cir. 1995) (stating in dicta that disparities between the legal rights of different claims may render the two claims not substantially similar), other circuits have held that substantially similar claims are claims that have the same or similar legal status in relation to the assets of the debtor. *See In re Johnston*, 21 F.3d 323, 327 (9th Cir. 1994) (stating that bankruptcy courts must evaluate “the nature of each claim, i.e., the kind, species, or character of each category of claims”); *In re Coram Healthcare Corp.*, 315 B.R. 321, 349 (Bankr. D. Del. 2004) (stating the focus should be on the nature or legal attributes of the claims and not on the status or circumstances of the claimants); *In re Frascella Enters.*, 360 B.R. 435, 442 (Bankr. E.D. Pa. 2007) (“The similarity of claims is not judged by comparing creditor claims *inter se*. Rather, the question is whether the claims in a class have the same or similar legal status in relation to the assets of the debtor.”); *In re Dow Corning Corp.*, 244 B.R. 634, 644 (Bankr. E.D. Mich. 1999) (defining “substantially similar” as “similar in legal nature, character or effect”), *aff’d*, 255 B.R. 445 (E.D. Mich. 2000).

25. The HCG Financial Claim and the MRR Claim cannot be included in the same class because the HCG Financial Claim is unsecured, and the MRR Claim is secured. Whether a claim is secured or unsecured is of primary importance to the legal status of a claim in bankruptcy, and is therefore highly significant in determining whether claims are substantially similar. *See, e.g., In re Sentinel Management Group, Inc.*, 398 B.R. at 298 (“These claims are similar in their legal nature, character, and effect. The SEG 1 and SEG 3 claims are simply unsecured claims. Hence, these claims share common legal rights against Sentinel’s assets.”).

26. The Debtors have improperly classified the HCG Financial Claim and the MRR Claim as Class II Subordinated Secured Claims in an effort to gerrymander a separate accepting impaired class of claims, namely Class III General Unsecured Claims. The Fifth Circuit has

stated that its “one clear rule” is that “thou shalt not classify claims differently in order to gerrymander an affirmative vote on a reorganization plan.” *Phoenix Mut. Life Ins. Co. v Greystone III Joint Venture (In re Greystone III Joint Venture)*, 995 F.2d 1274, 1279 (5th Cir. 1992); *see also In re Wabash Valley Power Ass’n, Inc.*, 72 F.3d at 1321 (stating a debtor “may not separately classify claims solely in order to ‘gerrymander an affirmative vote on reorganization’”) (citations omitted); *In re Woodbrook Assocs.*, 19 F.3d 312, 317 (7th Cir. 1994) (“Some limits are necessary to offset a debtor’s incentive to manipulate a classification scheme and ensure the affirmative vote of at least one impaired class, which is what the debtor needs to gain confirmation of the plan.”). Classification must be appropriate and not an attempt to obtain an impaired accepting class for plan confirmation purposes and, as such, the HCG Financial Claim should be included as a Class III General Unsecured Claim.

CONCLUSION

WHEREFORE, the Interested Parties respectfully request that this Court (i) not approve the Disclosure Statement as containing adequate information, (ii) deny the Motion, and (iii) grant such other and further relief as the Court deems just and proper.

Dated: July 17, 2012

Respectfully submitted,

/s/Matthew J. Botica

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EXHIBIT A

DELAWARE CHANCERY COURT COMPLAINT

Attached hereto



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

ARG INVESTMENTS, ENABLE
SYSTEMS, INC., MRR VENTURE LLC,
SKM EQUITY FUND II, L.P., and SKM
INVESTMENT FUND II,

Plaintiffs,

v.

DELAWARE STREET CAPITAL
MASTER FUND, L.P., BRIAN
MITTMAN, SUBHASH DESAI,
PRASHANT GUPTA, DAVID HELLER,
SHEPHERD PRYOR IV, and EMILY
ROYNESDAL,

Defendants,

and

HARTFORD COMPUTER GROUP, INC.,
a Delaware corporation,

Nominal Defendant.

C.A. No. _____

REDACTED VERSION

E-FILED : OCTOBER 21, 2011

VERIFIED SHAREHOLDER INDIVIDUAL AND DERIVATIVE COMPLAINT

Plaintiffs ARG Investments, Enable Systems, Inc., MRR Venture LLC, SKM Equity Fund II, L.P., and SKM Investment Fund II, all stockholders of Hartford Computer Group, Inc., a Delaware corporation ("HCG," or the "Company"), by and through their undersigned counsel, bring this action individually and derivatively on behalf of the Company against defendants Brian Mittman, Subhash Desai, Prashant Gupta, David Heller, Shepherd Pryor, IV, and Emily Roynesdal (the "Individual Defendants"), and Delaware Street Capital Master Fund, L.P. ("Delaware Street"). Plaintiffs allege, upon knowledge as to their own acts and upon information and belief as to all other matters, as follows:

{A&B-0015460}

NATURE OF THE ACTION

1. This is an action brought by stockholders of HCG, against the directors and officers of the Company and Delaware Street, the Company's largest single creditor and stockholder. Specifically, the Individual Defendants, who are directors and officers affiliated with, appointed by, and beholden to Delaware Street, have caused the Company to enter into a series of loan agreements with Delaware Street under which Delaware Street has charged the Company exorbitant interest rates up to 25%.

REDACTED

the Individual Defendants have

refused to attempt to refinance the Company's debts with Delaware Street. As a result of the defendants' scheme to use accrued but unpaid interest to expropriate the Company's value for the sole benefit of Delaware Street,

REDACTED

2. Delaware Street is a common stockholder of HCG, holding approximately 41% of the voting control of HCG through its Class A Common stock. Defendant Mittman, the Chief Executive Officer of HCG installed by Delaware Street, holds 12% of the voting control of HCG. Delaware Street controls the HCG Board through its nomination of five of seven board members, plus Mittman. Thus, Delaware Street is a controlling stockholder of HCG. Plaintiffs hold all the remaining equity in the Company consisting of all the Company's Series A Preferred stock and all of the Company's Class B Common stock, representing approximately 46.6% of the voting power in the Company.

3. As described more fully below, Delaware Street's strategy has been to cause the Company to accumulate massive amounts of debt without paying down principal and making no payments on interest that accrues at rates substantially above fair market.

REDACTED

4. The Individual Defendants who were appointed to the HCG Board by Delaware Street have done nothing to pay down, renegotiate or refinance the debt held by Delaware Street. Nor would Delaware Street have allowed any such renegotiation to reduce its accrued interest. Based on the limited financial information Plaintiffs have regarding the Company, Plaintiffs understand that the Company has been far from insolvent. Rather, its revenues and earnings have been growing year over year, which would enable the Company to restructure its debt, reduce the outstanding loan principal, and lower interest payments or accruals.

5.

REDACTED

REDACTED

6. The proposed transaction cannot satisfy entire fairness scrutiny. The transaction has not been approved by a majority of disinterested directors. The Individual Defendants, who are all nominees and/or employees of Delaware Street, have breached their fiduciary duties in approving a transaction that places the interests of Delaware Street as a creditor over the interests of the Company's other stockholders. Based on Plaintiffs' estimates of the Company's revenue and earnings, REDACTED

is far below adequate. As HCG's controlling stockholder, Delaware Street has breached its fiduciary duties to HCG's stockholders or aided and abetted the Individual Defendants in their breach of fiduciary duties. Moreover, given the Company's capital structure, described below,

REDACTED

7.

Delaware Street and
the Individual Defendants are depriving the Company's minority stockholders of the

opportunity to fully participate in, and benefit from, the per share business value of HCG that already exists and the future value that is expected to ensue at HCG.

8. To solidify their control over HCG, Defendants have also improperly and wastefully issued a 12% controlling block of voting stock to HCG's Chief Executive Officer, Defendant Brian Mittman. The Individual Defendants approved the issuance of a controlling block of 12% of the voting power for a mere \$40,000 that was allegedly owed to Mittman.

REDACTED

the consideration received was so small as to constitute a gift. The gratuitous issuance of shares to Mittman enabled Delaware Street to ensure his loyalty and consolidate a voting block that exceeds more than 50% of the voting power of the Company.

9. As explained below, Plaintiffs

REDACTED

seek to equitably subordinate Delaware Street's debt, recharacterize the debt as equity, or seek damages resulting from Defendants' wrongdoing.

PARTIES

The Company

10. Nominal Defendant Hartford Computer Group, Inc. is a Delaware corporation with its principal executive offices located in Simi Valley, California. HCG's primary line of business is to provide service and repair for all major brands of desktop and laptop computers, including services to retail and commercial customers. HCG does not have publicly traded stock and does not file periodic reports with the SEC. HCG's registered agent for service of process in Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808.

11. HCG currently has four lines of business, Nexicore Services, Hartford Distribution, Hartford Government & Education, and Enable Systems. The most successful, profitable and valuable of those business lines is Nexicore, which provides cost effective, high quality service and repair for all major brands of desktop and laptop computers through onsite services, depot repair, hardware sales and parts distribution. The vast majority of HCG's revenues and earnings come from the Nexicore division, such that Nexicore constitutes substantially all of HCG's assets on a qualitative and quantitative bases.

12. HCG has three classes of authorized common stock, Class A, Class B, and Class C, and one series of preferred stock, Series A Preferred. Each class or series of stock has one vote per share on all issues other than the election of directors. The holders of Class A Common, as a separate class, are entitled to elect 5 directors of the Company. Delaware Street holds all the Class A Common stock of the Company. The holders of Class B Common, as separate class, are entitled to elect 1 director of the Company. Plaintiffs MRR and Enable Systems hold all the Class B Common stock of the Company. The holders of Class C Common (currently CEO Mittman), as a separate class, are entitled to elect one director of the Company. The holders of Series A Preferred stock, voting as a separate class, are entitled to elect two directors of the Company. Currently, the Company has seven directors.

Plaintiffs

13. Plaintiff ARG Investments ("ARG") is an Illinois general partnership affiliated with Anthony Graffia, Sr. ("Graffia, Sr."), a former director of the Company.

ARG is a record holder of 235,600 shares of Series A Preferred Stock, representing 2.03% of the total voting control of the Company.

14. Plaintiff Enable Systems, Inc. ("Enable") is a Delaware corporation whose president is Anthony Graffia, Jr. ("Graffia, Jr."). Enable is a record holder of 4,032,000 shares of Class B Common stock, representing 34.79% of the total voting control of the Company. Graffia, Jr. is HCG's former CEO.

15. Plaintiff MRR Venture LLC ("MRR") is an Illinois limited liability company affiliated with Chris Rosman ("Rosman"). MRR is a record holder of 768,000 shares of Class B Common stock, representing 6.63% of the voting control of the Company. MRR is also a record holder of 252,400 shares of Series A Preferred stock, representing 2.18% of the voting control of the Company.

16. Plaintiff SKM Equity Fund II, L.P. ("SKM Equity") is a Delaware limited partnership and plaintiff SKM Investment Fund II ("SKM Investment") is a Delaware general partnership. Together the SKM entities are referred to herein as "SKM." SKM is a record holder of 110,000 shares of Series A Preferred stock, representing 0.95% of the voting control of the Company.

Defendants

17. Defendant Delaware Street Capital Master Fund, L.P. ("Delaware Street"), a Cayman Islands exempt limited partnership, is HCG's primary creditor and is a record owner of 4,800,000 shares of Class A Common stock, representing 41.42% the voting control of the Company. Delaware Street is a privately owned hedge fund sponsor, based in Chicago that invests in public and private entities and is beneficially owned by Andrew Bluhm, son of Chicago billionaire and real estate magnate, Neil Bluhm.

18. A summary of HCG's equity ownership is as follows:

Owner	Type	Number	% Total
Delaware Street	Class A Common	4,800,000	41.42%
Enable Systems	Class B Common	4,032,000	34.79%
MRR	Class B Common	768,000	6.63%
Brian Mittman, CEO	Class C Common	1,390,636	12.00%
MRR	Series A Preferred	252,400	2.18%
ARG Investments	Series A Preferred	235,600	2.03%
SKM	Series A Preferred	110,000	0.95%

19. Defendant Subhash Desai ("Desai") is a director of HCG. He was nominated to the HCG Board by the Class A Common stockholder, Delaware Street. Desai is an analyst at Delaware Street and depends on his continued status as an employee at Delaware Street for his livelihood. Desai's continued employment with Delaware Street and his attendant compensation are material to him and render him beholden to Delaware Street, which can determine unilaterally whether he continues to receive those benefits.

20. Defendant Prashant Gupta ("Gupta") is a director of HCG. He was nominated to the HCG Board by the Class A Common stockholder, Delaware Street. Gupta is also the CFO of DSC Advisors, L.P. ("DSC Advisors"), an investment manager to Delaware Street. Gupta depends on his continued status as an employee at DSC Advisors for his livelihood and depends on his continued status as an employee at Delaware Street for his livelihood. Gupta's continued employment and attendant compensation are material to him and render him beholden to Delaware Street, which can determine unilaterally whether he continues to receive those benefits.

21. Defendant David Heller ("Heller") is a director of HCG. He was nominated to the HCG Board by the Class A Common stockholder, Delaware Street. Heller is also a director at both Delaware Street and DSC Advisors and depends on his

continued employment at those entities for his livelihood. Heller's continued employment at Delaware Street and DSC Advisors and attendant compensation are material to him and render him beholden to Delaware Street, which can determine unilaterally whether he continues to receive those benefits.

22. Defendant Brian Mittman is the President, Chief Executive Officer, and Secretary of the Company. Mittman is also the sole Class C Common stockholder and a director and the designee of the Class C Common stockholders, *i.e.*, himself. Mittman depends on his continued employment at HCG and its wholly-owned subsidiary Nexicore Services, LLC ("Nexicore") for his livelihood. Because the HCG Board is controlled by Delaware Street, Mittman effectively serves as an Officer of HCG at the pleasure of Delaware Street. Mittman's continued employment and attendant compensation are material to him and render him beholden to Delaware Street, which can determine unilaterally whether he continues to receive those benefits.

23. Defendant Shepherd Pryor, IV ("Pryor") is a director of HCG. He was nominated to the HCG Board by the Class A Common stockholder, Delaware Street. Pryor cannot be considered independent of Delaware Street. He previously served as Delaware Street's nominee on the board of another company, in which Delaware Street was a major stockholder and creditor. While serving as Delaware Street's director nominee on that board,

REDACTED

Based on his previous and long-standing relationship with Delaware Street,

REDACTED

Pryor cannot be expected to exercise independent business judgment.

24. Defendant Emily Roynesdal ("Roynesdal") is a director of HCG. She was nominated to the HCG Board by the Class A Common stockholder, Delaware Street. Roynesdal cannot be considered independent of Delaware Street because she is a Delaware Street employee. Roynesdal's continued employment and attendant compensation are material to her and render her beholden to Delaware Street, which can determine unilaterally whether she continues to receive those benefits.

25. Defendants Desai, Gupta, Heller, Mittman, Pryor and Roynesdal are hereinafter identified as the Individual Defendants.

26. Of HCG's seven directors, five are designees and/or employees of Delaware Street. The sixth director is CEO Mittman who is beholden to Delaware Street and its nominees on the HCG Board.

HCG'S CAPITAL STRUCTURE

27. Were it not for Delaware Street's position as a creditor to HCG, Delaware Street would hold a junior equity stake in HCG as a Class A Common stockholder and would stand in line behind the Series A Preferred stockholders. For example, pursuant to HCG's Amended and Restated Certificate of Incorporation, in the event of a "Deemed Liquidation Event," the holders of Series A Preferred stock are entitled to be paid \$10.00 per share (in excess of \$6 million), before any distribution is made to the Company's common stockholders (the "Series A Liquidation Preference").

28. In the event that proceeds remain available for distribution to common stockholders after payment of the Series A Liquidation Preference, remaining assets are to be distributed pro rata among the Series A Preferred stockholders and the Class A and B Common stockholders. The Class A and B Common stockholders then share any available assets in a "waterfall," such that Class A Common stockholders receive 70% of

the first \$10 million of available assets, and Class B Common stockholders receive 30% of the first \$10 million of available assets. As the available assets increase, the allocation in the “waterfall” to Class A Common stockholders (Delaware Street) decreases, and the allocation to Class B Common stockholders (Plaintiffs) increases, such that Class A Common stockholders will receive 30% of the available assets above \$175 million, and Class B Common stockholders will receive 70% of the available assets above \$175 million. In other words, as the proceeds from a Deemed Liquidation Event increase, Delaware Street’s share of those proceeds – in its capacity as a stockholder – gradually decreases.

29.

REDACTED

DELAWARE STREET’S HISTORY OF INVESTING IN HCG

30. In May 9, 2005, a Master Restructuring Agreement recapitalized the Company with the equity structure described above and multiple different loan facilities by Delaware Street. To date, there are at least Term A, B, C, D, and E loans (the “Term Loans”), and five working capital revolver loans: the Revolver, Revolver 2, Sony, IBM and New (the “Revolvers”) secured by working capital collateral (together, the “Loans”).

31. The total principal amount of the Loans is now approximately

REDACTED

The interest rates on the Loans range from 9.5% for the Term C Loan, to 25% or more, for the Term D and E Loans. Based on financial statements from 2010 and 2011, Plaintiffs estimate that the interest purportedly due on the Loans exceeds

REDACTED

32. For example, as of May 31, 2011, the reported principal and accrued interest on the Term Loans was as follows:

LOAN	Lender	Principal Balance	Accrued Interest	Total
-------------	---------------	------------------------------	-----------------------------	--------------

REDACTED

33. The Company has paid no principal or interest on any of the Term loans since 2007. The only payments of principal or interest on the Term loans since 2005 have been approximately \$2.5 million paid towards the Term C Loan in 2006 and 2007.

34. In contrast to its Term debt, the Company has generally serviced the revolving lines of credit with its trade creditors. For example, as of May 31, 2011, the principal and accrued interest on the Revolving Loans was as follows:

LOAN	Lender	Principal Balance	Accrued Interest	Total
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REDACTED

35. Graffia Sr., while still a director of the Company and since, suggested on multiple occasions that management and the Board should seek better credit terms that would be more advantageous to the Company. The Individual Defendants refused and told Graffia Sr. that Delaware Street was not interested in renegotiating or restructuring the Loans. With the Company's improved financial circumstances in recent years, it would have been practicable for management and the Board to renegotiate the Company's debt, but the Board has refused to do so and has placed the interests of its creditor, Delaware Street, ahead of the interests of its stockholders.

36.

REDACTED

HCG's CURRENT FINANCIAL SITUATION

37.

REDACTED

38. Despite HCG's continually improving financial performance, the Individual Defendants and Delaware Street refuse to pay-down or even renegotiate the Loans and interest payments.

REDACTED

39. Upon information and belief, and for reasons that cannot be in the interests of stockholders other than Delaware Street, the Company appears not to have filed Federal tax returns since 2005.

REDACTED

THE MITTMAN STOCK ISSUANCE

40. Pursuant to an employment agreement between Mittman and the Company, Mittman was entitled to receive a grant of \$40,000 of Series A Preferred stock. Allegedly, Mittman had not received an equity grant in the fourth quarter of 2005. Therefore, on August 12, 2008, instead issuing Mittman \$40,000 of Series A Preferred stock, the Board issued Mittman 1,390,636 shares of Class C Common stock, \$0.001 par value per share, which amounted to 11.99% of the voting control of the entire Company. The issuance of an astounding 12% voting block of HCG for \$40,000 without any other purpose is so one-sided that it amounts to a gift and waste of corporate assets.

41. The Delaware Street nominees to the HCG Board orchestrated the issuance of Class C Common stock to Mittman to ensure Delaware Street's voting control over the Company. The gratuitous grant of a 12% voting block of the entire Company for \$40,000 was nothing more than a payment by Delaware Street and the other Individual Defendants to secure a majority stockholder vote favorable to Delaware Street. Prior to

the Class C stock issuance, Plaintiffs represented a majority of the Company's stockholders. After the Class C stock issuance, Delaware Street and Mittman controlled a majority of the stockholder vote. Immediately after receiving his "gift" of Class C Common stock, Mittman appointed himself as the Class C nominee to the Board. Graffia Sr., who was a Board member in 2008, voted against the approval and adoption of the resolutions issuing the Class C common stock to Mittman as wasteful. Graffia Sr. also voted against the approval of Mittman as a Class C Common director and refused to vote in favor of a resolution purporting to ratify any and all actions prior taken by Mittman in conducting the business and affairs of HCG.

42.

REDACTED

Plaintiffs have attempted to obtain from Defendants copies of Mittman's current employment agreement, but those requests have been refused.

THE CURRENT PROPOSED TRANSACTION

43.

REDACTED

44.

45.

REDACTED

46.

Had the Individual Defendants and Delaware Street not gifted to Mittman a controlling block of of Class C Common stock, Defendants would not have a sufficient vote to approve REDACTED which is structured for the purpose of impeding and interfering with the stockholder franchise.

DEMAND IS EXCUSED

47. No demand under Chancery Court Rule 23.1 is required. The Complaint states individual claims as to which Rule 23.1 does not apply. To the extent Plaintiffs' claims are derivative, however, demand on the HCG Board is excused. Of the seven current members of the Board, a majority of the Board are designees of Delaware Street who lack the requisite independence to consider such a demand because they would decide whether to institute action against themselves. They would be unable to exercise independent business judgment in determining whether or not to prosecute the claims alleged herein.

48. Each of the Defendants breached his or her duties of loyalty, good faith and due care in that, at all relevant times, they placed the interests of Delaware Street as a creditor above the interests of the Company's stockholders. The Individual Defendants are, therefore, subject to a likelihood of liability and incapable of exercising independent

business judgment in determining whether this action should be prosecuted as against themselves.

49. Demand is excused because a majority of the Company's directors are not disinterested or independent, and the misconduct alleged herein was the product of self-dealing and not valid business judgment.

50. Demand is futile because the Individual Defendants face a substantial risk of liability on the transactions challenged herein. The Individual Defendants' breached their fiduciary duties of loyalty, care and good faith by placing the interests of Delaware Street as a creditor ahead of the interests of the Company's stockholders. The Individual Defendants therefore are not entitled to indemnification from the Company or protection under any potentially exculpatory provisions of the Company's charter.

51. Non-exculpated liability is substantially likely under these circumstances because of the allegations of breach of the duty of loyalty, which must be accepted as true. As the directors of the Company, the Individual Defendants had an obligation to act in the best interests of the Company and its stockholders, not simply in the interest of Delaware Street. The Individual Defendants failed in fulfilling their duty of loyalty to the Company and, the Section 102(b)(7) provision of the Company's corporate charter will not exculpate the Individual Defendants from monetary liability.

COUNT I:
(Breach of Fiduciary Duty Against the Individual Defendants)

52. Plaintiffs repeat and re-allege the allegations set forth above as if fully set forth herein.

53. As directors and/or officers of a Delaware corporation, each of the Individual Defendants owes the Company and its stockholders the utmost fiduciary duties

of loyalty, care and good faith. By virtue of their positions as directors and/or officers of HCG and/or their exercise of control and ownership over the business and affairs of the Company, the Individual Defendants have, and at all relevant times had, the power to control and influence and cause the Company to engage in the practices complained of herein.

54. As fiduciaries of HCG's stockholders, the Individual Defendants were required to conduct the affairs of the Company with due care; base material decisions on adequate information and deliberation; not put self-interests and personal considerations, or any considerations ahead of the interests of the Company's stockholders; to act in good faith; and to communicate with stockholders with forthrightness and candor.

55. The Individual Defendants did not act with loyalty or in good faith toward the stockholders of HCG REDACTED instead they gave priority to the interests of Delaware Street, or their personal interests, or both.

56. Where the interests of stockholders and creditors are in conflict, a board has an obligation to prefer the interests of stockholders to the interests created by the contractual rights of creditors, especially where, as here, the Company is able to meet its obligations as they came due.

57. Had the Individual Defendants independently assessed the alternatives available to HCG, they should have realized that other options existed to maximize the value of the Company for all stockholders, including by restructuring and/or refinancing the Company's debt.

REDACTED

REDACTED

58. The Individual Defendants failed to fulfill their fiduciary duties

REDACTED

and (c) placed the interests of Delaware Street ahead of the interests of HCG's stockholders. The Individual Defendants also breached their fiduciary duties of care, loyalty and good faith by failing to file tax returns on behalf of the Company, which will certainly result in the Company incurring unnecessary penalties.

59. Four of the Individual Defendants (Desai, Gupta, Heller and Roynesdal) approved REDACTED because they were intent on carrying out the mandate of their employer, Delaware Street, who nominated them to the HCG Board.

60. Defendant Pryor cannot be considered independent

REDACTED

based on his prior affiliation with Delaware Street.

61. Defendant Mittman cannot be considered independent

because he serves as CEO of HCG at the pleasure of the Board which is controlled by Delaware Street and

REDACTED

62. By reason of the foregoing, the Individual Defendants' actions damaged Plaintiffs by

REDACTED

63. Plaintiffs have no adequate remedy at law.

COUNT II:
(Breach of Fiduciary Duty Against Delaware Street)

64. Plaintiffs repeat and re-allege the allegations set forth above as if fully set forth herein.

65. Delaware Street is a controlling stockholder of the Company as a result of its (a) control of the Board, (b) ownership of 41.42% of HCG's Class A Common stock, and (c) control over Defendant Mittman, who holds 12% of the voting control of HCG through Class C Common stock. Delaware Street is also HCG's largest creditor, owed more than in principal on the Loans. REDACTED

66. As a controlling stockholder, Delaware Street has a fiduciary duty to ensure the entire fairness of any transaction

By REDACTED upon the Company and its minority stockholders, without regard to the consequences for HCG's stockholders, Delaware Street has breached its fiduciary duties.

67. Plaintiffs have no adequate remedy at law.

COUNT III:
(Breach of Fiduciary Duty – Revlon)

68. Plaintiffs repeat and re-allege the allegations set forth above as if fully set forth herein.

69. The Individual Defendants are obligated to explore all alternatives to maximize shareholder value. As demonstrated by the allegations above, the Individual Defendants failed to exercise the care required, and breached their duties of loyalty, good faith, candor and independence owed to the shareholders of HCG because they failed to take steps to maximize the value of HCG to its stockholders, by, among other things, (a) failing to adequately consider refinancing or restructuring HCG's debt,

REDACTED

70. The Individual Defendants failed to negotiate a transaction that would pay any more than Delaware Street's principal and absurd accrued interest. Under the Company's capital structure, Delaware Street would not participate as a stockholder in the distribution of any assets resulting from a transaction unless the Series A Liquidation Preference were first satisfied. Thereafter, Delaware Street would have to share any assets with the Series A Preferred stockholders and the Class B Common stockholders.

71. REDACTED

72. As a result of the Individual Defendants' breaches of fiduciary duty
REDACTED and in furtherance of the interests of Delaware Street, Plaintiffs will be harmed by receiving the inferior consideration offered in the proposed transaction.

73. Plaintiffs have no adequate remedy at law.

COUNT IV:
(Void Transaction under 8 Del. C. § 144)

74. Plaintiffs repeat and re-allege the allegations set forth above as if fully set forth herein.

75. The [REDACTED] and related transactions constitute interested director transactions between HCG and Delaware Street.

[REDACTED]

76. The [REDACTED] was not approved by disinterested directors or disinterested fully informed stockholders as required by 8 *Del. C.* § 144. The transaction is not entirely fair.

COUNT V:

[REDACTED]

77. Plaintiffs repeat and re-allege the allegations set forth above as if fully set forth herein.

78. The Individual Defendants and Delaware Street owe the Company and its stockholders the highest duties of loyalty, care and good faith. Those duties include adherence to the requirements of the Delaware General Corporation Law.

79.

[REDACTED]

80. Plaintiffs and the Company have no adequate remedy at law.

COUNT VI:
(Derivative Claim for Failure to Refinance)

81. Plaintiffs repeat and re-allege the allegations set forth above as if fully set forth herein.

82. The Individual Defendants have had multiple opportunities to renegotiate and refinance the Company's Loans to Delaware Street. The Company has had positive cash flow and growing EBITDA. Refinancing the Loans would be extremely beneficial to the Company providing significant interest savings and would allow stockholders to participate in the proceeds of any merger or sale of the Company.

83. Despite recommendations by Plaintiffs to explore alternative sources of financing at better rates than from Delaware Street, the Individual Defendants, who are beholden to and appointed by Delaware Street, refused to allow the Company to refinance the its debt. The Individual Defendants were not acting in the best interests of the Company and its stockholders when they refused to renegotiate and refinance the Company's debt with Delaware Street and placed the interests of Delaware Street ahead of the interests of the Company's stockholders.

84. The actions of the Individual Defendants to prevent a renegotiation and refinancing of the Company's indebtedness to Delaware Street as described herein constitutes a violation of their fiduciary duties to the Company and its stockholders.

85. As a result of the Individual Defendants' breaches of their fiduciary duties, the Company and its stockholders have suffered and will suffer damages of many millions of dollars in lost interest savings.

86. Plaintiffs and the Company have no adequate remedy at law.

COUNT VII:
(Wasteful Issuance of Class C Common to Mittman)

87. Plaintiffs repeat and re-allege the allegations set forth above as if fully set forth herein.

88. In issuing the Class C Common stock to Mittman, the Individual Defendants (other than Mittman) gave away a 12% voting block of the Company for a mere \$40,000. The fair value of the Mittman stock grant is far in excess of this amount. No other officer, director or employee of the Company ever received as substantial a block of equity for such a low price.

89. The Mittman stock grant was a gift that no person of sound, ordinary judgment could conclude was adequate consideration.

90. The Mittman stock grant should be invalidated as (i) a self-interested director action that is not entirely fair to HCG, (ii) inequitable conduct, and (iii) a waste of HCG's corporate assets.

91. Plaintiffs and the Company have no adequate remedy at law.

COUNT VIII:
(Equitable Subordination)

92. Plaintiffs repeat and re-allege the allegations set forth above as if fully set forth herein.

93. Under the doctrine of equitable subordination, courts will subordinate a creditor's claims to other claims if it finds that the creditor's conduct was fraudulent, illegal or constituted a breach of fiduciary duties and was detrimental or harmful to the debtor.

94. Through its control over the HCG Board, Delaware Street has engaged in inequitable conduct and the Individual Defendants have breached their fiduciary duties by perpetuating Loans at exorbitant interest rates. Delaware Street and the Individual Defendants repeatedly refused to refinance the Loans so that, REDACTED

Delaware Street could demand from the buyer an inflated interest payment

that it and the Individual Defendants continually deferred. Through their control over HCG, the Individual Defendants and Delaware Street treated the Loans as a preferred equity investment, accumulating dividends (i.e., interest), that would only be paid in the event of a sale of the Company.

95. The Individual Defendants have placed the interests of the Company's creditors ahead of its stockholders in orchestrating a transaction

REDACTED

96. Delaware Street has abused its position as a controlling stockholder and primary creditor to HCG.

97. Equitable subordination is not otherwise inconsistent with the provisions of the General Corporation Law of the State of Delaware and may be the only means of providing a remedy to Plaintiffs for Defendants' inequitable conduct.

98. Accordingly, Delaware Street's Loans should be equitably subordinated to the interests of the Series A Preferred and Class B Common stockholders.

99. Plaintiffs and the Company have no adequate remedy at law.

COUNT IX:
(Recharacterization of Debt as Equity)

100. Plaintiffs repeat and re-allege the allegations set forth above as if set forth fully herein.

101. Alternatively, the Loans should be should be recharacterized as equity. The funds advanced by Delaware Street, although nominally characterized as debt, were not in fact debt, but rather were equity disguised as debt.

102. As an insider, Delaware Street controlled the HCG Board and had a controlling equity interest in HCG.

103.

REDACTED

104. Under Delaware Street's control, HCG has repeatedly deferred interest payments even when the Company was capable of paying interest, or principal or refinancing the debt entirely. Indeed, the Company has not paid any principal or interest on any of the Term loans since 2007, ignoring the payment schedule in the Loan Agreements. Nor has the Company filed federal tax returns since 2005.

105.

REDACTED

COUNT X

(Aiding and Abetting Breaches of Fiduciary Duty Against Delaware Street)

106. Plaintiffs repeat and re-allege the allegations set forth above as if fully set forth herein.

107. To the extent Delaware Street is not a controlling stockholder, Delaware Street knowingly aided and abetted the Individual Defendants' wrongdoing alleged herein. All of the Individual Defendants were nominated to the HCG Board by Delaware Street, and Desai, Gupta and Heller are employees of Delaware Street or its affiliate DSC

Advisors. Delaware Street knew that the Individual Defendants owed fiduciary duties to the Company's stockholders.

108. It was part of Delaware Street's plan for HCG to allow principal and interest to continue to accrue, without paying down the Loans when HCG was able to do so or was able to refinance its debt. It was a further part of Delaware Street's plan to place its own interests ahead of the interests of HCG's stockholders.

REDACTED

109. Delaware Street provided substantial assistance to the Individual Defendants

REDACTED

110. Through the conduct described herein, Delaware Street knowingly participated in the Individual Defendants' breaches of fiduciary duty

REDACTED

Delaware Street thereby aided and betted the Individual Defendants' breaches of their fiduciary obligations.

111. Delaware Street's actions have damaged Plaintiffs and the Company

REDACTED

Plaintiffs

are entitled to an award of damages in an amount to be determined at trial.

WHEREFORE, Plaintiffs demand judgment and preliminary and permanent relief including preliminary and permanent injunctive relief in their favor and in favor of the Company, as appropriate, against Delaware Street and all of the Individual Defendants as follows:

- a. Declaring that the Individual Defendants have violated their fiduciary duties to Plaintiffs and the Company;
- b. Declaring that Delaware Street has violated its fiduciary duties to Plaintiffs and the Company;
- c. Declaring that this action is a proper derivative action;
- d. Declaring that the Mittman stock issuance was not entirely fair to the Company and its stockholders and rescinding that stock issuance;
- e. Declaring that REDACTED is unfair to the Company and its stockholders and was not approved by a majority of disinterested directors;
- f.
- g. REDACTED
- h.
- i. Equitably subordinating Delaware Street's debt or recharacterizing the Loans as equity;
- j. Declaring that defendant Delaware Street aided and abetted the breaches of fiduciary duty committed by the Individual Defendants.
- k. Awarding the Company compensatory damages against the Defendants individually and severally in an amount to be determined at trial, together with pre-judgment and post-judgment interest at the maximum rate allowed by law;

- l. Awarding Plaintiffs the costs and disbursements of this action, including reasonable allowances for Plaintiff's attorneys' and experts' fees and expenses; and
- m. Granting such other and further relief as may be just and proper.

Of Counsel:

Matthias A. Lydon
WINSTON & STRAWN LLP
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Chicago, Illinois 60601-9703
(312) 558-5600

Dated: August 8, 2011

/s/ John M. Seaman

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Attorneys for Plaintiffs

CERTIFICATE OF SERVICE

I hereby certify that on October 21, 2011, a copy of the foregoing document was electronically served by *LexisNexis File & Serve* on the following attorneys of record:

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Wilmington, Delaware 19899

/s/ Matthew D. Stachel

Matthew D. Stachel (#5419)

EXHIBIT B

VENUE TRANSFER ORDER

Attached hereto

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

ARG INVESTMENTS, ENABLE)
SYSTEMS, INC., MRR VENTURE, LLC,)
SKM EQUITY FUND II, LP, SKM)
INVESTMENT FUND II,) Civil Action No. 12-cv-00295-SLR
Plaintiffs,)
vs.)
DELAWARE STREET MASTER FUND,)
L.P., BRIAN MITTMAN, SUBHASH)
DESAI, PRASHANT GUPTA, DAVID)
HELLER, SHEPHERD PRYOR IV, and)
EMILY ROYNESDAL,)
Defendants,)
and)
HARTFORD COMPUTER GROUP, INC.)
Nominal Defendant.)

ORDER

Having considered the Motion of Defendant Hartford Computer Group, Inc. to Transfer Venue to the United States District Court for the Northern District of Illinois;

IT IS HEREBY ORDERED this 3rd day of July, 2012 that the Motion is GRANTED.


United States District Court Judge
Sue L. Robinson

EXHIBIT C

HCG FINANCIAL PROOF OF CLAIM

Attached hereto

COPY

UNITED STATES BANKRUPTCY COURT NORTHERN DISTRICT OF ILLINOIS		PROOF OF CLAIM
Name of Debtor: Hartford Computer Group, Inc.		Case Number: 11-49750
NOTE: Do not use this form to make a claim for an administrative expense that arises after the bankruptcy filing. You may file a request for payment of an administrative expense according to 11 U.S.C. § 503.		
Name of Creditor (the person or other entity to whom the debtor owes money or property): HCG Financial Services, Inc.		<div style="font-size: 24pt; font-weight: bold;">RECEIVED</div> <div style="font-size: 18pt; font-weight: bold;">MAY 03 2012</div> <div style="font-weight: bold;">KURTZMAN CARSON CONSULTANTS</div>
Name and address where notices should be sent: Nancy Godinho Everett Winston & Strawn LLP 35 West Wacker Drive Chicago, Illinois 60601 Telephone number: (312) 558-6455 email: neverett@winston.com		<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> Claim # <u>188</u> Initials <u>KE</u> </div> <div style="text-align: center; font-weight: bold;">COURT USE ONLY</div> <div style="padding: 5px;"> <input type="checkbox"/> Check this box if this claim amends a previously filed claim. </div> <div style="padding: 5px;"> Court Claim Number: _____ (If known) </div> <div style="padding: 5px;"> Filed on: _____ </div>
Name and address where payment should be sent (if different from above): HCG Financial Services, Inc. 105 Prairie Lake Road, Unit D East Dundee, IL 60118 Attention: Anthony Graffia Telephone number: (847) 496-1701 email: tgraffiasr@imperoelectronics.com		<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to this claim. Attach copy of statement giving particulars.
1. Amount of Claim as of Date Case Filed: \$ <u>1,514,836.38</u> (see attached Addendum incorporated herein by reference)		
If all or part of the claim is secured, complete item 4.		
If all or part of the claim is entitled to priority, complete item 5.		
<input checked="" type="checkbox"/> Check this box if the claim includes interest or other charges in addition to the principal amount of the claim. Attach a statement that itemizes interest or charges.		
2. Basis for Claim: <u>Money loaned (see attached Addendum).</u> (See instruction #2)		
3. Last four digits of any number by which creditor identifies debtor: _____	3a. Debtor may have scheduled account as: _____ (See instruction #3a)	3b. Uniform Claim Identifier (optional): _____ (See instruction #3b)
4. Secured Claim (See instruction #4) Check the appropriate box if the claim is secured by a lien on property or a right of set off, attach required redacted documents, and provide the requested information.		
Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe: _____		Amount of arrearage and other charges, as of the time case was filed, included in secured claim, if any: \$ _____
Value of Property: \$ _____		Basis for perfection: _____
Annual Interest Rate 8.00% <input checked="" type="checkbox"/> Fixed or <input type="checkbox"/> Variable (when case was filed)		Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____
5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any part of the claim falls into one of the following categories, check the box specifying the priority and state the amount.		
<input type="checkbox"/> Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B).	<input type="checkbox"/> Wages, salaries, or commissions (up to \$11,725*) earned within 180 days before the case was filed or the debtor's business ceased, whichever is earlier – 11 U.S.C. §507 (a)(4).	<input type="checkbox"/> Contributions to an employee benefit plan – 11 U.S.C. §507 (a)(5).
<input type="checkbox"/> Up to \$2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use – 11 U.S.C. §507 (a)(7).	<input type="checkbox"/> Taxes or penalties owed to governmental units – 11 U.S.C. §507 (a)(8).	<input type="checkbox"/> Other – Specify applicable paragraph of 11 U.S.C. §507 (a) _____.
*Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.		Amount entitled to priority: \$ _____
6. Credits. The amount of all payments on this claim has been credited for the purpose of making this proof of claim. (See instruction #6)		

7. Documents: Attached are redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. If the claim is secured, box 4 has been completed, and redacted copies of documents providing evidence of perfection of a security interest are attached. (See instruction #7, and the definition of "redacted.") See attached.

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain:

RECEIVED

MAY 03 2012

8. Signature: (See instruction #8)

Check the appropriate box.

- ☐ I am the creditor. ☒ I am the creditor's authorized agent. ☐ I am the trustee, or the debtor, or their authorized agent. ☐ I am a guarantor, surety, indorser, or other codebtor. (Attach copy of power of attorney, if any.) (See Bankruptcy Rule 3004.) (See Bankruptcy Rule 3005.)

KURTZMAN CARSON CONSULTANTS

I declare under penalty of perjury that the information provided in this claim is true and correct to the best of my knowledge, information, and reasonable belief.

Print Name: Nancy Godinho Everett

Title: Attorney

Company: Winston & Strawn LLP

Address and telephone number (if different from notice address above):

(Signature)

April 30, 2012 (Date)

Telephone number: email:

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

INSTRUCTIONS FOR PROOF OF CLAIM FORM

The instructions and definitions below are general explanations of the law. In certain circumstances, such as bankruptcy cases not filed voluntarily by the debtor, exceptions to these general rules may apply.

Items to be completed in Proof of Claim form

Court, Name of Debtor, and Case Number:

Fill in the federal judicial district in which the bankruptcy case was filed (for example, Central District of California), the debtor's full name, and the case number. If the creditor received a notice of the case from the bankruptcy court, all of this information is at the top of the notice.

Creditor's Name and Address:

Fill in the name of the person or entity asserting a claim and the name and address of the person who should receive notices issued during the bankruptcy case. A separate space is provided for the payment address if it differs from the notice address. The creditor has a continuing obligation to keep the court informed of its current address. See Federal Rule of Bankruptcy Procedure (FRBP) 2002(g).

1. Amount of Claim as of Date Case Filed:

State the total amount owed to the creditor on the date of the bankruptcy filing. Follow the instructions concerning whether to complete items 4 and 5. Check the box if interest or other charges are included in the claim.

2. Basis for Claim:

State the type of debt or how it was incurred. Examples include goods sold, money loaned, services performed, personal injury/wrongful death, car loan, mortgage note, and credit card. If the claim is based on delivering health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information. You may be required to provide additional disclosure if an interested party objects to the claim.

3. Last Four Digits of Any Number by Which Creditor Identifies Debtor:

State only the last four digits of the debtor's account or other number used by the creditor to identify the debtor.

3a. Debtor May Have Scheduled Account As:

Report a change in the creditor's name, a transferred claim, or any other information that clarifies a difference between this proof of claim and the claim as scheduled by the debtor.

3b. Uniform Claim Identifier:

If you use a uniform claim identifier, you may report it here. A uniform claim identifier is an optional 24-character identifier that certain large creditors use to facilitate electronic payment in chapter 13 cases.

4. Secured Claim:

Check whether the claim is fully or partially secured. Skip this section if the claim is entirely unsecured. (See Definitions.) If the claim is secured, check the box for the nature and value of property that secures the claim, attach copies of lien documentation, and state, as of the date of the bankruptcy filing, the annual interest rate (and whether it is fixed or variable), and the amount past due on the claim.

5. Amount of Claim Entitled to Priority Under 11 U.S.C. §507(a).

If any portion of the claim falls into any category shown, check the appropriate box(es) and state the amount entitled to priority. (See Definitions.) A claim may be partly priority and partly non-priority. For example, in some of the categories, the law limits the amount entitled to priority.

6. Credits:

An authorized signature on this proof of claim serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

7. Documents:

Attach redacted copies of any documents that show the debt exists and a lien secures the debt. You must also attach copies of documents that evidence perfection of any security interest. You may also attach a summary in addition to the documents themselves. FRBP 3001(c) and (d). If the claim is based on delivering health care goods or services, limit disclosing confidential health care information. Do not send original documents, as attachments may be destroyed after scanning.

8. Date and Signature:

The individual completing this proof of claim must sign and date it. FRBP 9011. If the claim is filed electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what constitutes a signature. If you sign this form, you declare under penalty of perjury that the information provided is true and correct to the best of your knowledge, information, and reasonable belief. Your signature is also a certification that the claim meets the requirements of FRBP 9011(b). Whether the claim is filed electronically or in person, if your name is on the signature line, you are responsible for the declaration. Print the name and title, if any, of the creditor or other person authorized to file this claim. State the filer's address and telephone number if it differs from the address given on the top of the form for purposes of receiving notices. If the claim is filed by an authorized agent, attach a complete copy of any power of attorney, and provide both the name of the individual filing the claim and the name of the agent. If the authorized agent is a servicer, identify the corporate servicer as the company. Criminal penalties apply for making a false statement on a proof of claim.

DEFINITIONS

INFORMATION

Debtor

A debtor is the person, corporation, or other entity that has filed a bankruptcy case.

Creditor

A creditor is a person, corporation, or other entity to whom debtor owes a debt that was incurred before the date of the bankruptcy filing. See 11 U.S.C. §101 (10).

Claim

A claim is the creditor's right to receive payment for a debt owed by the debtor on the date of the bankruptcy filing. See 11 U.S.C. §101 (5). A claim may be secured or unsecured.

Proof of Claim

A proof of claim is a form used by the creditor to indicate the amount of the debt owed by the debtor on the date of the bankruptcy filing. The creditor must file the form with the clerk of the same bankruptcy court in which the bankruptcy case was filed.

Secured Claim Under 11 U.S.C. §506(a)

A secured claim is one backed by a lien on property of the debtor. The claim is secured so long as the creditor has the right to be paid from the property prior to other creditors. The amount of the secured claim cannot exceed the value of the property. Any amount owed to the creditor in excess of the value of the property is an unsecured claim. Examples of liens on property include a mortgage on real estate or a security interest in a car. A lien may be voluntarily granted by a debtor or may be obtained through a court proceeding. In some states, a court judgment is a lien.

A claim also may be secured if the creditor owes the debtor money (has a right to setoff).

Unsecured Claim

An unsecured claim is one that does not meet the requirements of a secured claim. A claim may be partly unsecured if the amount of the claim exceeds the value of the property on which the creditor has a lien.

Claim Entitled to Priority Under 11 U.S.C. §507(a)

Priority claims are certain categories of unsecured claims that are paid from the available money or property in a bankruptcy case before other unsecured claims.

Redacted

A document has been redacted when the person filing it has masked, edited out, or otherwise deleted, certain information. A creditor must show only the last four digits of any social-security, individual's tax-identification, or financial-account number, only the initials of a minor's name, and only the year of any person's date of birth. If the claim is based on the delivery of health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information.

Evidence of Perfection

Evidence of perfection may include a mortgage, lien, certificate of title, financing statement, or other document showing that the lien has been filed or recorded.

Acknowledgment of Filing of Claim

To receive acknowledgment of your filing, you may either enclose a stamped self-addressed envelope and a copy of this proof of claim or you may access the court's PACER system (www.pacer.psc.uscourts.gov) for a small fee to view your filed proof of claim.

Offers to Purchase a Claim

Certain entities are in the business of purchasing claims for an amount less than the face value of the claims. One or more of these entities may contact the creditor and offer to purchase the claim. Some of the written communications from these entities may easily be confused with official court documentation or communications from the debtor. These entities do not represent the bankruptcy court or the debtor. The creditor has no obligation to sell its claim. However, if the creditor decides to sell its claim, any transfer of such claim is subject to FRBP 3001(e), any applicable provisions of the Bankruptcy Code (11 U.S.C. § 101 *et seq.*), and any applicable orders of the bankruptcy court.

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re)	Chapter 11
)	
HARTFORD COMPUTER HARDWARE,)	Case No. 11-49744 (PSH)
INC., <i>et al.</i> , ¹)	(Jointly Administered)
)	
Debtors.)	Honorable Pamela S. Hollis

PROOF OF CLAIM OF HCG FINANCIAL SERVICES, INC.

HCG Financial Services, Inc. ("HCG Financial") hereby files this addendum to the attached proof of claim against Hartford Computer Group, Inc. ("HCG"), a debtor in the above-referenced bankruptcy case with respect to amounts due pursuant to that certain Subordinated Promissory Note, dated as of May 9, 2005 (as amended, restated, modified or supplemented, at times and from time to time, the "HCG Financial Note"),² by and between HCG, as Maker, and HCG Financial, as Payee. In support thereof, HCG Financial states as follows:

1. On December 12, 2011 (the "Petition Date"), the above-captioned debtor (the "Debtor") and certain of its affiliates (including HCG and, collectively, the "Debtors") each filed separate voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (as amended, the "Bankruptcy Code"). The Debtors' cases (the "Bankruptcy Cases") are being jointly administered under Case No. 11-49744 in the United States Bankruptcy Court for the Northern District of Illinois (the "Bankruptcy Court").

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 Each capitalized term used but not defined herein shall have the meaning ascribed thereto in the HCG Financial Note.

2. On April 12, 2012, the Bankruptcy Court entered that certain Order (the "Bar Date Order") that, among other things, established June 12, 2012 at 5:00 p.m. prevailing Central Time as the bar date to file general and administrative proofs of claim (the "Bar Date").

3. Pursuant to the HCG Financial Note and as of the Petition Date, HCG is obligated to and owes HCG Financial, without defense, counterclaim, or offset of any kind, in the aggregate principal amount of not less than \$869,000, plus accrued interest of \$645,836.38, for a total prepetition claim of \$1,514,836.38, in respect of loans made by HCG Financial, together with accrued or accruing interest thereon plus all fees, costs, charges, and expenses incurred in connection therewith as provided in and pursuant to the terms of the HCG Financial Note and/or applicable bankruptcy law.

4. In accordance with the Bar Date Order, HCG Financial hereby submits this proof of claim in the amount of \$1,514,836.38 against HCG. This proof of claim is on account of money loaned to HCG prior to the Petition Date and interest accrued thereon prior to the Petition Date. A copy of the HCG Financial Note supporting this proof of claim is attached hereto.

5. Additional supporting documentation with respect to this proof of claim is available upon request by the appropriate party to the undersigned counsel. Such additional supporting documentation is: (i) in the possession of HCG or other Debtors in the Bankruptcy Cases; (ii) too voluminous to attach hereto; and/or (iii) confidential and may be obtained by contacting Winston & Strawn LLP, 35 West Wacker Drive, Chicago, Illinois 60601, Attn: Nancy Godinho-Everett, neverett@winston.com, (312) 558-5600.

6. HCG Financial reserves the right to collect as part of its claims against HCG, in accordance with the terms of the HCG Financial Note and the other documents executed in connection therewith, all pre-petition and post-petition amounts due, including, but not limited to, principal, interest, premium, fees (including, but not limited to, attorneys' fees), costs, late

charges, expenses and payments, which amounts are currently unliquidated and continue to accrue, and the right to assert any additional claims, including, but not limited to, unsecured claims, administrative expense claims, priority, and/or super-priority claims pursuant to, *inter alia*, sections 365, 503(b)(3), 503(b)(5) and 507(a)(2), of the Bankruptcy Code.

7. HCG Financial reserves all rights against HCG and the Debtors with respect to this proof of claim, including, but not limited to, the right to: (a) amend or supplement this proof of claim (including, but not limited to, for purposes of fixing the amount of interest or additional fees, costs, and expenses referred to herein) at any time, either before or after the Bar Date established by the Bankruptcy Court, and in any respect; and (b) seek an administrative expense claim against the Debtors' estates for any and all of the claims asserted either herein or otherwise.

8. This proof of claim is filed without prejudice to the filing by HCG Financial of additional proofs of claim with respect to any other liability or indebtedness of HCG or any other Debtors in the Bankruptcy Cases. The filing of this proof of claim shall not constitute or be deemed to be a waiver or release of any claims or rights of HCG Financial against any other person or entity liable for all or part of the claims described herein. The filing of this proof of claim shall not constitute or be deemed to be an election of remedies or a waiver of any past, present, or future defaults or events of default under HCG Financial Note and the other documents executed in connection therewith.

~~9. HCG Financial reserves all rights as to the nature, characterization, and substance~~
of the HCG Financial Note and the other documents executed in connection therewith.

10. This proof of claim shall be construed as asserting rights from all available sources to a single satisfaction of principal, interest, premium, if any, and other charges and

amounts due on account of all amounts owed pursuant to the HCG Financial Note and the other documents executed in connection therewith.

Respectfully submitted,

HCG FINANCIAL SERVICES, INC.

By: /s/Nancy Godinho Everett

Nancy Godinho Everett

WINSTON & STRAWN LLP

35 West Wacker Drive

Chicago, IL 60601

Telephone: (312) 558-5600

Facsimile: (312) 558-5700

neverett@winston.com

EXHIBIT D

MRR PROOF OF CLAIM

Attached hereto

COPY

UNITED STATES BANKRUPTCY COURT NORTHERN DISTRICT OF ILLINOIS		PROOF OF CLAIM
Name of Debtor: Hartford Computer Group, Inc.		Case Number: 11-49750
NOTE: Do not use this form to make a claim for an administrative expense that arises after the bankruptcy filing. You may file a request for payment of an administrative expense according to 11 U.S.C. § 503.		
Name of Creditor (the person or other entity to whom the debtor owes money or property): MRR Venture LLC		KURTZMAN CARSON CONSULTANTS
Name and address where notices should be sent: Nancy Godinho Everett Winston & Strawn LLP 35 West Wacker Drive Chicago, Illinois 60601 Telephone number: (312) 558-6455 email: neverett@winston.com		COURT USE ONLY <input type="checkbox"/> Check this box if this claim amends a previously filed claim. Court Claim Number: _____ (If known) Filed on: _____
Name and address where payment should be sent (if different from above): MRR Venture LLC 3021 Cullerton Drive Franklin Park, IL 60067 Attention: Vernon K. Reizman Telephone number: (847) 455-1950 email: vreizman@remindustries.com		<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to this claim. Attach copy of statement giving particulars.
1. Amount of Claim as of Date Case Filed: \$ 1,620,630.16 (see attached Addendum incorporated herein by reference)		
If all or part of the claim is secured, complete item 4. If all or part of the claim is entitled to priority, complete item 5.		
<input checked="" type="checkbox"/> Check this box if the claim includes interest or other charges in addition to the principal amount of the claim. Attach a statement that itemizes interest or charges.		
2. Basis for Claim: Money loaned (see attached Addendum). (See instruction #2)		
3. Last four digits of any number by which creditor identifies debtor: _____	3a. Debtor may have scheduled account as: _____ (See instruction #3a)	3b. Uniform Claim Identifier (optional): _____ (See instruction #3b)
4. Secured Claim (See instruction #4) Check the appropriate box if the claim is secured by a lien on property or a right of set off, attach required redacted documents, and provide the requested information.		
Nature of property or right of setoff: <input checked="" type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input checked="" type="checkbox"/> Other Describe: See attached Addendum.		Amount of arrearage and other charges, as of the time case was filed, included in secured claim, if any: \$ 454,241.27
Value of Property: \$ Unknown		Basis for perfection: See attached Addendum.
Annual Interest Rate 5.00% <input checked="" type="checkbox"/> Fixed or <input type="checkbox"/> Variable (when case was filed)		Amount of Secured Claim: \$ 1,620,630.16 Amount Unsecured: \$ _____
5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507(a). If any part of the claim falls into one of the following categories, check the box specifying the priority and state the amount.		
<input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).	<input type="checkbox"/> Wages, salaries, or commissions (up to \$11,725*) earned within 180 days before the case was filed or the debtor's business ceased, whichever is earlier – 11 U.S.C. § 507 (a)(4).	<input type="checkbox"/> Contributions to an employee benefit plan – 11 U.S.C. § 507 (a)(5).
<input type="checkbox"/> Up to \$2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use – 11 U.S.C. § 507 (a)(7).	<input type="checkbox"/> Taxes or penalties owed to governmental units – 11 U.S.C. § 507 (a)(8).	<input type="checkbox"/> Other – Specify applicable paragraph of 11 U.S.C. § 507 (a) _____.
*Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.		Amount entitled to priority: \$ _____
6. Credits. The amount of all payments on this claim has been credited for the purpose of making this proof of claim. (See instruction #6)		

7. Documents: Attached are redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. If the claim is secured, box 4 has been completed, and redacted copies of documents providing evidence of perfection of a security interest are attached. (See instruction #7, and the definition of "redacted".) See attached.

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain:

RECEIVED

MAY 03 2012

8. Signature: (See instruction #8)

Check the appropriate box.

☐ I am the creditor. ☒ I am the creditor's authorized agent. ☐ I am the trustee, or the debtor, or their authorized agent. ☐ I am a guarantor, surety, indorser, or other codebtor. (See Bankruptcy Rule 3005.)
(Attach copy of power of attorney, if any.) (See Bankruptcy Rule 3004.)

KURTZMAN CARSON CONSULTANTS

I declare under penalty of perjury that the information provided in this claim is true and correct to the best of my knowledge, information, and reasonable belief.

Print Name: Nancy Godinho Everett

Title: Attorney

Company: Winston & Strawn LLP

Address and telephone number (if different from notice address above):

Nancy Godinho Everett May 1, 2012
(Signature) (Date)

Telephone number: _____ email: _____

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

INSTRUCTIONS FOR PROOF OF CLAIM FORM

The instructions and definitions below are general explanations of the law. In certain circumstances, such as bankruptcy cases not filed voluntarily by the debtor, exceptions to these general rules may apply.

Items to be completed in Proof of Claim form

Court, Name of Debtor, and Case Number:

Fill in the federal judicial district in which the bankruptcy case was filed (for example, Central District of California), the debtor's full name, and the case number. If the creditor received a notice of the case from the bankruptcy court, all of this information is at the top of the notice.

Creditor's Name and Address:

Fill in the name of the person or entity asserting a claim and the name and address of the person who should receive notices issued during the bankruptcy case. A separate space is provided for the payment address if it differs from the notice address. The creditor has a continuing obligation to keep the court informed of its current address. See Federal Rule of Bankruptcy Procedure (FRBP) 2002(g).

1. Amount of Claim as of Date Case Filed:

State the total amount owed to the creditor on the date of the bankruptcy filing. Follow the instructions concerning whether to complete items 4 and 5. Check the box if interest or other charges are included in the claim.

2. Basis for Claim:

State the type of debt or how it was incurred. Examples include goods sold, money loaned, services performed, personal injury/wrongful death, car loan, mortgage note, and credit card. If the claim is based on delivering health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information. You may be required to provide additional disclosure if an interested party objects to the claim.

3. Last Four Digits of Any Number by Which Creditor Identifies Debtor:

State only the last four digits of the debtor's account or other number used by the creditor to identify the debtor.

3a. Debtor May Have Scheduled Account As:

Report a change in the creditor's name, a transferred claim, or any other information that clarifies a difference between this proof of claim and the claim as scheduled by the debtor.

3b. Uniform Claim Identifier:

If you use a uniform claim identifier, you may report it here. A uniform claim identifier is an optional 24-character identifier that certain large creditors use to facilitate electronic payment in chapter 13 cases.

4. Secured Claim:

Check whether the claim is fully or partially secured. Skip this section if the claim is entirely unsecured. (See Definitions.) If the claim is secured, check the box for the nature and value of property that secures the claim, attach copies of lien documentation, and state, as of the date of the bankruptcy filing, the annual interest rate (and whether it is fixed or variable), and the amount past due on the claim.

5. Amount of Claim Entitled to Priority Under 11 U.S.C. §507(a).

If any portion of the claim falls into any category shown, check the appropriate box(es) and state the amount entitled to priority. (See Definitions.) A claim may be partly priority and partly non-priority. For example, in some of the categories, the law limits the amount entitled to priority.

6. Credits:

An authorized signature on this proof of claim serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

7. Documents:

Attach redacted copies of any documents that show the debt exists and a lien secures the debt. You must also attach copies of documents that evidence perfection of any security interest. You may also attach a summary in addition to the documents themselves. FRBP 3001(c) and (d). If the claim is based on delivering health care goods or services, limit disclosing confidential health care information. Do not send original documents, as attachments may be destroyed after scanning.

8. Date and Signature:

The individual completing this proof of claim must sign and date it. FRBP 9011. If the claim is filed electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what constitutes a signature. If you sign this form, you declare under penalty of perjury that the information provided is true and correct to the best of your knowledge, information, and reasonable belief. Your signature is also a certification that the claim meets the requirements of FRBP 9011(b). Whether the claim is filed electronically or in person, if your name is on the signature line, you are responsible for the declaration. Print the name and title, if any, of the creditor or other person authorized to file this claim. State the filer's address and telephone number if it differs from the address given on the top of the form for purposes of receiving notices. If the claim is filed by an authorized agent, attach a complete copy of any power of attorney, and provide both the name of the individual filing the claim and the name of the agent. If the authorized agent is a servicer, identify the corporate servicer as the company. Criminal penalties apply for making a false statement on a proof of claim.

DEFINITIONS

Debtor

A debtor is the person, corporation, or other entity that has filed a bankruptcy case.

Creditor

A creditor is a person, corporation, or other entity to whom debtor owes a debt that was incurred before the date of the bankruptcy filing. See 11 U.S.C. §101 (10).

Claim

A claim is the creditor's right to receive payment for a debt owed by the debtor on the date of the bankruptcy filing. See 11 U.S.C. §101 (5). A claim may be secured or unsecured.

Proof of Claim

A proof of claim is a form used by the creditor to indicate the amount of the debt owed by the debtor on the date of the bankruptcy filing. The creditor must file the form with the clerk of the same bankruptcy court in which the bankruptcy case was filed.

Secured Claim Under 11 U.S.C. §506(a)

A secured claim is one backed by a lien on property of the debtor. The claim is secured so long as the creditor has the right to be paid from the property prior to other creditors. The amount of the secured claim cannot exceed the value of the property. Any amount owed to the creditor in excess of the value of the property is an unsecured claim. Examples of liens on property include a mortgage on real estate or a security interest in a car. A lien may be voluntarily granted by a debtor or may be obtained through a court proceeding. In some states, a court judgment is a lien.

A claim also may be secured if the creditor owes the debtor money (has a right to setoff).

Unsecured Claim

An unsecured claim is one that does not meet the requirements of a secured claim. A claim may be partly unsecured if the amount of the claim exceeds the value of the property on which the creditor has a lien.

Claim Entitled to Priority Under 11 U.S.C. §507(a)

Priority claims are certain categories of unsecured claims that are paid from the available money or property in a bankruptcy case before other unsecured claims.

Redacted

A document has been redacted when the person filing it has masked, edited out, or otherwise deleted, certain information. A creditor must show only the last four digits of any social-security, individual's tax-identification, or financial-account number, only the initials of a minor's name, and only the year of any person's date of birth. If the claim is based on the delivery of health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information.

Evidence of Perfection

Evidence of perfection may include a mortgage, lien, certificate of title, financing statement, or other document showing that the lien has been filed or recorded.

INFORMATION

Acknowledgment of Filing of Claim

To receive acknowledgment of your filing, you may either enclose a stamped self-addressed envelope and a copy of this proof of claim or you may access the court's PACER system (www.pacer.psc.uscourts.gov) for a small fee to view your filed proof of claim.

Offers to Purchase a Claim

Certain entities are in the business of purchasing claims for an amount less than the face value of the claims. One or more of these entities may contact the creditor and offer to purchase the claim. Some of the written communications from these entities may easily be confused with official court documentation or communications from the debtor. These entities do not represent the bankruptcy court or the debtor. The creditor has no obligation to sell its claim. However, if the creditor decides to sell its claim, any transfer of such claim is subject to FRBP 3001(e), any applicable provisions of the Bankruptcy Code (11 U.S.C. § 101 *et seq.*), and any applicable orders of the bankruptcy court.

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re)	Chapter 11
)	
HARTFORD COMPUTER HARDWARE,)	Case No. 11-49744 (PSH)
INC., <i>et al.</i> , ¹)	(Jointly Administered)
)	
Debtors.)	Honorable Pamela S. Hollis

PROOF OF CLAIM OF MRR VENTURE LLC

MRR Venture LLC ("MRR") hereby files this addendum to the attached proof of claim against Hartford Computer Group, Inc. ("HCG"), a debtor in the above-referenced bankruptcy case with respect to amounts due pursuant to that certain Substituted and Amended Subordinated Promissory Note, dated as of May 9, 2005 (as amended, restated, modified or supplemented, at times and from time to time, the "MRR Note"),² by and between HCG, as Borrower, and MRR, as Lender. In support thereof, MRR states as follows:

1. On December 12, 2011 (the "Petition Date"), the above-captioned debtor (the "Debtor") and certain of its affiliates (including HCG and, collectively, the "Debtors") each filed separate voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (as amended, the "Bankruptcy Code"). The Debtors' cases (the "Bankruptcy Cases") are being jointly administered under Case No. 11-49744 in the United States Bankruptcy Court for the Northern District of Illinois (the "Bankruptcy Court").

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 Each capitalized term used but not defined herein shall have the meaning ascribed thereto in the MRR Note.

2. On April 12, 2012, the Bankruptcy Court entered that certain Order (the "Bar Date Order") that, among other things, established June 12, 2012 at 5:00 p.m. prevailing Central Time as the bar date to file general and administrative proofs of claim (the "Bar Date").

3. Pursuant to that certain Security Agreement, dated as of September 8, 2003 (as amended, restated, modified or supplemented, at times and from time to time, the "Security Agreement"), by and between HCG, as successor to Hartford Computer Group, Inc., an Illinois corporation ("HCG-IL"), and MRR, HCG granted to MRR a perfected security interest in and lien upon its right, title and interest in and to substantially all of HCG's assets, including, but not limited to, real property, personal property, fixtures, equipment, accounts, documents, chattel paper and General Intangibles (as defined in the Security Agreement), and proceeds of the foregoing, whether then owned or thereafter acquired (collectively, the "Prepetition Collateral").

4. Pursuant to the MRR Note and as of the Petition Date, HCG is obligated to and owes MRR, secured by the Prepetition Collateral, without defense, counterclaim, or offset of any kind, in the aggregate principal amount of not less than \$1,166,388.89, plus accrued interest of \$454,241.27, for a total prepetition claim of \$1,620,630.16, in respect of loans made by MRR, together with accrued or accruing interest thereon plus all fees, costs, charges, and expenses incurred in connection therewith as provided in and pursuant to the terms of the MRR Note, the Security Agreement and/or applicable bankruptcy law.

5. In accordance with the Bar Date Order, MRR hereby submits this proof of claim in the amount of \$1,620,630.16 against HCG. This proof of claim is on account of money loaned to HCG prior to the Petition Date and interest accrued thereon prior to the Petition Date. A copy of the MRR Note supporting this proof of claim is attached hereto.

6. Additional supporting documentation with respect to this proof of claim is available upon request by the appropriate party to the undersigned counsel. Such additional

supporting documentation is: (i) in the possession of HCG or other Debtors in the Bankruptcy Cases; (ii) too voluminous to attach hereto; and/or (iii) confidential and may be obtained by contacting Winston & Strawn LLP, 35 West Wacker Drive, Chicago, Illinois 60601, Attn: Nancy Godinho Everett, neverett@winston.com, (312) 558-5600.

7. MRR reserves the right to collect as part of its claims against HCG, in accordance with the terms of the MRR Note, the Security Agreement, and the other documents executed in connection therewith all pre-petition and post-petition amounts due, including, but not limited to, principal, interest, premium, fees (including, but not limited to, attorneys' fees), costs, late charges, expenses and payments, which amounts are currently unliquidated and continue to accrue, and the right to assert any additional claims, including, but not limited to, unsecured claims, administrative expense claims, priority, and/or super-priority claims pursuant to, *inter alia*, sections 365, 503(b)(3), 503(b)(5) and 507(a)(2), of the Bankruptcy Code.

8. MRR reserves all rights against HCG and the Debtors with respect to this proof of claim, including, but not limited to, the right to: (a) amend or supplement this proof of claim (including, but not limited to, for purposes of fixing the amount of interest or additional fees, costs, and expenses referred to herein) at any time, either before or after the Bar Date established by the Bankruptcy Court, and in any respect; and (b) seek an administrative expense claim against the Debtors' estates for any and all of the claims asserted either herein or otherwise.

9. This proof of claim is filed without prejudice to the filing by MRR of additional proofs of claim with respect to any other liability or indebtedness of HCG or any other Debtors in the Bankruptcy Cases. The filing of this proof of claim shall not constitute or be deemed to be a waiver or release of any claims or rights of MRR against any other person or entity liable for all or part of the claims described herein. The filing of this proof of claim shall not constitute or be deemed to be an election of remedies or a waiver of any past, present, or future defaults or

events of default under MRR Note, the Security Agreement and the other documents executed in connection therewith.

10. MRR reserves all rights as to the nature, characterization, and substance of the MRR Note, the Security Agreement and the other documents executed in connection therewith.

11. This proof of claim shall be construed as asserting rights from all available sources to a single satisfaction of principal, interest, premium, if any, and other charges and amounts due on account of all amounts owed pursuant to the MRR Note, the Security Agreement and the other documents executed in connection therewith.

Respectfully submitted,

MRR VENTURE LLC

By: /s/Nancy Godinho Everett

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