

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

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

**LIMITED OBJECTION AND RESERVATION OF RIGHTS OF
SONY ELECTRONICS INC. WITH RESPECT TO DEBTORS' AND OFFICIAL
COMMITTEE OF UNSECURED CREDITORS' JOINT PLAN OF LIQUIDATION**

Sony Electronics Inc., including its Sony Service Company division ("Sony"), by and through its undersigned counsel, respectfully submits this limited objection and reservation of rights with respect to the *Debtors' And Official Committee of Unsecured Creditors' Joint Plan Of Liquidation*, filed on June 13, 2012 [ECF No. 349] (the "Plan") by the above-captioned debtors and debtors in possession, including Hartford Computer Group, Inc. ("Hartford" and, collectively, "Debtors").

PRELIMINARY STATEMENT

1. Sony files this limited objection and reservation of rights with respect to the Plan because the Plan is (i) silent as to the treatment of administrative expense claims that arise after the Bar Date (as defined in the Plan), and (ii) fails to make clear that Causes of Action transferred to the Hartford Liquidating Trustee (including any potential Cause of Action against Sony) are subject to defenses, including setoff and recoupment.

2. As demonstrated below, claims in favor of Sony and against the Debtors' estates may arise after the Bar Date. In addition, any purported Cause of Action against Sony will be

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



subject to Sony's rights to setoff and/or recoup the amount of Sony's claim against amounts allegedly owed by Sony to the Debtors' estate, if any. Accordingly, the Plan should: (i) make clear that holders of administrative expense claims that arise after the Bar Date are entitled to file claims for such amounts, (ii) provide for payment of allowed claims arising after the Bar Date, and (iii) make clear that that Causes of Action transferred to the Hartford Liquidating Trustee are subject to defenses, including setoff and recoupment. In addition, Sony respectfully reserves all rights to assert such claims and defenses.

BACKGROUND

3. By Order dated April 12, 2012 (the "Bar Date Order") (ECF No. 266) the Court set June 12, 2012 as the Bar Date for "Creditors holding or wishing to assert a Claim, whether unsecured or secured, priority or nonpriority, including any administrative expense claims under section 503(b) of the Bankruptcy Code (except for Professional Compensation Claims) against any Debtor" (Bar Date Order at ¶ 4).

4. Pursuant to the *Order Approving Stipulation Between Debtors and Sony Electronics Inc. Extending Bar Date to File Claims*, dated June 12, 2012 (ECF No. 347), the Court extended the Bar Date with respect to Sony until July 13, 2012.

5. Prior to the commencement of these chapter 11 cases, Sony and Hartford were parties to not less than six executory contracts, including, but not limited to, the following contracts that have been rejected by the Debtors: (i) Servicer Agreement dated December 6, 2007 between Sony Electronics Inc. and Hartford Computer Group, Inc., (ii) Servicer Agreement dated February 22, 2010 between Sony Electronics Inc. and Hartford Computer Group, Inc., and (iii) Amendment to Sony Electronics Inc. 2007 Reseller Agreement between Sony Electronics Inc. and Hartford Computer Group, Inc. (collectively, the "Sony Contracts").

6. On July 13, 2012, Sony filed a proof of claim against Hartford's estate (claim number 373) for an amount not less than \$818,504.77 on account of open invoices related to certain of the Sony Contracts.

OBJECTIONS AND RESERVATION OF RIGHTS

A. The Plan Must Provide For Payment Of Claims Arising After The Bar Date

7. Hartford's obligations under the Sony Contracts or otherwise are partially secured by a letter of credit issued by Wells Fargo Bank, N.A. (the "Letter of Credit"). Hartford was required to deposit \$750,000 with Wells Fargo to cash collateralize the obligation under the Letter of Credit. As of the date hereof, the Letter of Credit has not been drawn, and the cash collateral remains in place.

8. Pursuant to the terms of the Sony Contracts and/or Article 5 of the Uniform Commercial Code, Sony is entitled to recover attorneys' fees incurred in connection with the resolution of disputes related to the Sony Contracts, including disputes regarding the Letter of Credit. Accordingly, in the event Sony draws on the Letter of Credit, and any of the Debtors resist, contest, object or otherwise attempt to prevent Sony from drawing on the Letter of Credit, and/or other disputes arise under the Sony Contracts for which Sony prevails, Sony will be entitled to recover the attorneys' fees it incurs in connection with the resolution of any such disputes.

9. The Plan, however, is silent with respect to the treatment of claims that arise after the Bar Date. Sony respectfully submits that the Plan should make clear that holders of administrative expense claims that arise after the Bar Date are entitled to file claims for such amounts, and that the Plan should provide for the establishment of a reserve or otherwise provide for payment of allowed claims arising after the Bar Date.

10. In addition, to the extent any claim arises in favor of Sony after the Bar Date, Sony reserves all rights to file a claim and seek to obtain a distribution on account of such claim. In this

regard, the Plan provides that the Court retains jurisdiction to determine, among other matters, “any and all applications or motions for Administrative Claims (including Professional Fee Claims).” (Plan at ¶6.4.2).

B. Transferred Causes Of Action Must Be Subject To Applicable Defenses

11. Paragraph 2.12 of the Plan provides that certain Causes of Action “shall be preserved for, transferred to and retained by the Hartford Liquidating Trust and the Hartford Liquidating Trustee, who shall have the exclusive right to prosecute and enforce any such Causes of Action.” (Plan at ¶2.12). The “Preserved Causes of Action,” and the potential defendants in such actions, including Sony, are identified on the list attached as Exhibit B to the Plan.

12. The Debtors’ proposed transfer of the Causes of Action to the Hartford Liquidating Trustee, however, fails to make clear that the prosecution of the such Causes of Action by the Hartford Liquidating Trustee will be subject to defenses that were available had the purported claims been prosecuted by any of the Debtors, including, but not limited to, rights of setoff and recoupment.

13. To the contrary, while the Plan provides that it shall not “affect the Debtors’ rights and defenses (or the Hartford Liquidating Trust’s rights and defenses, as judicial substitute and successor in interest to the Debtors and the Estates) in respect of any Claim [], including all rights in respect of legal and equitable defenses to or setoff or recoupment against such Claims” (Plan at ¶6.2), the Plan purports to cancel (except for purposes of evidencing a right to a Distribution), on the Effective Date, “all agreements and other documents evidencing the Claims or rights of any Creditor against the Debtors, or the Holder of any Interest in the Debtor, including all notes, guarantees, and mortgages.” (Plan at ¶6.3).

14. In the event that Sony is awarded attorneys’ fees for the reasons set forth above, other disputes are resolved in Sony’s favor, other claims arise against the Debtors, and/or liabilities

that were originally believed to be related to assumed contracts are ultimately determined to be related to the Sony Contracts, Sony should be entitled to setoff and/or recoup such amounts against amounts allegedly owed by Sony under any Cause of Action.

15. Accordingly, in order to preserve such rights, the Plan should make clear that any Causes of Action transferred to the Hartford Liquidating Trustee is subject to defenses, including setoff and recoupment, and Sony respectfully reserves all rights to assert such defenses.

16. Nothing contained herein should be considered or otherwise interpreted as Sony consenting to the jurisdiction of the Court in connection with any litigation that may ensue between Sony, the Debtors and/or the Hartford Liquidating Trustee.

CONCLUSION

WHEREFORE, Sony respectfully requests entry of an Order (i) modifying the Plan to (a) make clear that holders of administrative expense claims that arise after the Bar Date are entitled to file claims for such amounts, (b) provide for payment of allowed claims arising after the Bar Date, and (c) make clear that that Causes of Action transferred to the Hartford Liquidating Trustee are subject to defenses, including setoff and recoupment, (ii) reserving all of Sony's rights to assert such claims and defenses, and (iii) granting Sony such other and further relief as the Court deems just and proper.

Dated: September 12, 2012

Respectfully submitted,

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CERTIFICATE OF SERVICE

Mark L. Radtke certifies that he caused to be served a true and correct copy of **LIMITED OBJECTION AND RESERVATION OF RIGHTS OF SONY ELECTRONICS INC. WITH RESPECT TO DEBTORS' AND OFFICIAL COMMITTEE OF UNSECURED CREDITORS' JOINT PLAN OF LIQUIDATION** upon the Electronic Mail Notice List through the ECF System which sent notification of such filing via electronic means on September 12, 2012.

/s/ Mark L. Radtke

Mailing Information for Case 11-49744

Electronic Mail Notice List

The following is the list of **parties** who are currently on the list to receive email notice/service for this case.

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