

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

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

**DEBTORS’ MOTION FOR AN ORDER ESTABLISHING PROCEDURES FOR
INTERIM COMPENSATION AND REIMBURSEMENT OF
EXPENSES OF PROFESSIONALS**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) submit this motion for entry of an order establishing procedures for interim compensation and reimbursement of expenses for professionals. In support of this motion, the Debtors submit the Declaration of Brian Mittman in Support of Chapter 11 Petitions and First Day Motions and Applications, sworn to on December 12, 2011 (the “Declaration in Support of First Day Relief”), and respectfully represent as follows:

INTRODUCTION

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

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

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



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

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

5. The statutory bases for the relief requested herein are sections 105(a) and 331 of the Bankruptcy Code.

BACKGROUND

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

7. A more detailed explanation of the Debtors' businesses and operations, and the events leading to the commencement of these cases, is provided in the Declaration of Brian Mittman filed in Support of First Day Relief contemporaneously herewith and which is incorporated herein by reference.

RELIEF REQUESTED

8. Contemporaneously with filing of this motion, the Debtors are seeking approval of the employment of Katten Muchin Rosenman LLP as their bankruptcy counsel as well as other professionals to assist with the restructuring of their businesses. An Official Committee of Unsecured Creditors and other committees (collectively, the "Committee") may also be

appointed in these cases. If appointed, the Committee is likely to retain counsel and other professionals (collectively with the professionals outlined above, the “Professionals”).

9. Pursuant to section 331 of the Bankruptcy Code, all professionals are entitled to submit applications for interim compensation and reimbursement of expenses every 120 days, or more often if the Court permits.

10. As described in the Declaration in Support of First Day Relief, the Debtors have negotiated an agreement in principal for certain post-petition financing accommodations (“DIP Financing”) from Delaware Street Capital Master Fund, L.P., the Debtors’ pre-petition senior secured lender. Pursuant to the overall financing arrangement, the Debtors’ professionals received funded retainers prior to the Petition Date to secure payment of post-petition fees and expenses as incurred. Additionally, the DIP Financing budget contemplates an allocation for the fees and expenses of the Committee and its professionals, in these cases which post-petition fee awards would be funded in accordance with the terms of the within proposed interim compensation procedures, and subject further to interim and/or final fee applications as appropriate.

11. By this motion, the Debtors request the entry of an order authorizing and establishing procedures for compensating and reimbursing the Professionals on a monthly basis, comparable to those procedures established in other chapter 11 cases filed in this district. Such an order would enable the Court, the U.S. Trustee and all other parties to effectively monitor the fees and expenses incurred by the Professionals in these cases.

12. Specifically, the Debtors propose that the monthly payment of compensation and reimbursement of expenses of the Professionals be structured as follows:

a. No earlier than the 20th day of each calendar month, each Professional seeking interim compensation and expense reimbursement shall file with the Court and serve a copy of its monthly invoice (the “Monthly Statement”) for the prior month (the “Compensation Period”) on: (i) the Office of the United States Trustee, United States Trustee Patrick S. Layng, 219 S. Dearborn St. Room 873, Chicago, Illinois, 60604, Attn: Denise DeLaurent, Esq.; (ii) counsel to the Debtors, Katten Muchin Rosenman LLP, 525 W. Monroe Street, Chicago, Illinois, 60661, Attn: John P. Sieger, Esq.; (iii) counsel to the Debtors’ prepetition secured lender and proposed post-petition secured lender, Delaware Street Capital Master Fund, L.P.; and (iv) counsel to any Committee appointed in the Debtors’ cases (collectively, the “Notice Parties”). All Monthly Statements shall comply with the timekeeping and detail requirements of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Local Bankruptcy Rules of this Court (the “Local Rules”), the “United States Trustee Fee Guidelines - Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 (Appendix A to 28 C.F.R. § 58) (the “U.S. Trustee Fee Guidelines”) and other applicable law. Each Notice Party will have ten (10) days after service and filing of a Monthly Statement to object thereto (the “Objection Deadline”). Upon the expiration of the Objection Deadline, the Debtors shall be authorized to pay each Professional an amount (the “Actual Monthly Payment”) equal to the lesser of (i) ninety percent (90%) of the fees and one-hundred percent (100%) of the expenses requested in the Monthly Statement (the “Maximum Monthly Payment”); and (ii) ninety percent (90%) of the fees and one-hundred percent (100%) of the expenses not subject to an objection pursuant to subparagraph (b) below.

b. If any Notice Party objects to a Professional’s Monthly Statement, it must file with the Court and serve on the affected Professional and each of the Notice Parties, a

written objection (the “Objection”), which must be received by the affected Professional and the Notice Parties on or before the Objection Deadline. Thereafter, the objecting party and the affected Professional may attempt to resolve the Objection on a consensual basis. If the parties are unable to reach a resolution of the Objection within twenty (20) days after service of the Objection, the affected Professional may either: (i) file a motion seeking resolution of the Objection with the Court, together with a request for payment of the difference, if any, between the Maximum Monthly Payment and the Actual Monthly Payment made to the affected Professional (the “Incremental Amount”); or (ii) forgo payment of the Incremental Amount until the next interim or final fee application hearing, at which time the Court will consider and dispose of the Objection if requested by the parties.

c. Commencing with the period beginning on the Petition Date and ending on December 31, 2011, and at four-month intervals thereafter, or at such other intervals convenient to the Court, each of the Professionals must file with the Court and serve upon the Notice Parties an interim application (“Interim Fee Application”) for Court approval and allowance, pursuant to section 331 of the Bankruptcy Code, of the compensation and reimbursement of expenses sought in the Monthly Applications filed in respect of such four-month period (the “Interim Fee Period”). Each Professional must file its Interim Fee Application within thirty (30) days after the end of the Interim Fee Period for which the application seeks allowance of fees and reimbursement of expenses. Each Professional must file its first Interim Fee Application on or before January 31, 2012, and the first Interim Fee Application should cover the Interim Fee Period from the commencement of this cases through and including December 31, 2011. Any Professional that fails to file an Interim Fee Application when due will be ineligible to receive further interim payments of fees or expenses under the compensation

procedures until such time as the Interim Fee Application is submitted by the Professional or such requirement is waived by the Court after notice and hearing.

d. The Debtors shall request that the Court schedule a hearing on the Interim Fee Applications at least once every four months, or at such other intervals as the Court deems appropriate.

e. The pendency of an Objection to payment of compensation or reimbursement of expenses will not disqualify a Professional from the future payment of compensation or reimbursement of expenses,

f. Neither (i) the payment of or the failure to pay, in whole or in part, monthly interim compensation and reimbursement of expenses, nor (ii) the filing of or failure to file an Objection will bind any party in interest or the Court with respect to the allowance of interim or final applications for compensation and reimbursement of expenses of Professionals.

13. The Debtors further request that the Court limit the notice of hearings to consider interim and final fee applications to: (a) the Notice Parties, and (b) all parties who have filed a notice of appearance with the Clerk of this Court and requested notice under Bankruptcy Rule 2002. Such notice should reach the parties most active in this cases and will save the expense of undue duplication and mailing.

14. The Debtors further request that each member of the Committee (once appointed) be permitted to submit statements of out-of-pocket expenses (excluding Committee-member counsel expenses) and supporting vouchers to counsel for the Committee, which will collect and submit such requests for reimbursement in accordance with the foregoing procedure for monthly and interim compensation and reimbursement of Professionals.

15. The Debtors will include all payments made to Professionals in accordance with the compensation procedures in their monthly operating reports identifying the amount paid to each Professional.

BASIS FOR RELIEF

16. Section 331 of the Bankruptcy Code provides, in relevant part, as follows:

A trustee, an examiner, a debtor's attorney, or any professional person employed under section 327 or 1103 of this title may apply to the court not more than once every 120 days after an order for relief in a cases under this title, or more often if the court permits, for such compensation for services rendered before the date of such an application or reimbursement for expenses incurred before such date as is provided under section 330 of this title. . .

11 U.S.C. § 331.

17. Section 105(a) of the Bankruptcy Code provides, in relevant part, as follows:

The court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title. No provision of this title . . . shall be construed to preclude the court from, sua sponte, taking any action or making any determination necessary or appropriate to enforce or implement court orders or rules. . . .

11 U.S.C. § 105(a).

18. Procedures comparable to those proposed in this motion have been established in other chapter 11 cases. *See, e.g., In re Giordano's Enters., Inc.*, Case No. 11-06098 (ERW) (Bankr. N.D. Ill. Mar. 9, 2011); *In re Gas City, Ltd.*, Case No. 10-47879 (ERW) (Bankr. N.D. Ill. Nov. 19, 2010); *In re Hartmarx Corp.*, Case No. 09-02046 (BWB) (Bankr. N.D. Ill. Feb 12, 2009); *In re Kimball Hill, Inc.*, Case No. 08-10095 (SPS) (Bankr. N.D. Ill. Apr. 30, 2008)

19. Such an order will permit the Court, the Office of the United States Trustee, and all other interested parties to effectively monitor the fees and expenses incurred in this cases.

20. Further, such procedures are needed not only to encourage the Professionals to provide services in connection with these chapter 11 cases, but also to avoid having Professionals fund this cases. *In re Int'l Horizons, Inc.*, 10 B.R. 895, 897-98 (Bankr. N.D. Ga. 1981) (establishing procedures for monthly interim compensation). Appropriate factors to consider include “the size of [the] reorganization cases, the complexity of the issues included, and the time required on the part of the attorneys for the Debtors in providing services necessary to achieve a successful reorganization of the Debtors.” *Id.*; see also *In re Mariner Post-Acute Network, Inc.*, 257 B.R. 723, 727-28 (Bankr. D. Del. 2000) (approving monthly interim compensation procedures for professionals, noting that, given the large quantity of time likely invested by professionals, their receiving payment only once every four months may impose an intolerable burden on them and may place them at a significant economic disadvantage to the professionals retained by the creditors). The Debtors submit that the procedures sought to be approved herein are appropriate considering these factors.

NOTICE

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

NO PRIOR REQUEST

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

WHEREFORE, the Debtors respectfully request that the Court enter an order substantially in the form annexed hereto approving interim compensation procedures on the

terms and conditions set forth above, and granting such other and further relief as is just and proper.

Dated: December 13, 2011

Respectfully submitted,

By: /s/ John P. Sieger

John P. Sieger (ARDC No. 6240033)
Peter J. Siddiqui (ARDC No. 6278445)
Paige E. Barr (ARDC No. 6282474)
KATTEN MUCHIN ROSENMAN LLP
525 West Monroe Street
Chicago, Illinois 60661-3693
Telephone: (312) 902-5200
Facsimile: (312) 902-1061
John.Sieger@kattenlaw.com
Peter.Siddiqui@kattenlaw.com
Paige.Barr@kattenlaw.com

*Proposed Counsel to the Debtors and
Debtors in Possession*

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

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

**ADMINISTRATIVE ORDER ESTABLISHING PROCEDURES FOR
INTERIM COMPENSATION AND REIMBURSEMENT OF PROFESSIONALS**

This matter coming before the Court on the Motion of the Debtors for an Order Establishing Procedures For Interim Compensation and Reimbursement of Professionals (the “Motion”)²; the Court having reviewed the Motion and the Declaration in Support of First Day Relief; the Court having found that (a) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, (b) venue is proper in this district pursuant to 28 U.S.C. § 1408 and 1409, (c) this is a core proceeding pursuant to 28 U.S.C. § 157(b), (d) notice of the Motion having been sufficient under the circumstances; and the Court having determined that the legal and factual basis set forth in the Motion establish just cause for the relief granted herein;

IT IS HEREBY ORDERED as follows:

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

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

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

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

4. Except as may otherwise be provided in Court orders authorizing the retention of specific professionals, all Professionals may seek interim compensation in accordance with the following procedure:

a. No earlier than the 20th day of each calendar month, each Professional seeking interim compensation and expense reimbursement shall file with the Court and serve a copy of its monthly invoice (the "Monthly Statement") for the prior month (the "Compensation Period") on: (i) the Office of the United States Trustee, United States Trustee Patrick S. Layng, 219 S. Dearborn St. Room 873, Chicago, Illinois, 60604, Attn: Denise DeLaurent, Esq.; (ii) counsel to the Debtors, Katten Muchin Rosenman LLP, 525 W. Monroe Street, Chicago, Illinois, 60661, Attn: John P. Sieger, Esq.; (iii) counsel to the Debtors' prepetition secured lender and proposed post-petition secured lender, Delaware Street Capital Master Fund, L.P.; and (iv) counsel to any Committee appointed in the Debtors' cases (collectively, the "Notice Parties"). All Monthly Statements shall comply with the timekeeping and detail requirements of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Local Bankruptcy Rules of this Court (the "Local Rules"), the "United States Trustee Fee Guidelines - Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 (Appendix A to 28 C.F.R. § 58) (the "U.S. Trustee Fee Guidelines") and other applicable law. Each Notice Party will have ten (10) days after service and filing of a Monthly Statement to object thereto (the "Objection Deadline"). Upon the expiration of the Objection Deadline, the Debtors shall be authorized to pay each Professional an amount (the "Actual Monthly Payment") equal to the lesser of (i) ninety percent (90%) of the

fees and one-hundred percent (100%) of the expenses requested in the Monthly Statement (the “Maximum Monthly Payment”); and (ii) ninety percent (90%) of the fees and one-hundred percent (100%) of the expenses not subject to an objection pursuant to subparagraph (b) below.

b. If any Notice Party objects to a Professional’s Monthly Statement, it must file with the Court and serve on the affected Professional and each of the Notice Parties, a written objection (the “Objection”), which must be received by the affected Professional and the Notice Parties on or before the Objection Deadline. Thereafter, the objecting party and the affected Professional may attempt to resolve the Objection on a consensual basis. If the parties are unable to reach a resolution of the Objection within twenty (20) days after service of the Objection, the affected Professional may either: (i) file a motion seeking resolution of the Objection with the Court, together with a request for payment of the difference, if any, between the Maximum Monthly Payment and the Actual Monthly Payment made to the affected Professional (the “Incremental Amount”); or (ii) forego payment of the Incremental Amount until the next interim or final fee application hearing, at which time the Court will consider and dispose of the Objection if requested by the parties.

c. Commencing with the period beginning on the Petition Date and ending on December 31, 2011, and at four-month intervals thereafter, or at such other intervals convenient to the Court, each of the Professionals must file with the Court and serve upon the Notice Parties an interim application (“Interim Fee Application”) for Court approval and allowance, pursuant to section 331 of the Bankruptcy Code, of the compensation and reimbursement of expenses sought in the Monthly Applications filed in respect of such four-month period (the “Interim Fee Period”). Each Professional must file its Interim Fee Application within thirty (30) days after the end of the Interim Fee Period for which the application seeks

allowance of fees and reimbursement of expenses. Each Professional must file its first Interim Fee Application on or before January 31, 2011, and the first Interim Fee Application should cover the Interim Fee Period from the commencement of this cases through and including December 31, 2011. Any Professional that fails to file an Interim Fee Application when due will be ineligible to receive further interim payments of fees or expenses under the compensation procedures until such time as the Interim Fee Application is submitted by the Professional or such requirement is waived by the Court after notice and hearing.

5. The Debtors shall request that the Court schedule a hearing on the outstanding Interim Fee Applications at least once every four months, or at such other intervals as the Court deems appropriate.

6. The pendency of an Objection to payment of compensation or reimbursement of expenses will not disqualify a Professional from the future payment of compensation or reimbursement of expenses under the procedures set forth in this Order.

7. Neither: (a) the payment of or the failure to pay, in whole or in part, monthly interim compensation and reimbursement of expenses, nor (b) the filing of or failure to file an Objection will bind any party in interest or the Court with respect to the allowance of interim or final applications for compensation and reimbursement of expenses of Professionals.

8. Each member of the Committee or any other Court-appointed committee in this cases is permitted to submit statements of out-of-pocket expenses (excluding Committee member counsel expenses) and supporting vouchers to Court-approved counsel to such Committee, which shall collect and submit such members' requests for reimbursement in accordance with the procedures established in this Order.

9. Notice to consider interim and final fee applications shall be considered sufficient

if it is sent to: (a) the Notice Parties; and (b) all parties who have filed a notice of appearance with the Clerk of this Court and requested such notice.

10. All time periods referenced in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

11. The terms and conditions of this order shall be immediately effective and enforceable upon its entry.

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

Dated: _____, 2011

UNITED STATES BANKRUPTCY JUDGE