

Court File No. CV-11-9514-00CL

HARTFORD COMPUTER HARDWARE INC.

**FOURTH REPORT TO THE COURT SUBMITTED BY
FTI CONSULTING CANADA INC., IN ITS CAPACITY AS
INFORMATION OFFICER**

October 11, 2012

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE
UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN
DISTRICT OF ILLINOIS EASTERN DIVISION WITH RESPECT TO THE
COMPANY LISTED ON SCHEDULE "A" HERETO ("HARTFORD" OR THE
"CHAPTER 11 DEBTORS")**

APPLICATION OF HARTFORD COMPUTER HARDWARE, INC.

**UNDER SECTION 46 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**FOURTH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS INFORMATION OFFICER**

INTRODUCTION

1. On December 12, 2011, (the "**Filing Date**") the Chapter 11 Debtors filed voluntary petitions under Chapter 11 of Title 11 of the Unites States Code (the "**Chapter 11 Proceedings**") in the United States Bankruptcy Court for the Northern District of Illinois Eastern Division (the "**US Bankruptcy Court**"). Capitalized terms used herein but not otherwise defined shall have the meaning ascribed to them in the prior reports of FTI Consulting Canada Inc., in its capacity as Information Officer in this Recognition Proceeding.

2. On December 13, 2011, Hartford Computer Hardware, Inc. (“**HCH**”) pending formal appointment by the US Bankruptcy Court as a foreign representative of the Chapter 11 Debtors (the “**Foreign Representative**”), commenced proceedings (the “**Recognition Proceedings**”) before this Honourable Court, (the “**Court**”). As part of the Recognition Proceedings, the Foreign Representative sought and obtained an Order (the “**Interim Initial Order**”) granting certain limited interim relief including an interim stay of proceedings until a request for an Initial Recognition Order and a Supplemental Order (each as defined herein) could be heard.
3. On December 15, 2011, the US Bankruptcy Court made an Order authorizing HCH to act as the Foreign Representative of the Chapter 11 Debtors.
4. On December 21, 2011, the Foreign Representative’s motion for the relief set out in the Initial Recognition Order (the “**Initial Recognition Order**”) and the Supplemental Order (the “**Supplemental Order**”) under Part IV of the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the “**CCAA**”) was heard and the Initial Recognition Order and the Supplemental Order were granted by this Honourable Court.
5. In accordance with the terms of the Supplemental Order, FTI Consulting Canada Inc. (“**FTI Consulting**” or the “**Information Officer**”) was appointed as Information Officer. In its capacity as Information Officer, FTI Consulting is maintaining a website where documents relating to the Recognition Proceedings are being made available <http://cfcanada.fticonsulting.com/hartford>. On this website, the Information provides a link to the website of Kurtzman Carson Consultants LLC, which posts all of the notices and materials in connection with the Chapter 11 Proceedings.

6. On December 21, 2011, the Court granted a recognition order in respect of the following orders: Joint Administration Order; Foreign Representative Order; Prepetition Wages Order; Customer Obligation Order; Prepetition Shipping Order; Insurance Order; Prepetition Taxes Order; Utilities Order; Cash Management Order; Claims Agent Order; and Interim DIP Facility Order.
7. On February 1, 2012, the Court granted a recognition order in respect of the following orders: the Final Post Petition Financing Order; the Utilities Order; and the Bidding Procedures Order.
8. On March 9, 2012, the Court granted a recognition order in respect of the order for the sale of property of the estates under U.S. Bankruptcy Code § 363 and the assumption and assignment of executory contracts and leases under U.S. Bankruptcy Code § 365 made by the U.S. Bankruptcy Court on February 28, 2012. This sale transaction closed on April 2, 2012.
9. On April 10, 2012, the US Bankruptcy Court made an order extending the exclusivity period during which the Chapter 11 Debtors may file a plan and solicit acceptance thereto to June 29, 2012 and August 31, 2012, respectively.
10. On April 23, 2012, the Court granted a recognition order in respect of the Proof of Claims Order and the CRO Order.
11. On August 8, 2012, the US Bankruptcy Court made an 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 (the “**Solicitation Procedure Order**”).
12. On September 25, 2012, the US Bankruptcy Court made an Order confirming the Chapter 11 Debtors and the Official Committee of Unsecured Creditors of the Chapter 11 Debtors’ (the “**Creditors Committee**”) Joint Plan of Liquidation dated September 25, 2012 (the “**Confirmation Order**”).

13. The purpose of this, the Fourth Report of the Information Officer, is to:
 - (a) inform the Court on the Joint Plan of Liquidation of the Chapter 11 Debtors and the Creditors Committee (the “Plan”) and its approval and confirmation by the US Bankruptcy Court,
 - (b) support the recognition by the Court of the Confirmation Order;
 - (c) seek the approval of the Fourth Report of the Information Officer and the activities and conduct of the Information Officer contained therein;
 - (d) seek the approval of the fees and disbursements of the Information Officer and its counsel, Norton Rose LLP (“NR”); and
 - (e) request that FTI Consulting be discharged as the Information Officer in these Recognition Proceedings and that the proceedings be terminated effective upon the implementation of the Plan.
14. In preparing this report, FTI Consulting has relied solely on information and documents provided by the Foreign Representative, the Chapter 11 Debtors and their counsel. FTI Consulting has not audited, reviewed or otherwise attempted to independently verify the accuracy of completeness of this information. Accordingly, FTI Consulting expresses no opinion or other form of assurance on the information contained herein.
15. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars, capitalized terms not herein defined have the meanings ascribed in previous reports of the Information Officer.

THE PLAN

16. The Plan embodies a settlement agreement reached among the Chapter 11 Debtors, the Creditors Committee and the Chapter 11 Debtors' senior secured creditor, Delaware Street Capital Master Fund, L.P. ("**Delaware Street**"). Capitalized terms under this section of the Report which are not otherwise defined shall have the meaning ascribed to them in the Plan. A copy of the Plan and the Amended Disclosure Statement for the Plan is attached hereto as Appendices "A" and "B".
17. The US Bankruptcy Court approved the plan, found that each of the required elements of the Bankruptcy Code were satisfied and granted the Confirmation Order confirming the Plan on September 25, 2012.
18. The Effective Date of the Plan is defined in the Plan as the first business day after the following conditions have been satisfied or duly waived pursuant to the terms of the Plan: (1) the Hartford Liquidating Trust shall have been duly executed by the parties; (2) the US Bankruptcy Court shall have entered the Confirmation Order in form and substance reasonably satisfactory to the Chapter 11 Debtors, Delaware Street and the Creditors Committee; and (3) the Confirmation Order shall become a Final Order.
19. The Plan will become effective when all assets are transferred either to Delaware Street or to the Hartford Liquidating Trust pursuant to the terms of the Plan. The Chapter 11 Debtors anticipate that this will occur before October 31, 2012.
20. The Plan is the final step towards winding up the affairs of the Chapter 11 Debtors and transferring essentially all of their remaining assets to a liquidating trust for the benefit of unsecured creditors. Pursuant to the terms of the Plan, Delaware Street has agreed to contribute funds to the trust and waive millions of dollars in deficiency claims so that a distribution can be made to the Chapter 11 Debtors' unsecured creditors and release its liens on the Chapter 11 Debtors' assets in an amount to pay allowed administrative and priority claims in full.

21. These contributions from Delaware Street are essential to the Plan's feasibility, and without them it is highly unlikely the Chapter 11 Debtors' unsecured creditors would receive any distribution from the Chapter 11 Debtors. The Plan achieves a prompt and cost-effective distribution of the remaining assets of the Chapter 11 Debtors' Estates, met the statutory requirements for confirmation and in the Chapter 11 Debtors' and Creditors Committee's view maximizes value for administrative, priority and general unsecured creditors that would not have been available otherwise.
22. The Chapter 11 Debtors and the Creditors Committee are also of the view that the liquidation of the Chapter 11 Debtors' Estates pursuant to Chapter 11 as proposed in the Plan avoids unnecessary delay and additional costs that would have been incurred if these Chapter 11 Proceedings were converted to Chapter 7.

The Settlement leading to the Plan

23. As a result of the Creditors Committee's extensive investigation and analysis, the Creditors Committee and the Chapter 11 Debtors determined a settlement was in the best interests of the Chapter 11 Debtors' estates. On May 8, 2012, the Creditors Committee's chairman, Peter Kravitz, and the Creditors Committee's professionals met with representatives of Delaware Street and the Chapter 11 Debtors to discuss the Creditors Committee's analysis of its potential causes of action and the possibility of settlement. After lengthy discussion among the parties about the perceived strengths and weaknesses of potential derivative actions against Delaware Street and its principals and the range of possible litigation outcomes, the Creditors Committee, Delaware Street and the Chapter 11 Debtors reached agreement on the key terms of the settlement that is incorporated into the Plan.
24. The key terms of the settlement that have been embodied in the Plan are as follows:

- (a) Delaware Street's consent to the Chapter 11 Debtors' use of its cash collateral pursuant to a budget and a form of cash collateral order, both in form and substance acceptable to Delaware Street, necessary for the Chapter 11 Debtors and the Creditors Committee to file, confirm and consummate the Plan.
- (b) On and subject to the Effective Date of the Plan, Delaware Street's carve out from its liens a sum (the "**Settlement Sum**") for the benefit of all General Unsecured Creditors holding Allowed Unsecured Claims as follows: (a) cash in the sum of \$333,000; (b) the first dollars of any Earnout payable to the Chapter 11 Debtors by the Purchaser for the calendar year ending December 31, 2012, in an amount not exceeding \$450,000; and (c) the first dollars of any Earnout payable to the Chapter 11 Debtors by the Purchaser for the calendar year ending December 31, 2013, in an amount not exceeding \$667,000 less any amount recovered by the General Unsecured Creditors under subpart (b) hereof. The Settlement Sum shall fund the a trust (the "**Hartford Liquidating Trust**"). The assets of the Hartford Liquidating Trust will be used to fund Distributions to the General Unsecured Creditors. Delaware Street shall waive its share of the General Unsecured Claims entitled to payment from the Hartford Liquidating Trust assets.
- (c) Delaware Street's consent to the use of its cash collateral in an amount necessary to pay all Administrative Expense Claims, Priority Tax Claims and Priority Wage Claims, in an amount set forth in the Cash Collateral Budget plus up to an additional \$300,000.
- (d) Subject to the Settlement Sum, all rights to collect any Earnouts payable by the Purchaser shall be assigned to Delaware Street on the Effective Date.

- (e) The claims set forth in the Shareholder Suit shall be deemed settled, released, and dismissed with prejudice as of the Effective Date and all other claims of the Chapter 11 Debtors against Delaware Street shall be deemed released as of the Effective Date.
- (f) Delaware Street will waive any deficiency claim and will not participate in any distributions to General Unsecured Creditors.
- (g) All parties in interest will be permanently enjoined from prosecuting any claims relating to the Chapter 11 Debtors against Delaware Street. The DSC Assigned Causes of Action, which include claims against directors, officers, employees and agents of the Chapter 11 Debtors (including Avoidance Actions) will be assigned to Delaware Street, and Delaware Street shall have exclusive standing to pursue such claims; provided, however, that if and to the extent that a director or officer of the Chapter 11 Debtors files a non administrative, non-priority claim against the Chapter 11 Debtors which, if allowed, would be a General Unsecured Creditor, the Hartford Liquidating Trust may bring an avoidance action against such director or officer solely for purposes of offsetting against the amount of such non-administrative, non priority claim, but may not seek affirmative recovery from such director or officer.

The Acceptance of the Plan by the Voting Creditors

25. The Chapter 11 Debtors received overwhelming acceptance of the Plan by the creditors. The Plan was accepted by both voting classes: 100% in number and dollar amount of Class I Secured Claims – Delaware Street and 96.34% in number and 99.95% in dollar amount of Class III General Unsecured Creditors. Based upon the Plan formulation process and the Plan voting results, the Chapter 11 Debtors are of the view, and the Information Officer agrees, that the Plan is in the best interests of the Chapter 11 Debtors' Estates, creditors and other stakeholders. The result of the vote is illustrated in the table below and shows that the Holders

of Claims in Class I and Class III (the only Voting Classes) overwhelmingly voted in favour of the Plan:

<u>Plan Class</u>	<u>Percentage of Number Voting to Accept Plan</u>	<u>Percentage of Number Voting to Reject Plan</u>	<u>Percentage of Dollar Amount Voting to Accept Plan</u>	<u>Percentage of Dollar Amount Voting to Reject Plan</u>
Class I: Secured Claims – Delaware Street	100%	0%	100%	0%
Class III: Allowed General Unsecured Claims	96.34%	3.66%	99.95%	0.05%

26. In the Information Officer’s view, this level of support reflects the success of the sale of the Chapter 11 Debtors’ assets (previously approved by the US Bankruptcy Court and recognized by the Court) and the fair and equitable nature of the settlement between the Chapter 11 Debtors, the Creditors Committee and Delaware Street.
27. The US Bankruptcy Court found that the votes for the acceptance and rejection of the Plan were solicited in good faith and in compliance with the US Bankruptcy Code, the Disclosure Statement, the Solicitation Procedures Order and all other applicable rules, laws and regulation. The US Bankruptcy Court also found that the all procedures used to tabulate the vote were fair and conducted in accordance with the Solicitation Procedures Order, the US Bankruptcy Code, and all other applicable laws and regulations.

PROFESSIONAL FEES

28. The Information Officer and its legal counsel have maintained detailed records of their professional time and disbursements since the commencement of these Recognition Proceedings.

29. Pursuant to paragraph 12 of the Supplemental Order, the Information Officer and its legal counsel shall be paid their reasonable fees and disbursements. In addition, pursuant to paragraph 13 of the Supplemental Order, the Information Officer and its legal counsel are required to pass their accounts from time to time and for this purpose the accounts are referred to the Court.
30. The total fees of the Information Officer for the period of November 16, 2011 and September 30, 2012 are in the amount of \$37,874.00, together with disbursements in the amount of \$11,877.24 and HST in the amount of \$0.00. The time spent by the Information Officer is more particularly described in the affidavit of Ms. Toni Vanderlaan, sworn on October 11, 2012.
31. The Receiver retained NR as its legal counsel on November 16, 2011. The total legal fees incurred by NR during the period from this date to September 30, 2012 are in the amount of \$19,205.00, together with disbursements in the amount of \$423.74 and HST in the amount of \$0.00. The time spent by NR is more particularly described in the affidavit of Mr. Mario Forte a partner at NR sworn on October 11, 2012.

DISCHARGE OF THE INFORMATION OFFICER AND TERMINATION OF THE RECOGNITION PROCEEDINGS

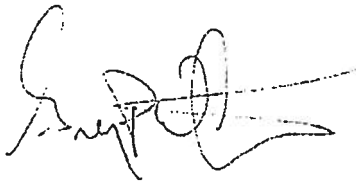
32. As the implementation of the Plan will be the final step in the winding down of the affairs of the Chapter 11 Debtors and the Chapter 11 Proceedings, the functions of the Information Officer are no longer required in respect of these Recognition Proceedings. The Information Officer does not anticipate any further steps being required in the Recognition Proceedings.
33. The Information Officer believes that it is appropriate at this time to request an Order discharging FTI Consulting as Information Officer, relieving it from any further duties in respect of these recognition proceedings and terminating the Recognition Proceedings.

SUMMARY

34. In considering the information that has been made available to the Information Officer, the Information Officer is of the view that it is fair and appropriate for this Honourable Court to grant an Order recognizing the Confirmation Order confirming the Plan as described herein and issued in the Chapter 11 Proceeding and granting the other relief being sought by the Chapter 11 Debtors.
35. The Information Officer respectfully submits to the Court this Fourth Report.

Dated this 11th day of October, 2012.

FTI Consulting Canada Inc.
The Information Officer of
Hartford Computer Hardware, Inc.



Greg Watson
Senior Managing Director



Toni Vanderlaan
Managing Director