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

In re:	)	Chapter 11
	)	
QUADRANT 4 SYSTEM CORPORATION,	)	Case No. 17-19689
	)	
Debtor.	)	
	)	Honorable Jack B. Schmetterer
	)	

**DECLARATION OF ROBERT H. STEELE IN SUPPORT OF
CHAPTER 11 PETITION AND FIRST-DAY MOTIONS**

I, Robert H. Steele, under penalties as provided by law pursuant to 28 U.S.C. § 1746, hereby certify that the following is true and correct to the best of my knowledge, information and belief (the "**Declaration**"):

I. PRELIMINARY STATEMENT

1. I am the Chief Executive Officer of Quadrant 4 System Corporation (the "**Debtor**" or **"Company"**), a publicly traded company (OTC:QFOR)[1]. On or about December 12, 2016, the Debtor's Board of Directors **("Board")**, with the support of the Debtor's senior secured lender, BMO Harris Bank, N.A. **("BMO")**, appointed me to, and I did accept, the role of Chief Executive Officer. As a result, I replaced the Debtor's prior Chief Executive Officer, Nandu Thondavadi **("Thondavadi")**.

2. Effective on December 5, 2016, Thondavadi, and Dhru Desai **("Desai")**, the Debtor's then Chairman of the Board and Chief Financial Officer, both resigned as officers, directors and employees of the Company, after being arrested on November 30, 2016, by the U.S. Federal Bureau of Investigation for alleged securities and related fraud, and being charged

[1] The Company's website is www.qfor.com.

as defendants in the "Criminal Action", as defined below. Effective on March 16, 2017, I became a member of the Board along with Michael A. Silverman and Bradford A. Buxton. I am also an equity security holder of the Debtor holding approximately 1.2% of the Debtor's issued and outstanding common stock. According to the Company's stock transfer agent, Securities Transfer Corporation, 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034, (469) 541-0338, the record shareholders as of November 30, 2016 totaled approximately 484.

3. On June 29, 2017 (the "**Petition Date**"), the Debtor filed a voluntary case under Chapter 11 of the Bankruptcy Code in the above-referenced court (the "**Chapter 11 Case**"). The filing of the Chapter 11 Case was authorized unanimously by the Debtor's Board. The Board is currently comprised of Philip Firrek (Chairman), Dr. Thomas E. Sawyer, Michael A. Silverman, and me. On or about March 16, 2017, Mr. Silverman, Mr. Buxton and I were elected to fill vacancies on the Board by the then members of the Board, Mr. Firrek and Dr. Sawyer. Mr. Buxton resigned on or about April 30, 2017. A prior director, Eric Gurr, resigned on or about December 31, 2016.

4. Subject to the qualifications below, I am familiar with the Debtor's prior and current day-to-day operations, business affairs, and books and records. The Debtor's other corporate officers are Mr. Firrek, Chairman (appointed effective on December 6, 2016), and Mr. Shekhar Iyer, Chief Operating Officer (appointed on or about December 12, 2016). I work closely with the Board, the Debtor's financial consultants, Silverman Consulting, Inc., Messrs. Firrek and Iyer, and the Company's other key management personnel, including Ms. Aparna Redeekesh, Director of Finance; Ms. Falguni Bhatt, Director of Human Resources; Mr. Arjun Arjunakani, Asset Manager - Solutions; and Mr. Dirk Heitzman, Vice President - Managed

Services. Together, Messrs. Firrek, Iyer, Arjunakani and Heitzman, Ms. Redeekesh, Ms. Bhatt and I comprise the management of the Debtor.

5. On November 29, 2016, the Federal Government filed a criminal complaint against Messrs. Thondavadi and Desai (collectively, the **"Criminal Defendants"**), which matter is pending in the United States District Court for the Northern District of Illinois, Eastern Division, entitled *United States of America v. Nandu Thondavadi and Dhru Desai*, Case No. 16CR772 (the **"Criminal Action"**). The Criminal Action arises out of alleged violations of, inter alia, the federal securities laws and interstate wire laws, specifically alleging that Thondavadi and Desai violated Title 18, United States Code, §1343 (wire fraud), and Title 18, United States Code, §1350 (corporate officers' certification of financial reports that do not fairly present, in all material respects, the financial condition of the company), and also alleging that Thondavadi violated Title 18, United States Code, §1001 (false statements). To the best of my knowledge, information and belief, the Criminal Defendants remain, directly and/or indirectly, significant holders of the Debtor's publicly traded stock.

6. Since the resignation of the Criminal Defendants on December 5, 2016, the Company, through its new management and Board, has been cooperating closely with both the U.S. Securities and Exchange Commission (**"SEC"**) and the U.S. Department of Justice (**"DOJ"**) in their continuing investigations as to the civil and criminal matters related to the Criminal Action.[2]

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[2] On the date hereof, June 29, 2017, the following also occurred: (a) the DOJ filed an Information against the Criminal Defendants in the Criminal Action [Document #36] , charging them with wire fraud in connection with numerous additional acts of misconduct, including, misappropriation of Company funds, generation of inflated revenues, concealment of liabilities, and attempts to obstruct a SEC investigation; and (b) the SEC filed a civil complaint against the Criminal Defendants and the Company in this District, as Case No. 17-cv-04883, and related motion for approval of a partial settlement between the Company and the SEC whereby the Company, which has consented to the entry of a proposed judgment on a "no-admit, no-deny" basis, agrees to refrain from violating various provisions of the federal securities laws. The proposed consent judgment, which requires District Court approval, is part of a "bifurcated settlement" under which civil penalties, if any, may be determined in future litigation. The Company does not believe this will impair its operations during the Chapter 11 process.

7. My initial involvement with the Company began in early 2012 when a company, of which I was the Chief Executive Officer and owner of 70% of the issued and outstanding equity interests, EmpowHR, LLC a healthcare benefits administration company (**"EmpowHR"**), was contacted by Desai and asked to assist the Debtor in submitting a bid to help the State of California design, build and deploy a state operated individual consumer health insurance marketplace. I participated in that effort without compensation believing it to be an opportunity for EmpowHR. Ultimately, the Debtor was not awarded the bid by the State of California, and neither EmpowHR nor I entered into any contract with the Company at that time. However, as a result of the Debtor's communications with EmpowHR, the Debtor became determined to enter the healthcare information technology (**"IT"**) industry. To that end, as of July 1, 2012, the Debtor acquired certain of EmpowHR's assets primarily consisting of intellectual property and software application in exchange of 1.25 million shares of the Company's common stock (**"EmpowHR Acquisition"**). At that time, the Company valued such shares at approximately $175,000. Concurrently therewith, I became an unpaid independent contractor for the Debtor attempting to assist it in pursuing state-organized public healthcare exchanges. I became a full time, compensated independent contractor for the Company's healthcare division in or around July 2013 with the unofficial title of Chief Sales and Marketing Officer. During 2013-2014, my focus changed from acting in that capacity to being named the "President" of the Debtor's healthcare division, then called "Quadrant 4 Health". Despite my unofficial title, I was an independent contractor to the Company and never a duly appointed corporate officer of the Debtor until my appointment in December 2016 as CEO.

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8. From a review of various public filings (**"SEC Filings"**) made by the Debtor with the United States Securities and Exchange Commission (**"SEC"**), the complaint filed in the Criminal Action, and other books and records of the Company, I am generally familiar with the Debtor's history, current operational matters, and the events leading to the filing of the Chapter 11 Case; the existing senior secured indebtedness of BMO and junior secured indebtedness of BIP Lender, LLC, as agent for the BIP Quadrant 4 Debt Fund I, LLC, as lender (**"BIP Lender"**); the proposed debtor-in-possession (DIP) financing from BMO; the Debtor's cash management system and employee wages, healthcare and other benefits; the Debtor's existing tax obligations; and the Debtor's proposed liquidation, marketing and sale efforts, all of which are the subjects of the various "first-day motions" filed in the Chapter 11 Case (collectively, the **"First-Day Motions"**, and individually, a **"First-Day Motion"**)[3] and motions to be filed in the first several weeks of the Chapter 11 Case. As a result of my familiarity with these matters, as well as my personal experience with the Debtor and my more than 30 years of business experience, I have formed opinions regarding the necessity for the relief sought in the First-Day Motions, especially to the extent that such relief will enable the Debtor to continue to operate in the ordinary course of business as it pursues a strategy of the marketing and sale of the Debtor's assets and businesses as going concerns.

9. Since my appointment as CEO, and to the best of my knowledge, information and belief, the Company has determined that a significant amount of its capital may have been misappropriated by or on behalf of the Criminal Defendants, directly or indirectly[4]. The

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[3] Any capitalized terms not expressly defined herein shall have the meaning ascribed to that term in the relevant First-Day Motion.

[4] One day after the Criminal Defendants resigned, the Company's remaining management, with the advice and assistance of the Company's corporate counsel, Nixon & Peabody LLP, caused the public filing of a Form 8-K with the SEC, dated December 6, 2016, notifying all parties that, among other things: (1) BMO and BIP Lender had issued notices of default under their applicable

Company is currently defending several lawsuits which appear to emanate from decisions made, directly or indirectly, by the Criminal Defendants, and where business acquisitions and capital investments made with the value of such acquisitions have never been realized. The combination of all such matters has left the Company with sizeable financial obligations which cannot be sustained by the Company's current operations without an infusion of a significant amount of new capital. Given the circumstances surrounding the Company, I do not believe that obtaining new capital is a realistic alternative, and accordingly, the only practical means of proceeding is to market and sell the Company's assets and businesses through the Chapter 11 sale process as expeditiously as possible.

10. In light of the pending Criminal Action, the matters alleged therein, and other possible matters which may have led thereto, much of the financial and other information contained in this Declaration has been taken directly from the SEC Filings. I am unable to represent or warrant that the information contained therein or herein is complete or without any inaccuracy. However, significant effort has been made to reflect all information herein as completely as possible given the time constraints present, previous SEC Filings, and current management's extremely recent and limited, or in most instances, complete lack of, involvement in the Debtor's past affairs[5]. It is the intention of the Debtor's current management that further

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loan documents; (2) the Criminal Defendants had been arrested on November 30, 2016 and charged in the Criminal Action; and (3) the Criminal Defendants had resigned on December 5, 2016. On December 15, 2016, the Company's management caused the public filing of a second Form 8-K with the SEC stating that the Company's Board had "concluded that certain of the Company's previously issued financial statements should no longer be relied on in light of the matters previously disclosed in Item 8.01 of the Company's December 6, 2016 Form 8-K. Fifteen (15) prior financial statements filed for the period 3/31/13 - 12/31/15 were identified as no longer being reliable.

[5] Among the allegations in the Criminal Action is that the Criminal Defendants intentionally provided the Company's audit firms with false information concerning two or more of the Company's major asset acquisitions in order to inflate the purchase price reported and in turn, increase the stock prices for the Company's Stock. As such, some or all of the financial information contained in this Declaration must be viewed in the light thereof. The Company understands that the cost of attempting to restate all of its financial statements going back over the prior 3+ years could reach or exceed $500,000. The Company does not have the funds to undertake such efforts, and BMO has not agreed to advance monies for such purpose. Under the circumstances of this Chapter 11 Case, and need to promptly market and sell the Debtor's assets, it is questionable what benefit, if any, would be

examination of the Debtor's books, records and past operating history will continue, and that such amendments to any and all documents filed in this Chapter 11 Case by the Debtor, including, without limitation, this Declaration, will be filed as and when appropriate, based upon such further examination.

11. I have been authorized to, and hereby submit this Declaration in support of the First-Day Motions described below, as well as other motions and applications that the Debtor expects to file in the first several weeks of the Chapter 11 Case. Except as otherwise indicated, all statements set forth in this Declaration are based upon my personal knowledge, my review of the relevant documents and records of the Debtor, and/or my opinion based upon my experience and knowledge of the Debtor's operations and financial condition. If I am called upon to testify, I can and will testify to the facts and matters set forth herein to the best of my ability under the circumstances.

12. As a result of continuing operating losses, the filing and continued prosecution of the Criminal Action, an ever-dwindling source of operating funds, and no alternate funding sources, the Debtor's new management has had substantial discussions with the Company's senior secured lender, BMO. As of the Petition Date, the outstanding principal balance owing to BMO from the Company under the "BMO Loan", as defined below, was $19,447,315.01. As of Petition Date, the outstanding principal balance owing to BIP Lender from the Company under the "BIP Loan", as defined below, was $5,000,000.00.

13. As more fully described and defined below, pursuant to the terms and conditions of the "BMO Forbearance Agreement", the Debtor has, among other things, engaged the

derived by the Company's creditors and equity security holders from any restatement of prior financial statements and such expenditures even if the Company had the available funds.

international investment banking firm of Livingstone Partners, LLC (**"Livingstone"**) to market and solicit offers to purchase the Debtor's assets and businesses, in bulk or piecemeal, in order to maximize the value of the Debtor's assets in the best interests of all of the Debtor's creditors, equity security holders and other interested parties. Such marketing process was commenced prior to the filing of the Chapter 11 Case and is continuing.

14. For the most part, the Debtor is in the IT services industry. In addition to its intellectual property assets, its other critical "assets" are people - consultants, programmers, etc. Most of the Company's employees are readily employable given their technology skills and knowledge. The Debtor's customers include some of the biggest names in information technology industries. The Debtor's customers and employees will not remain in place unless the Debtor is permitted to conduct an aggressive and expeditious marketing process to ensure that customers can continue to be serviced and employees will continue to have jobs. I believe that time is of the essence if the Debtor is to fully capitalize on the disposition of its assets. After lengthy negotiations with BMO, and with the knowledge of the BIP Lender, the Debtor was able to secure approximately $2,500,000 in additional funding (pre-petition financing ~$1.6 million) and post-petition financing ~$900,000), and use of cash collateral with a view towards an orderly sale process. I further believe that the value of the Debtor's assets will quickly decrease unless there is a thorough and efficient marketing and sale process implemented immediately.

15. For all of these reasons, the Debtor's ability to maximize the value of its assets for the benefit of its creditors is dependent on its ability to quickly and efficiently proceed with an orderly liquidation of its assets and businesses.

16. To that end, after months of the marketing efforts described below, the Debtor has received the following four (4) asset purchase agreements which will be the subject of the "Sale

Motion", as defined below (collectively, the **"Proposed Stalking Horse Bids")**: (a) Asset Purchase Agreement dated as of June 22, 2017 from First Tek, Inc., a New Jersey corporation, for the Debtor's "Staffing Business", as defined below, in the amount of $2,000,000.00; (b) Asset Purchase Agreement dated as of June 23, 2017 from Aspire Systems, Inc., an Oregon corporation, for the Debtor's "U.S. Solutions Business", as defined below, in the amount of $2,200,000.00; (c) Asset Purchase Agreement dated as of June 23, 2017 from Aspire Systems, Inc., for the Debtor's "Hybrid Solutions Business", as defined below, in the amount of $2,000,000.00; and (d) Asset Purchase Agreement dated as of June 28, 2017 from First Tek, Inc. for the Debtor's "QEDX Education Platform", as defined below, in the amount of $700,000.00.[6]

17. To familiarize the Court with the Debtor, its businesses, the circumstances leading to the Chapter 11 Case, and the relief that the Debtor is seeking in the First-Day Motions, and those to be filed shortly thereafter, this Declaration is organized as follows: Part II of this Declaration provides a brief background of the Debtor, the Criminal Action, and the BMO Forbearance Agreement. Part III of this Declaration sets forth the nature of the Company's business. Part IV sets forth the Company's history and its many business acquisitions from 2010 - 2016 which form the basis of the Debtor's assets which will be sought to be marketed and sold. Part V provides certain financial information concerning its historical operating results and assets and liabilities; and the marketing efforts which have been made to date for the solicitation of offers that the Debtor believes will form the basis for the Chapter 11 sale process. Part VI of this Declaration sets forth the relevant facts in support of the Debtor's First-Day Motions, and the documents filed concurrently therewith. Part VII provides information with respect to certain

[6] The Debtor has received a fifth proposed stalking horse bid for the "India Solutions Business", as defined below, which the Debtor may be able to add to the subject matter of the Sale Motion, but has yet to have been finalized.

additional pleadings that will be filed in the beginning of the Chapter 11 Case, but for which the Debtor will not seek the immediate entry of an order.

II. BACKGROUND; CRIMINAL ACTION; BMO FORBEARANCE

18. The Company is a publicly held company. The Company's common stock (**"Stock"**) is not traded on a national exchange. Its share price is quoted on the OTC [Over the Counter] Bulletin Board under the symbol "QFOR". The Company's registration number on file with the SEC is Commission File No. 33-42498. As reported in the Debtor's Q3 2016 Form 10-Q, there were approximately 110,341,504 issued and outstanding shares of the Company's Stock as of May 4, 2017.

19. The Company is engaged in the business of selling IT products and services to any prospective client that include retail, manufacturing, financial services, healthcare, education and media industries in order to build more efficient operations, provide solutions to critical business and technology problems, and create technology-based innovation and growth. Its revenues are primarily generated from the placement of staffing or solution consultants, and the sale and licensing of its proprietary cloud-based Software as a Service (**"SaaS"**) systems, as more fully described below, as well as a wide range of technology oriented services and solutions.

20. The Debtor's principal executive offices are located in Schaumburg Illinois. The Debtor also operates its business from various offices located in Naples, Florida; Alpharetta, Georgia; Bingham Farms, Michigan; Cranbury, New Jersey; Pleasanton, California; and Ann Arbor, Michigan.

21. The Debtor is the 100% owner of the issued and outstanding common stock of Stratitude, Inc., a California corporation (**"Stratitude"**), which it acquired on or about November

3, 2016 (**"Stratitude Acquisition"**). As more fully described below, concurrently with the Stratitude Acquisition, Stratitude acquired certain of the assets of Agama Solutions, Inc., a California corporation (**"Agama"** or **"Agama Acquisition"**). Both Stratitude and Agama are located in Pleasanton and Fremont, California and are engaged in the IT business. Stratitude has guaranteed the Debtor's obligations owing to BMO and BIP Lender and secured such guaranty with a lien on all of its assets in favor of such secured lenders.

22. The complaint on file in the Criminal Action [Docket No. 1] alleges that "Beginning in or around January 2013, and continuing until in or around November 2016", the Criminal Defendants "knowingly participated in a scheme to defraud and to obtain money and property by means of material false and fraudulent pretenses, representations and promises, and caused an interstate wire communication for the purpose of executing the scheme, in violation of Title 18, United States Code, Section 1343".

23. According to SEC Filings, throughout this time, Thondavadi was the Debtor's Chief Executive Officer, and Desai was the Debtor's Chairman of the Board and Chief Financial Officer. Both were members of the Debtor's Board and to the best of my knowledge, information and belief, continue to, directly and/or indirectly, be the largest shareholders of the Debtor's Stock.

24. The Criminal Defendants were arrested by agents of the U.S. Federal Bureau of Investigation on the morning of November 30, 2016 and charged with the matters set forth in the Criminal Action.

25. On or about December 1, 2016, the Debtor received a Default Notice and Reservation of Rights under Credit Agreement letter from the Debtor's senior secured lender, BMO, advising the Debtor that certain events of default had occurred under the applicable loan

documentation as a result of, among other things, the commencement of the Criminal Action against Thondavadi and Desai (**"Notice of Default Letter"**).

26. Following the issuance of the Notice of Default Letter, representatives of, and prior insolvency counsel, and current securities litigation counsel, for, the Debtor engaged in negotiations with BMO to address the events of default and the attendant issues of the Debtor's CEO and CFO being charged with criminal fraud. Among the topics discussed was the means of a possible disposition of the Debtor's assets and business units, the hiring of financial consultants and investment bankers, the resignation of the Criminal Defendants as officers and directors of the Debtor, and the election of new board members and appointment of new officers.

27. Subsequently, the following actions were taken by or on behalf of the Debtor:

(a) The Criminal Defendants, upon the advice of their counsel and demand of the Board, resigned as officers, directors and employees of the Debtor, effective December 5, 2016.

(b) The Debtor retained the management advisory and restructuring consulting firm of High Ridge Partners, LLC, which was subsequently replaced on or about January 16, 2017 by Silverman Consulting, Inc. (**"Silverman Consulting"**) for purposes of assisting the Debtor's newly established managements' analysis of financial condition, determination of strategic direction, and implementation of a restructuring process.

(c) The Debtor retained the international investment banking firm of Livingstone for purposes of analyzing merger and acquisition strategies available for the Company, including the marketing and solicitation of offers to purchase the Company's business divisions, either in whole or in part.

(d) I was appointed as the Debtor's new Chief Executive Officer.

(e) Michael Silverman, Bradford Buxton (who has subsequently resigned) and I were appointed as additional members of the Board.

(f) The Debtor executed a Forbearance Agreement with BMO dated March 17, 2017 (**"BMO Forbearance Agreement"**), which was, in part, conditioned on the continued engagement of Silverman Consulting and Livingstone, the appointment of myself and Messrs. Silverman and Buxton to the Board, and my continued appointment as CEO of the Company at all times prior to the sale of substantially all of the Debtor's business segments.

(g) The Debtor has fully cooperated with the ongoing investigations of the matters leading to the commencement of the Criminal Action and the continuing SEC investigation, providing documents, information and the testimony of myself and other employees and representatives of the Debtor.

28. By its terms the BMO Forbearance Agreement expired May 17, 2017. BMO has indicated it is unwilling to extend such expiration date for any period beyond that necessary to commence the Chapter 11 Case. In light of the imminent filing of the Chapter 11 Case, BMO took no action which would have prevented the Debtor from continuing to operate from and after May 17, 2017.

III. NATURE OF DEBTOR'S BUSINESS

29. The Debtor generated revenues of approximately $47 million in 2016 through the operation of its five (5) different business divisions, of which one, "Solutions", as defined below, has three (3) distinct subsets, for a total of seven (7) business segments (collectively, the **"Business Units"**). The Business Units were developed by a series of acquisitions of third party

businesses, all as more fully described below (collectively, the **"Acquisitions"**). At present, the Debtor has a total of approximately 195 employees, all of whom are located in the U.S. (and subject to frequent changes in count due to the nature of the Debtor's Business). Through the services of "Q4 India", a separate and distinct Indian corporation under different ownership and management from the Debtor (to the best of my knowledge, information and belief), as defined below, that is a key subcontractor to the Company, the Company utilizes the services of approximately 430 Q4 India employees, all of whom are located in India (also subject to frequent changes in headcount).

30. According to the Debtor's Form 10-Q for the quarterly period ended September 30, 2016 filed with the SEC on November 14, 2016 (**"Q3 2016 Form 10-Q"**), and the notes to the unaudited Condensed Consolidated Financial Statements attached thereto, the Company[7]:

> "is engaged in the information technology sector as a provider of Software-as-a-Service (SaaS) systems to the health insurance (through our QBIX,QHIX/QWEX™ offering), media (through our QBLITZ™) and education (through our QEDX™ offering) verticals (collectively, the "Platforms"). Along with the Platforms, we also provide core services that leverage on our proprietary Social Media, Mobility, Analytics and Cloud (SMAC) technology "stack" (a set of software subsystems or components needed to create a complete Platform). These services include Consulting, Application Life Cycle Management, Enterprise Applications & Data Management, Mobility Applications and Business Analytics (collectively "Consulting"). We blend our Consulting services with our Platforms to offer client-specific and industry-specific solutions to the healthcare, media, education, retail and manufacturing industry segments ("collectively, "Solutions"). Consulting and Solutions are referred to together as "Services".
>
> The Company generates revenues principally from two broad segments, namely Services and Platforms. The Services segment includes Consulting, which we bill on a time and materials basis; Solutions, which we bill on a time and materials basis; and managed services, which we bill under fixed monthly fees for pre-determined services. The Platform segment bills on transaction basis such as per member per month enrolled for

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[7] There appear to be certain inconsistent references to "QWEX" and "QEDX", both of which references reflect one Platform. Subsequent to the filing of the Q3 2016 Form 10-Q, the "QBLITZ" Platform was discontinued.

the QBIX/QHIX/QWEX Platform; per bandwidth consumed for the QBLITZ Platform; and per student per month for the QEDX Platform. The QBIX revenue stream started in 2015 and the QHIX revenue stream started in 2016."

31. For purposes of the Chapter 11 Case, and marketing efforts described below, the Debtor's Business Units are broken down into the following divisions, with approximate number of employees, subject to frequent change, shown:

(a) "Solutions". Annual revenues approximately $16 million. Provides IT solutions (consulting, outsourcing and project delivery) serving customers in a variety of industries. Customer base in the U.S. with service contracts. On-shore/Off-shore model. On-shore team, consisting of Company employees are generally located at client locations (approximately 71 billable, and 4 sales, general and administrative, **"SG&A"**, employees). Q-4 India employees contracted to various clients are located in Chennai, India (approximately 298 billable and 22 SG&A employees). This includes Managed Services (data center/server management services), and SAP Human Capital Management licensing partner services and implementation consulting. The three (3) subsets of Solutions, the first two of which are included in the Sale Motion described below, are: (i) U.S. only based (**"U.S. Solutions Business"**); (ii) U.S. and India based (**"Hybrid Solutions Business"**); and (iii) India only based (**"India Solutions Business"**).

(b) "Legacy Staffing". Annual revenues approximately $13 million. Provides U.S. based consulting services, with back-office operations in Hyderabad, India. The Company places consultants at end-user customers or through other contractors. There is a markup on staff employed. The Company has

approximately 94 billable and 4 SG&A employees, all in the U.S. The Company contracts for approximately 19 Q4 India SG&A employees.

(c) **"Stratitude/Agama"**. Annual revenues approximately $14 million. Both of these companies operate similar to the Company's Legacy Staffing business. Customers and employees are entirely U.S. based. Stratitude places consultants at end-user customers or through other contractors. There is a markup on each consultant deployed to a client site. Stratitude employs approximately 156 billable and 17 SG&A employees and consultants.

(d) **"QHIX Healthcare Platform"**. Annual revenues approximately $1.5 million, with a $90 million licensing agreement in early stages and in place with a single customer, "TriZetto", as defined below, for QHIX as more fully described below. QHIX is a healthcare IT ecosystem with applications for all stakeholders, including employers, employees, brokers, insurance companies, health plans and third party administrators. The Company uses a development team of Q4 India employees based in Chennai, India (approximately 2 billable and 55 SG&A employees). The Company's sales staff and management team, all in the in U.S. are approximately 5 SG&A employees. Debtor, as licensor, is party to non-exclusive $90 million licensing agreement with TriZetto Corporation, a Delaware corporation located in Colorado (**"TriZetto"** or **"TriZetto License Agreement"**). TriZetto has informed the Company that it is now known as Cognizant TriZetto Software Group, Inc. TriZetto is in the process of procuring customers. Below a certain threshold, Debtor can enter, and has entered, into similar licensing agreements with other third parties.

(e) **"QEDX Education Platform".** Annual revenues approximately $2.5 million. Brainchild is an education IT ecosystem with applications for all stakeholders, including students, teachers, school administrators, school districts administrators, consultants and vendor partners. The Company uses a development team of Q4 India employees based in Chennai, India (approximately 12 SG&A employees). The Company's sales staff and management team, all in the in U.S. are approximately 24 SG&A employees. Brainchild utilizes third party educational content and includes sales of the Brainchild™ "Study Buddy" educational/learning hardware.

32. **H-1B Visa Program.** Typical of many IT businesses in the U.S., certain of the Company's employees work in the U.S. under the H-1B Visa program (**"H-1B Visa"**). A H-1B Visa is a non-immigrant visa issued by the U. S. under the Immigration and Nationality Act, section 101(a)(17)(H) and allows U.S. employers to temporarily employ foreign workers in specialty occupations. A "specialty occupation" is described under the applicable regulations as requiring theoretical and practical application of a body of highly specialized knowledge in a field of human endeavor. The nature of the technology services rendered for the Company by its H-1B Visa employees (**"H-1B Employees"**) qualifies for such status.

33. Being granted a H-1B Visa requires three separate stages: (a) the employer must file with the U.S. Department of Labor a "Labor Condition Application" for the subject employee making all relevant attestations, including showing that the wage proposed for such employee will be at least equal to the prevailing wages paid to others by the employer in similar positions; (b) once approved, the employer files a "Petition for a Nonimmigrant Worker" requesting H-1B Visa status for such employee, with the necessary supporting documents and

fees; and (c) once such petition is approved, the H-1B Employee may begin working under the H-1B Visa on or after the indicated start date, if such employee is already physically present in the U.S. If the employee is outside of the U.S., the employee may use approved petition to apply for the H-1B Visa, and with the issued visa, may present it to gain entry into the U.S. Employees who started a job on H-1B Visa status without an H-1B Visa because they were already in the U. S. still need to get an H-1B Visa if they ever leave and wish to reenter the U. S. while on H-1B Visa status.

34. At present, the Company has approximately 85 H-1B Employees, however this is subject to change.

35. In the ordinary course of its Business, the Company has retained several attorneys specializing in immigration law to assist the Company in the H-1B Visa program. Said counsel are located in different jurisdictions where the Company maintains offices in which such H-1B Employees will be employed. It is contemplated that the Company will continue to utilize the services of one or more of these immigration attorneys in the ordinary course of the Business consistent with past practices. To the extent formal retention is required under the Bankruptcy Code, the Debtor will make the necessary application(s) to ensure these attorneys' services, which are essential to maintain the Debtor's workforce, are available in the Chapter 11 Case.

IV. HISTORY OF DEBTOR; BUSINESS ACQUISITIONS; FINANCIAL CONDITION

36. Since its inception in 1990, the Company has undergone multiple transformations, including many name changes and changes to the nature of its business operations. As a result of a May 2010 acquisition, the Company's core business shifted to what it primarily does today--provide consulting and implementation involving primarily IT software and systems engineering.

37. To better understand the myriad of activities leading to the Chapter 11 Case, the following is a brief summary of how the Company became what it is today, taken from SEC Filings.

A. **Formation; Business and Acquisitions: 1990 - 2015**

38. **2010 Form 10-K.** According to the Company's Annual Report under Section 13 or 15(d) of The Securities Exchange Act of 1934, Form 10-K , for the fiscal year ended December 31, 2010 filed on March 30, 2011 (**"2010 Form 10-K"**), the Company was:

> "...incorporated by the Florida Department of State on May 9, 1990 as Sun Express Group, Inc. for the purpose of obtaining air carrier certification. The Company's Board of Directors elected in July, 1993 to suspend certification efforts, dispose of or abandon existing assets and seek settlement of existing indebtedness. In July 1994, the Company completed a sale of its assets to Conquest Sun Airlines Corp. and Air Tran, Inc. (a spin-off subsidiary of Conquest Sun Airlines Corp.) and remained dormant until August, 2001 when the Company became involved in the motion picture industry and changed its name to Sun Network Group, Inc. In June, 2005, the Company became involved in emerging technologies, primarily VOIP and internet-based CCTV security systems, and changed the Company's name to Aventura VOIP Networks, Inc. In October, 2005, the Company merged with Aventura Holdings, Inc. and adopted that name. As Aventura Holdings, Inc., the Company elected to be governed as a "business development company" (or "BDC") under sections 55 through 64 of the Investment Company Act of 1940 with the primary focus being the ownership of its technology assets including the existing VOIP development business and later a company developing and selling CCTV camera systems for security applications. The Company operated as a BDC through May 2006 when it filed to un-elect this status. With the un-election, the Company ceased to be an investment company and returned to operating the businesses of its subsidiaries. The company acquired an interest in an automobile-sales-financing company with the rights to acquire a larger interest. This transaction was later unwound and the Company returned to its core business in emerging technologies. On December 24, 2009, the Florida Secretary of State accepted an amendment to our Articles of Incorporation changing our name to Zolon Corporation. This name was chosen based upon certain planned acquisitions which never materialized. On March 31, 2011, effective April 1, 2011, the Florida Secretary of State accepted an amendment to our Articles of Incorporation changing our name to Quadrant 4 Systems Corporation.

39. **Acquisition of StoneGate Holdings - VSG, RMI and ISS.** The Company's 2010 Form 10-K also reported that on May 20, 2010, the Company bought 100% of the outstanding shares of VSG Acquisition, Inc. (**"VSG"**), RMI Acquisition, Inc. (**"RMI"**), and ISS Acquisition, Inc. (**"ISS"**) from StoneGate Holdings, Inc. (**"StoneGate"**) in exchange for the issuance of 32 million shares of the Company's Stock, and that StoneGate had either just previously completed, or was about to complete, the following acquisitions all designed to increase the Debtor's customer base:

(a) Effective April 1, 2010, VSG purchased certain assets owned by Bank of America under its security agreement with Cornerstone Information Systems, Inc. and Orionsoft, Inc. for $3.8 million and the assumption of approximately 47.1 million of liabilities.

(b) On May 3, 2010, RMI purchased certain assets owned by Resource Mine, Inc. for $250,000 in cash and the assumption of certain liabilities of almost $600,000.

(c) Effective July 1, 2010, the Company acquired certain assets of Integrated Software Solutions, Inc. for cash and a note of $1.35 million and the issuance of 2 million shares of the Company's Stock.

40. **2011 Form 10-K; Acquisition of MGL Solutions.** According to the Company's Annual Report for the fiscal year ended December 31, 2011 filed on July 12, 2012 (**"2011 Form 10-K"**), as updated by the Q3 2016 Form 10-Q, the Company reported, among other things: (a) effective March 11, 2011, the Company acquired 100% of the outstanding common stock of MGL Solutions, Inc., and then changed its name to Quadrant 4 Solutions, Inc. the purchase price was $14 million consisting of a $5 million note payable, issuance of 4 million shares of the

Company's Stock, the assumption of up to $100,000 of liabilities, and a contingent earn out note of up to $10 million[8]; and (b) on March 31, 2011, the Company merged VSG and RMI into ISS, which then changed its name to Quadrant 4 Consulting, Inc.

41. **2012 Form 10-K; Acquisition of EmpowHR.** According to the Company's Annual Report for the fiscal year ended December 31, 2012 filed on March 29, 2013 (**"2012 Form 10-K"**), the Company reported that effective July 1, 2012, the Company consummated the EmpowHR Acquisition.

42. **2013 Form 10-K.** According to the Company's Annual Report for the fiscal year ended December 31, 2013 filed on March 17, 2014 (**"2013 Form 10-K"**), and other SEC Filings, the Company reported that it had changed its domicile from Florida to Illinois on April 24, 2014. The 2013 Form 10-K also reported the following acquisitions:

(a) **TSS Acquisition.** Effective February 1, 2013, the Company acquired the assets of Teledata Technology Solutions, Inc. and its subsidiaries: (i) Abaris, Inc.; (ii) Alphasoft Services Corporation; and (iii) TTS Consulting, Inc. (collectively **"TTS"**), in exchange for assumption of $5.1 million of certain liabilities, $900,000 cash, earn-out payments of $1.5 million and the issuance of 3 million shares of the Stock.

(b) **Momentum Mobile Acquisition.** On February 26, 2013, effective February 1, 2013, the Company completed the acquisition of certain assets of Momentum Mobile, LLC in exchange for cash of $400,000, earn-out payments of up to $800,000 and 1 million shares of Stock.

[8] To the best of my knowledge, information and belief, the MGL Solutions, Inc. was a related party transaction, involving Thondavadi, and a Mr. Sandy Chandra, who I understand is Thondavadi's former brother-in-law, and has some relationship with Q4 India. To the best of my knowledge, information and belief, the 4 million shares of Stock are held in some capacity by Mr. Chandra.

(c) **BlazerFish Acquisition.** On February 26, 2013, effective February 1, 2013 (later amended in September 2013, the Company completed the acquisition of certain assets of BlazerFish, LLC in exchange for cash of $250,000, earn-out payments of up to $600,000 and 6.7 million shares of Stock.

43. **2014 Form 10-K.** According to the Company's Annual Report for the fiscal year ended December 31, 2014 filed on August 21, 2015 (**"2014 Form 10-K"**), the Company was operating its business through its two (2) wholly-owned subsidiaries, Quadrant 4 Cloud, Inc., and Quadrant 4 Media, Inc., both Illinois corporations, generating revenues from clients mostly located in the U.S. operating out of six (6) different office locations throughout the U.S. No new acquisitions were reported.

44. **2015 Form 10-K.** According to the Company's Annual Report for the fiscal year ended December 31, 2015 filed on March 28, 2016 (**"2015 Form 10-K"**), effective as of January 1, 2015, the Company's two wholly owned subsidiaries, Quadrant 4 Cloud, Inc., and Quadrant 4 Media, Inc., were merged into the Company. In addition, the Company reported the following three (3) acquisitions:

(a) **Brainchild Acquisition.** On January 1, 2015, the Company completed its acquisition of 100% of the outstanding stock of Brainchild Corporation, a Naples, Florida based company (**"Brainchild"**) providing web-based and mobile learning solutions for K-12 students in exchange for $500,000 in cash, a $1 million note, the issuance of 250,000 shares of Stock, an earn-out payment of up to $400,000. Brainchild was merged into the Company on January 20, 2015.

(b) **DUS Acquisition.** Effective October 1, 2015, the Company entered into an asset purchase agreement with DUS Corporation to acquire certain assets associated with the "Intelligent Help Desk" business in exchange for the assumption of $2.95 million of certain liabilities and the issuance of 500,000 shares of the Company's Stock[9].

(c) **DialedIn Acquisition.** On December 1, 2015, the company acquired 100% of the outstanding stock of DialedIn Corporation (**"DialedIn"**) in exchange for the issuance of 4 million shares of the Company's Stock.

B. 2016 Transactions and Acquisitions

45. As a result of the Criminal Action, the resulting uncertainty of the Debtor's financial operating results and condition, and the filing of the Chapter 11 Case, no Annual Report for the fiscal year ending December 31, 2016 has been, or to my knowledge, will be filed.

46. The most recent Quarterly Report filed by the Company with the SEC was the Company's Q3 2016 Form 10-Q[10]. According to the Q3 2016 Form 10-Q, the Company reported that as of January 1, 2016, DialedIn, a wholly-owned subsidiary of the Company, was merged into the Company.

47. In addition, the Q3 2016 Form 10-Q reported the following material events:

(a) **TriZetto License.** On or about March 2, 2016, the Company, as licensor, entered into that certain Source Code License and Services Agreement with TriZetto, as licensee, for the non-exclusive license of the Company's QHIX Education Platform (i.e. the TriZetto License). There is no minimum royalty

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[9] To the best of my knowledge, information and belief, and for reasons unknown to me, the DUS Acquisition was never finalized despite the fact that the Debtor signed an agreement to purchase, assumed the liabilities and issued the stock.
[10] Filed approximately 2 weeks before the Criminal Defendants were arrested.

payment requirement, however, royalties payable to the Company under the TriZetto License can reach $90,000,000, at which time, TriZetto will own the rights and license granted under the TriZetto License.

(b) **BMO Harris Bank Credit Facility.** As of July 1, 2016, the Company entered into that certain Credit Agreement and related loan documents with BMO establishing a credit facility of up to $25,000,000 as evidenced, by among other things, a : (i) $7,000,000 Revolving Credit Facility; (ii) $13,000,000 Term Loan; and (iii) $5,000,000 Cap Software Facility (collectively, the **"BMO Loan"**).

(c) **November 3, 2016 Transactions.**

(i) Stratitude/Agama Acquisition. On November 3, 2016, the Company completed its acquisition of 100% of the outstanding stock of Stratitude, and concurrently therewith, Stratitude acquired certain assets of Agama Solutions, Inc. The purchase price for the Stratitude acquisition was cash of $4,430,740.76, the issuance of 500,000 shares of the Company's Stock, and earn-out payments of up to $2.4 million.

(ii) BIP Lender Credit Agreement. On November 3, 2016, , the Company entered into that certain $5,075,000 Senior Subordinated Credit Agreement and related loan documents with BIP Quadrant 4 System Debt Fund I, LLC, as lender and BIP Lender, LLC, as collateral agent (collectively, the **"BIP Lender"** or the **"BIP Lender Loan"**).

(iii) Amendment to BMO Loan. In connection with the Stratitude Acquisition and the BIP Lender Loan, the Company entered into that certain

RHS

First Amendment to Credit Agreement with BMO Harris dated November 3, 2016, pursuant to which, among other things, Stratitude executed a Guaranty Agreement dated November 3, 2016 guaranteeing all of the Company's obligations under the BMO Loan, and to secure such guaranty, also granted a blanket lien in and to all of its assets in favor of BMO Harris. In addition, BMO Harris and BIP Lender entered into that certain Intercreditor and Subordination Agreement dated November 3, 2016.

(iv) **Great Parents Academy, LLC Acquisition.** The Company entered into that certain Asset Purchase Agreement dated as of November 3, 2016 to purchase substantially all of the assets of Great Parents Academy, LLC, a Georgia limited liability company, a provider of educational technology tools in exchange for the issuance of 2,645,237 shares of the Company's Stock, the payment of certain royalties and the assumption of certain liabilities.

C. Financing and Other Indebtedness Prior to the Chapter 11 Case

48. According to the Q3 2016 Form 10-Q, the Company largely utilized the proceeds of the BMO Loan to fully repay its prior senior lender and certain obligations owing under various previously issued subordinated notes payable.

49. To the best of my knowledge, information and belief, the Company utilized the proceeds of the BIP Lender Loan to finance the Stratitude Acquisition.

50. Prior to the July 2016 BMO Loan and November 2016 BIP Lender Loan, the Company financed its operations through myriad arrangements. As referenced in the SEC Annual 10-K Reports filed for the calendar years ending December 31, 2010 - 2015 (collectively, the **"Annual Reports"**), these included line of credit agreements with factors; revolving line of credit asset based loans; term loans; issuance of short and long term notes payable; sales of Stock and Stock warrants; issuance of convertible debentures; issuance of seller notes; etc.

51. The Company's Annual Reports do not identify any of the lending parties other than BMO and BIP Lender. The identity of all such prior lenders is, or should be, reflected in the Debtor's books and records. The Creditor Matrix on file in the Chapter 11 Case does include any of the prior lending parties who had outstanding claims as of the commencement of the Chapter 11 Case to the best of my knowledge, information and belief. I will use all reasonable diligence to ensure that the Debtor's Statement of Financial Affairs fully disclose, among other items required, the identity of all prior lenders who received payment in whole or in part with within the 90 days preceding the Chapter 11 Case (or one year if such lenders were insiders). With respect to other prior lenders who do not hold claims at present and did not receive any payments in the 90 days, or one year, preceding the Chapter 11 Case, as the case may be, I can examine, or cause to be examined, the Debtor's books and records to see if such parties can be identified should it become necessary or advisable. The Company did pay off notes and other credit lines with the proceeds of the BMO Loan.

V. FINANCIAL CONDITION[11]

A. Historical Operations

52. According to the Audited Financial Statements attached to the Annual Reports, the Debtor's gross revenue and net income (loss) figures reported are as follows and are largely related to the Acquisitions made through the relevant date:

For the year ended December 31	Gross revenue	Net income (loss)
2010	$ 15,233,596	($ 2,252,002)
2011	$ 29,141,433	($ 148,656)
2012	$ 26,561,723	($ 5,676,862)
2013	$ 37,343,676	($ 4,143,191)
2014	$ 48,492,349	($ 1,069,368)
2015	$ 52,038,044	($ 515,916)
For the period ended:		
September 30, 2016 (unaudited):	$ 42,183,611	($ 234,047)

53. According to the information complied by the Company's accounting staff from the Company's books and records, with the assistance of Silverman Consulting, for the first calendar quarter of 2017 (January 1 - March 31), the Company's draft financials reflected combined gross revenues of $8,650,031.29 and a net loss of ($805,032.67)[12].

B. Revenue Recognition

54. According to the Annual Reports, the Company has historically recognized revenue when there is "persuasive evidence of an arrangement, the fee is fixed and determinable, performance of service has occurred and collection is reasonably assured. Revenue is recognized

[11] As noted above, in light of the events leading to the filing of the Criminal Action, current management is unable to verify the accuracy of the Company's books and records despite audited financial statements having been part of the Annual Reports. Since the resignation of the Criminal Defendants, the Company's accounting department, assisted later by Silverman Consulting has working diligently doing the best it can to create updated financial statements that accurately reflect the book values of the Company's extensive assets, and the amounts of its known liabilities. However, there can be no assurance that such updated financial statements can be prepared to any reasonable degree of accuracy. In light of the Company's limited resources, it has not engaged a forensic accounting firm.

[12] For purposes of expediency, much of the financial information set forth herein is as of March 31, 2017, the date of the most recent draft quarterly statements. These amounts will be updated as necessary for all other filings in the Chapter 11 Case as they are made.

in the period the services are provided, which range from approximately 2 months to over 1 year".

55. The Company has three kinds of revenues:

(a) Time and materials - consulting and project engagements. Revenue recognized when client approves time sheet of consultants who completed the work on their assignments.

(b) Managed services - Company bills a fixed contracted amount per billing period for defined services, such as software maintenance, "break-fix" and hosting services.

(c) SaaS - Software-as-a-Service - subscription revenues for using the Company's SaaS platforms. Each period revenue is recognized using the starting and ending average of subscriber fees during the billing period. The purpose of this average is due to the frequent changes (e.g. new hires, terminations, births and deaths).

C. Liabilities.

1. Total Secured Indebtedness

56. As of June 1, 2017, the outstanding principal balances owing to BMO and BIP Lender, in the aggregate, are approximately $24,447,315.01 (BMO - $19,447,315.01, and BIP Lender - $5,000,000.00). According to the BMO Forbearance Agreement, the accrued interest owed under the BMO Loan as of March 13, 2017 was $363,515.12, with a per diem interest accrual continuing thereafter of $4,585.77. In addition, there are user fees due and owing of $4,759.73 as of such date with a per diem of $67.99. Further, BMO continues to incur attorneys fee, costs and other charges which are payable by the debtor under the applicable loan

documents. The accrued interest owing BIP Lender as of May 11, 2017 was $317,815.77. BIP Lender is also incurring legal fees, costs and other charges, which under its applicable loan documents are chargeable to the Debtor.

2. Other Secured Indebtedness

57. The Company is analyzing various UCC code, pending lawsuit and judgment, and tax lien searches in Illinois, California, New Jersey, Florida and Georgia to determine the existence of any further liens that could represent additional secured indebtedness.

3. Unsecured Indebtedness

58. Excluding all amounts owing to employees, which will be the subject of First Day Motions, the Debtor have less than 100 general unsecured creditors (including unsecured claims entitled to priority under the Bankruptcy Code), consisting of regular suppliers, trade creditors, taxing authorities, utilities, professional service firms, real estate and equipment vendors, obligations owing from prior Acquisitions under seller notes or earn-outs.

59. Included in the Company's unsecured creditors are third party service providers, such as Q4 India, to which the Company outsources portions of its work as described above. According to the Q3 2016 Form 10-Q, the Company had an outstanding payable due to Q4 India at September 30, 2016 of $750,000, which roughly represents an average month's billing from Q4 India to the Company. The Company's management and Silverman Consulting are examining prior Q4 India invoices for accuracy.

60. All told, as of March 31, 2017, the Debtor's books and records, as reconstructed to the extent practicable by the Debtor's accounting staff and Silverman Consulting, reflected the total unsecured payables of approximately $6,641,675.09.[13]

[13] Subject to the resolution of claims for leases and executory contracts.

D. Executory Contracts and Unexpired Leases

61. The Debtor is a party to approximately two hundred (200) leases and executory contracts in conjunction with its day-to-day operations. These include[14]:

(a) Office leases for each of the Debtor's offices in Schaumburg IL; Alpharetta, GA; Bingham Farms, MI; Cranbury, NJ; and Ann Arbor, MI.;
(b) Equipment leases with approximately six (6) equipment lessors/finance companies;
(c) Contracts with approximately 150 customers for goods and/or services to be provided;
(d) Agreements for licenses of intellectual property (both as licensor and licensee);
(e) Executive Employment Agreement with the undersigned;
(f) Other employment and independent subcontractor contracts;
(g) Retention agreements with Silverman Consulting, Livingstone and other professionals;
(h) Vendor contracts;
(i) Insurance agreements for director and officer liability coverage; health plan administration, liability, casualty and workers compensation; and
(j) Contracts for telephone, internet, and other utilities.

E. Financial Condition of the Business and Value of the Assets

62. Due in large part to the circumstances surrounding the Company, the Company's revenues have dropped since the commencement of the Criminal Action. Expenses have almost doubled. The default under the BMO Loan documents has resulted in the Company operating under the terms of the BMO Forbearance Agreement which includes complying with a month to month budget which has essentially permitted the Company to remain current on almost all of its unsecured trade, tax and utility obligations. The Company is unable to make interest payments on its Secured Loans.

[14] The Debtors are in the process of analyzing the Debtor's various agreements for use of personal property to determine if they are executory or non-executory. Any references herein to "executory" are not intended as a legal determination by the Debtor.

63. The primary assets of the Debtor include the following[15]:

1. Cash

64. As of the March 31, 2017, the Debtor's had monies on deposit in various checking and savings bank accounts for collections, operations and payroll, and petty cash, the aggregate amount of approximately $968,239.57 and $1,456.44 of petty cash.

2. Accounts Receivable

65. As of March 31, 2017, the Debtor had accounts receivable totaling approximately $7,836,811.28. Against these amounts, the Debtor showed allowances for doubtful accounts in the aggregate amount of approximately $543,635.00. Unbilled accounts received totaled approximately $173,300.47. According to the Q3 2016 Form 10-Q, for the nine months ending September 30, 2016, the Company's largest customer represented 7.4% of the Company's revenues, and another customer represented 9.7% of its total accounts receivable. The prior year's report showed one customer representing 24.03% of the Company's accounts receivable.

3. Fixed Assets

66. As of March 31, 2017, the Debtor's books and records reflected fixed assets (including computer equipment, furniture, other equipment and furnishings), net of depreciation, in the aggregate amount of $395,766.54. The estimated market value of these assets will be determined as the Debtor proceeds through the Chapter 11 sale process.

4. Software Product Development Costs ("Platforms")

67. Software development costs, as described in the notes to audited financial statements included in the 2015 Form 10-K (**"2015 Audit"**) as follows: "Costs that are related to the conceptual formulation and design of licensed software programs are expensed as incurred to

[15] Excludes leases and executory contracts.

research, development engineering and other administrative support expenses; costs that are incurred to produce the finished product after technological feasibility has been established and after all research and development activities for any other components of the product or process have been completed are capitalized as software development costs." Unamortized software development costs are intended to remain recoverable from future revenue. As of March 31, 2017, the Company showed software development costs, net of amortization, in the aggregate amount of $15,170,701.42. The estimated market value of these assets will be determined as the Debtor proceeds through the Chapter 11 sale process.

68. A key Platform owned by the Company is "QHIX", the Company's healthcare Platform. This Platform is the subject of the $90 million TriZetto License, the market value of which will be determined through the Chapter 11 sale process.

5. Intangible Assets

69. As of March 31, 2017, the Company's books reflected total intangible assets, before amortization, of $39,172,763.55 (including customer lists, software technologies, technology stacks, patents and trademarks). After total amortization of $32,172,763.55, the net intangible assets reflected had a book value, in the aggregate of $7,744,102.76. The 2015 Audit stated that intangible assets were recorded at fair value and amortized on a straight line basis over the estimated useful lives of the subject assets. The estimated market value of these assets will be determined as the Debtor proceeds through the Chapter 11 sale process.

6. Investment in Subsidiary (Stratitude)

70. The books and records of Stratitude as of March 31, 2017 (also subject to the same potential concerns affecting the Debtor's books and records) reflected total equity of approximately $1,247,227.23. The estimated market value of this asset is believed to be

significantly more than book value, and will be determined as the Debtor proceeds through the Chapter 11 sale process.

7. Prepaid Assets

71. Prepaid assets reflected total approximately $403,243.72 for immigration fees paid to the U.S. Department of Homeland Security for the processing of H-1B Visas. Such costs are amortized over 36 months, which is the typical duration of the H-1B Visa.

8. Causes of Action

72. The Company has various potential causes of action against the Criminal Defendants and possibly other third parties arising out of or related to the Criminal Action, one or more of the Acquisitions, or other prior activity of the Company. The existence and/or value of any such causes of action are unknown.

F. Marketing Efforts

73. Following the commencement of the Criminal Action, the resignation of the Criminal Defendants, and BMO's declaration of default, the decline in revenues, increase in operating expenses, and lack of alternative funding sources, the Company's remaining management recognized that the Company's only realistic alternative to address its creditors' claims and shareholders' interests to the extent practicable would require the Company to solicit offers to purchase its Business, either in whole or by Business Unit.

74. To that end, in addition to its other services, Silverman Consulting representatives began to assist the Company's management in commencing a marketing and sale process. Soon thereafter, the Company also engaged Livingstone to be primarily responsible for furthering the marketing process.

75. All parties quickly recognized that a Chapter 11 filing was the most realistic way of maximizing the value of the Company's assets for the benefit of its creditors, employees, shareholders and other interested parties.

76. As efforts began on all fronts to address the urgencies presented by commencement of the Criminal Action and loan defaults, Silverman Consulting -- and in particular Hassaan Mansoor (a partner at Silverman) -- undertook the efforts at the direction of the Company's new management in order to get the sale and marketing process started. Following Livingstone's retention, Mr. Mansoor and Silverman Consulting continued to participate in the sale and marketing effort.

77. Silverman Consulting marketing efforts. To date, Silverman Consulting's activities in connection with the Debtor's marketing efforts have included the following:

- Between January and June 2017, initiated discussions and communications with five prospective buyers, who provided expressions of interest for various segments of the Company's business;
- Prepared and circulated due diligence information, including detailed financial projections for the Business Units to prospective buyers;
- To facilitate flow of information to prospective buyers, established a data room with a third-party vendor, which has subsequently been handed over the management and administration of the data room to Livingstone;
- Arranged and participated in in-person management presentations made to prospective buyers and due diligence related meetings with prospective buyers that occurred between January and June 2017;
- Been involved in frequent (daily/weekly) telephonic and email discussions with multiple prospective buyers for various Business Units, with such communications involving responding to due diligence queries, facilitating flow of information between the Company's management team, Board and prospective buyers, including introducing prospective buyers' professionals (investment bankers and attorneys) to the Company's professionals (investment bankers and attorneys) and providing status and sale process updates to prospective buyers; and
- Assisted the Debtor and Livingstone in obtaining seven (7) letters of intent or expressions of interest from five different purchasers for various segments of the debtor's Business.

78. Livingstone marketing efforts. Livingstone was initially engaged by the Company on or about February 14, 2017. Its services were officially suspended by the Board on or about March 8, 2017 while the Company attempted to finalize the BMO Forbearance Agreement. Livingstone was reinstated in or around early to mid-April. Throughout its engagement, Livingstone's activities in connection with the Debtor's marketing efforts, which continue, have included the following:

- Worked closely with Company management and Silverman Consulting to quickly analyze the Company's Business;
- Participated in multiple strategy session (meetings/calls) with the Company and the Company's other advisors to discuss the optimal strategy to maximize asset values, including transaction structure considerations, process considerations, timing issues, data sufficiency, etc.;
- Worked closely with the Company's management and Silverman Consulting to evaluate non-binding indications of interest that have been received by the Company;
- Worked with the Company's management and Silverman Consulting to establish an online data room to facilitate potential buyer due diligence;
- Delivered a preliminary list of potential buyers (for all Business Units) to the Company;
- Participated in meetings and on conference calls with the Company's secured lender, BMO;
- Prepared a teaser ad to be provided to potential buyers;
- Prepared a detailed Confidential Information Presentation to provide to those potential buyers that executed confidentiality agreements;
- Reviewed and help negotiate confidentiality agreements with potential buyers;
- Contacted over 120 potential buyers for the Business – seeking buyers for individual Business Units and/or the Business in its entirety;
- Hosted multiple different buyers in our offices for diligence sessions and meetings with Company management; and
- Attended meetings between potential buyers and Company management at various locations on the East and West coasts.

79. Asset purchase agreement negotiations. In anticipation of filing the Chapter 11 Case, and in connection with the marketing efforts described above, the Debtor authorized its insolvency counsel to prepare sample asset purchase agreements to be included in the online data

room for review by prospective purchasers as they conducted their due diligence. The purposes of this was to facilitate the submission of written offers from which the Debtor and its professionals could analyze possible stalking horse bids to be proposed as part of the "Sale Motion", as defined below.

80. In the weeks leading up to the filing of the Chapter 11 Case, the Debtor and its professionals have reviewed, negotiated and revised several different versions of asset purchase agreements submitted by two different parties for four of the seven Business Units which are the subject of the Sale Motion.

81. As stated above, as of the date hereof, the Debtor is in receipt of the four (4) executed Proposed Stalking Horse Bids which will be the subject of the Sale Motion. The Debtor has received the necessary earnest money deposits thereunder, which monies are being held in an IOLTA trust account at JPMorgan Chase Bank, N.A. maintained by the Debtor's counsel, Adelman & Gettleman, Ltd.

G. **Quadrantfour Software Solutions (Pvt.) Limited ("Q4 India")**

82. As noted above, Q4 India is a key supplier and subcontractor of computer related consulting and programming services to the Company pursuant to that certain Master Services Agreement with Q4 India dated January 1, 2014 (**"Q4 India Agreement"**). The Company also markets its products and services through Q4 India. The Q4 India Agreement states that Q4 India is located in Chennai, India.

83. The Company's Q3 2016 Form 10-Q states, among other things: (a) the Company has no ownership, directly or indirectly, in Q4 India; (b) prior to May 25, 2016 according to

public records, Q4 India was a wholly-owned subsidiary of StoneGate Holdings[16], a significant shareholder of the Company pursuant to the StoneGate Holdings acquisition; (c) according to Maryland public records, StoneGate Holdings had been dissolved; (d) based on information available to the Company, StoneGate Holdings was acquired by another entity that had no relationship to the Company or its affiliates in or around 2010; (e) on May 25, 2016, StoneGate Holdings sold 100% of its interest in Q4 India to Info-drive Analytics (Mauritius) Limited, which is unrelated to the Company, directly or indirectly.[17]

84. I have been informed by representatives of Q4 India that Q4 India was owned by C2C Innovations Pvt. Ltd., an Indian corporation (**"C2C"**), upon knowledge, information and belief, located in Bangalore, India, and subsequently was sold by C2C to Sunstar Realty Development, Ltd., a publicly held Indian corporation domiciled in Maharashtra, India (**"Sunstar"**). To the best of my knowledge, information and belief, the Debtor does not hold any direct or indirect ownership or management interest in Q4 India. Beyond that, I have no personal knowledge or independent verification of whether Q4 India is owned by Info-drive Analytics (Mauritius) Limited, C2C, Sunstar, or any other person or entity. Nor do I have any personal knowledge or independent verification of whether the Criminal Defendants, or anyone acting on their behalf or through them, has an direct or indirect interest in any of such companies. To the best of my knowledge, information and belief, Mr. Sandy Chandra is a principal in C2C and is a former brother-in-law of Thondavadi, one of the Criminal Defendants.

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[16] To the best of my knowledge, information and belief, Desai had or has some direct or indirect relationship with StoneGate Holdings.

[17] I have no personal knowledge or independent verification of any of the information concerning the prior ownership of Q4 India that is related in the Company's Q3 2016 Form 10-Q.

H. Filing of the Chapter 11 Case

85. In light of the foregoing, the Debtor desires to move expeditiously with an orderly marketing and sale process under Sections 363 and 365 of the Bankruptcy Code. The Debtor intends to seek the Court's approval of the Debtor's retention of Silverman Consulting, for its financial advisory services, and Livingstone, as its investment bankers to market and solicit offers to purchase the Business, either by segment or in whole. All such orderly sales are intended to maximize the recovery on the Debtor's assets for the benefit of its creditors, employees, shareholders and other interested parties.

86. The Debtor's declining sales and dwindling operating resources will necessitate a prompt and efficient marketing and sale process in order to maximize the value of the Debtor's business and preserve customer retention.

87. In order to enable the Debtor to operate efficiently and to avoid the adverse effects that the Chapter 11 Case might otherwise have on its business while it undertakes the sales, the Debtor has requested various types of relief in the First-Day Motions filed with this Court on or the day following the Petition Date.

VI. FIRST-DAY MOTIONS

88. A critical element in the Debtor's attempt to maximize the benefits of the Chapter 11 Case for its creditors and other interested parties is the approval of each of the Debtor's First-Day Motions submitted concurrently herewith. Based on my personal knowledge and the review discussed above, I believe that the relief sought by the Debtor in the First-Day Motions is necessary to enable the bankruptcy estate to be administered effectively and to give the Debtor its best chance to effect a sale process that will maximize the value of the estate for the benefit of all creditors.

89. Failure to grant such relief would have a serious negative effect on the Debtor's efforts to continue operating during the Chapter 11 Case. For example, the Debtor must utilize cash collateral and postpetition financing to maintain its business operations and retain asset values to sell. The inability to access postpetition financing and pay ordinary course business expenses will result in substantial and irreparable harm to the value of the Debtor's assets and would otherwise not be in the best interests of the Debtor's estate and creditors.

90. Factual information in support of the First-Day Motions is provided below and in the corresponding motions filed concurrently herewith.

A. Cash Collateral and DIP Financing

91. As mentioned above, after lengthy negotiations with BMO leading up to the filing of the Chapter 11 Case, and with the knowledge of the BIP Lender, the Debtor was able to secure approximately $2,500,000 in additional funding from BMO (pre-petition financing ~$1.6 million, and post-petition financing ~$900,000), and use of cash collateral with a view towards an orderly sale process, which will be enhanced significantly by maintaining the Debtor's ordinary course operations. This simply would not be possible without BMO's consent to use cash collateral and its additional funding.

92. The purpose of the additional pre-petition funding is as follows. During these negotiations, it was determined that the Debtor needed additional significant pre-petition secured advances from BMO pursuant to the BMO Loan documents to fund, among other things, the critical pre-petition payroll and related wage benefit liabilities owing to the Debtor's many employees and subcontractors (**"Workforce"**). The reason for such additional pre-petition funding versus advancing such funds as part of post-petition secured financing was due to the $12,840 limitation per individual wage earner under Section 507(a)(4) of the Bankruptcy Code

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and the absolute need of the Debtor to maintain its Workforce, which requires all compensation be maintained current as best as possible under the circumstances.

93. In the information technology industry, in which the Debtor operates, "human capital management" is an approach to employee staffing that views highly skilled employees as assets (human capital). Such employees have a current value that can be measured monetarily (in the case of the Debtor's business, largely by billable hours). As stated, much of the Debtor's operations entail its Workforce being physically placed at a client's business location. Such employees and subcontractors are dedicated to particular client's projects. Many in the Workforce are well compensated (commensurate with market conditions), highly educated, skilled and trained. They are readily employable (often by the Debtor's clients themselves). The success of the Debtor's sale efforts in the Chapter 11 Case is almost entirely dependent on its ability to maintain its Workforce, which are in fact one of the critical assets at issue in the Proposed Stalking Horse Bids.

94. Because of customary payroll timing, the Debtor recognized that regardless of when the Chapter 11 Case was commenced, there would be outstanding wage and benefits owing to its Workforce in the ordinary course of its business. Because of the compensation levels needed to maintain many of such individuals, the amounts which could be owed as of the Petition Date would significantly exceed the priority amounts payable under the Bankruptcy Code.

95. With the assistance and agreement of BMO, and knowledge of BIP Lender, it was determined that much of what otherwise would be part of a debtor in possession facility would need to be advanced pre-petition so that the Debtor could, as much as practicable, "catch up" on the amounts owing to the Workforce for services these individuals had already provided pre-

petition. To address this issue and preserve the critical mass of its Workforce, the Debtor has used most of the new pre-petition secured loan to pay for employee and subcontractor services and benefits already earned, but has accelerated the timing of such payments in order to avoid the issue of having to request authority in the Chapter 11 Case to pay people in excess of the priority limitation.

96. By its motion for authority to enter into post-petition secured financing and for use of cash collateral (the "**DIP Motion**"), the Debtor seeks approval of, among other things: (a) the use of the cash collateral of BMO and BIP Lender, the Debtor's prepetition secured lenders; and (b) postpetition financing by BMO (the "**DIP Facility**"), the Debtor's senior secured lender, as set forth in that certain Interim Order (as defined in the DIP Motion), which modifies the "Pre-Petition Agreements" with BMO to facilitate the DIP Facility (collectively, the "**DIP Agreement**"). Under the DIP Agreement, the Debtor will: (a) have access to approximately $900,000.00 (which is likely to be fully borrowed during the interim period), and (b) the consensual use of Cash Collateral. The relief requested in the DIP Motion is critical to ensuring the certainty that the Debtor will have sufficient liquidity throughout the duration of the Chapter 11 Case.

97. The Debtor's management, with the assistance of Michael A. Silverman, Hassaan Mansoor and other Silverman Consulting personnel, reviewed and analyzed the Debtor's anticipated cash needs and prepared a 13-week projection (as updated from time to time in accordance with the terms of the DIP Agreement, the "**Budget**") outlining the Debtor's postpetition cash needs in the initial 13 weeks of these Chapter 11 Case. The Debtor believes that the Budget is an accurate reflection of its funding requirements over the identified period, will

allow it to meet its obligations – including the administrative expenses of the Chapter 11 Case – and is reasonable and appropriate under the circumstances.

98. Based on this forecast, the Debtor determined that it would require access to both cash collateral and postpetition financing to provide sufficient liquidity to efficiently administer the Debtor's estates during this Chapter 11 Case. Among other things, the Debtor needs such liquidity to satisfy payroll, pay its taxes, and make other payments that are essential or appropriate for the operating of its business and efficient administration of the Debtor's estate. The Debtor's ability to continue making such payments during the Chapter 11 Case is essential to the preservation of its assets during the pendency of this Chapter 11 Case.

99. The Debtor requires interim approval of the DIP Facility. The Debtor does not have sufficient cash flow to meet its expenses during the Chapter 11 Case. Moreover, the Debtor's total cash balance at present is approximately $260,000.00 which is wholly insufficient to satisfy any shortfall during the Chapter 11 Case.

100. Additionally, approval of the DIP Facility provides much-needed certainty concerning the Debtor's potential sale of its assets. The backdrop of the DIP Facility provides comfort to all parties, including any potential bidders and the Debtor's customers, that the Debtor will have sufficient liquidity to bridge from the Petition Date through the consummation of a sale(s). Customer and Workforce flight risk is a genuine concern which can only be minimized by the Debtor's continued operation in the ordinary course of its Business. Proposed stalking horse bidders have expressly identified maintenance of customers and the Workforce as conditions precedent to closing sales under the Proposed Stalking Horse Bids. Thus, the Debtor believes that failure to obtain interim approval of the DIP Facility will hinder, if not totally defeat, its ability to obtain the highest or otherwise best offer in an asset sale process.

101. Accordingly, without the immediate relief requested in the DIP Motion, I believe that the Debtor faces a material risk of substantial, irreparable, and ongoing harm. Access to cash collateral and the DIP Facility will ensure the Debtor has sufficient funds to preserve and maximize the value of its assets, and responsibly administer the Chapter 11 Case.

102. The Debtor does not have alternative sources of financing readily available. All of the Debtors' assets are encumbered under the BMO Loan and the BIP Lender. The circumstances leading up to the filing of the Chapter 11 Case in the form of the Criminal Action, the Debtor's uncertain financial condition, and lack of reliability in the Debtor's financial statements, have eliminated the Debtor's ability to obtain postpetition funding from any party other than BMO. BMO has made it clear that it would not consent to "priming" DIP financing provided by a third party. As a result, the Debtor does not believe third-party DIP financing would be reasonably obtainable.

103. Michael A. Silverman and Silverman Consulting have reached out to potential sources of alternative DIP financing. Under the circumstances, no party provided a proposal for independent postpetition financing due to the size of the facility; the uncertainty surrounding any sale of the Debtor's assets; the lack of historically reliable financial statements; and the unwillingness of the Debtor's secured lenders to subordinate their debt. Accordingly, the Debtor was unable to develop an alternative source of financing with terms better than those of the DIP Facility.

104. The Debtor has agreed, subject to Court approval, to pay a loan commitment fee of $75,000 to BMO pursuant to the DIP Agreement. I believe that it is understood and agreed by all parties, including the Debtor, that this fee is an integral component of the overall terms of the

DIP Facility, and was required by BMO as consideration for the extension of the postpetition financing.

105. For all of the foregoing reasons, I believe that the DIP Facility is reasonable, appropriate, in the Debtor's best interests, and will enable the Debtor to preserve and maximize the value of its estate upon the best terms presently available to the Debtor.

B. Cash Management

106. The Debtor has requested the authority to: (a) maintain and continue to use, with the same account numbers, all six (6) of the "Bank Accounts" in its "Cash Management System" (as those terms are defined in the underlying motion); (b) treat the Bank Accounts for all purposes as accounts of the Debtor as a debtor in possession; (c) open new debtor-in-possession accounts, if needed; (d) use, in their present form, all correspondence and business forms (including check stock, letterhead, purchase orders, and invoices) and other documents related to the Bank Accounts existing immediately before the Petition Date, without reference to the Debtor's status as a debtor in possession; and (e) waive the investment and deposit requirements of 11 U.S.C. § 345(b) (the "**Cash Management Motion**").

107. The Debtor's Cash Management System is managed by responsible individuals under my direction. The Debtor's three primary Bank Accounts are maintained at BMO. The Bank Accounts are comprised of a collections account (the "**Collections Account**"), a payroll account (the "**Payroll Account**"), and an operating account (the "**Operating Account**"). The Debtor uses funds received in the Collections Account to fund both the Payroll Account and the Operating Account. The Payroll Account may be debited directly by ADP, LLC, the Debtor's payroll processor, to fund the Debtor's payroll obligations. The Debtor uses the Operating Account for all other disbursements.

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108. The Debtor uses for three other Bank Accounts for specific purposes related to its various divisions, sometimes based on historical use by companies that the Debtor has acquired. The Debtor uses the Bank Account maintained at First Integrity Bank (in Florida) for credit card collections. That account was previously held by Brainchild Corporation, which was acquired by the Debtor in January 2015. The Bank Account maintained at TD Bank in New Jersey (the Debtor has a location in New Jersey) is used to fund disbursements for the Debtor's employees related to its FSA program. Finally, the Bank Account maintained at Silicon Valley Bank was previously used by a company acquired by the Debtor in December 2015 (DialedIn, Inc., which is now a "d/b/a" for the Debtor), has minimal funds and is not actively used by the Debtor.

109. Through utilization of the Cash Management System, the Debtor is able to facilitate cash forecasting and reporting, monitor collection and disbursement of funds, and maintain control over the administration of the Bank Accounts required to effect collection, disbursement, and movement of cash. I believe that the movement of funds through the Debtor's cash management system as described herein and in the Cash Management Motion is accurate.

110. I believe that the Bank Accounts constitute an integral component of the Debtor's operations, and consistent with its negotiations with BMO, that the Debtor should seek a waiver of the U.S. Trustee's requirement that such accounts be closed and that new postpetition bank accounts be opened. If enforced, I believe the requirement will cause unnecessary disruption to the Debtor's ability to maximize the value of its estate. If such relief is not granted, the Debtor will suffer significant harm resulting from the termination of the present system and the inherent delay in establishing postpetition systems and procedures governing the use and application of Debtor's funds. In addition, because of the Debtor's integrated financial structure, it would not be possible to establish a new system of accounts and a new cash management and disbursement

system without substantial additional costs and expenses to the bankruptcy estate. Moreover, BMO has provided the Debtor with specific input and requests related to the Cash Management Motion and the order requested to be entered in connection therewith. As such, the request relief is critical to the Debtor's continued postpetition operations in the ordinary course of business.

111. To protect against inadvertent payment of prepetition claims, the Debtor's personnel will be instructed how to distinguish readily between prepetition and postpetition obligations without closing existing accounts and opening new ones. To ease the task of distinguishing between prepetition date and postpetition date checks, I believe that the Debtor will be able to: (a) leave a "gap" in check numbers (e.g. rounding subsequent check numbers up to the next hundred) such that check numbers preceding the gap will be readily identifiable as prepetition checks and the check numbers following the gap will be readily identifiable as postpetition checks; (b) cause the cancellation of any and all checks in float as of the Petition Date, except checks issued from the Payroll Account for payroll obligations, to the extent the payment of such payroll obligations is approved by the Court; (c) remove ACH authority, or have taken such other steps as are necessary to ensure that no ACH withdrawals occur on account of prepetition claims, except to the extent payment of such claims is authorized by the Court; and (d) the Debtor's personnel will advise BMO regarding which obligations are prepetition or postpetition obligations. The Debtor has been in contact with BMO prior to the Petition Date, in part to address such concerns.

112. I believe that due to the nature and scope of Debtor's business and the numerous vendors, customers and others with whom the Debtor transacts business, the Debtor must also seek authority to continue its use of existing business forms, correspondence and checks without alteration or change. Changing correspondence and business forms would be unnecessary,

would be burdensome to the Debtor's estate, would result in undue expense and would be disruptive to the Debtor's ongoing business operations.

113. If the Debtor is not permitted to continue to use its existing business forms, the resulting prejudice will include significant delay in the administration of its business operations and the imposition of an unnecessary cost to the estate to print new business forms.

114. Similarly, the Debtor must seek authority to continue to use its existing books and records to minimize expense to the estate. I believe that opening new books and records would be burdensome to the estate and disruptive to the Debtor's business operations. The Debtor has fully functioning systems that, when properly managed, should be able to thoroughly and accurately account for all cash and track the Debtor's financial performance. Changing the current system would be costly and would greatly increase the potential for error.

115. I believe that the relief requested in the Cash Management Motion is in the best interests of the Debtor's estates, creditors, and all other parties in interest, and will enable the Debtor to efficiently administer its estate in the Chapter 11 case without disruption.

C. Prepetition Wages, Benefits and Insurance Coverage

116. The Debtor requests authority to: (a) pay pre-petition wages, salaries, wage-related benefits, other compensation, and reimbursable employee expenses; and (b) continue employee benefits programs in the ordinary course, including payment of certain pre-petition obligations related thereto (the "**Wages/Benefits Motion**"). As discussed herein, the Debtor's critical "assets" include their employees, who are readily employable and can find jobs at other employers given their specialized skills, knowledge and degrees. Indeed, a significant portion of the Debtor's business is in staffing and many employees work directly at client locations.

117. I understand and believe that the description of the "Prepetition Wage Claims" (as defined in the Wages/Benefits Motion), benefits and related employee obligations discussed herein and further set forth in detail in the Wages/Benefits Motion is accurate.

118. There exists a critical need for the Debtor immediately to pay certain prepetition wage and benefit claims of each of the Debtor's employees, including outstanding wages and wage-related benefits, all related withholdings and taxes, accrued reimbursable business expenses and prepetition claims arising in connection with the Debtor's employee health (including prescription drug, dental and vision care), disability, and life insurance (collectively, the "**Prepetition Employee Obligations**"). The satisfaction of these Prepetition Employee Obligations is critical to the Debtor's ability to retain qualified employees to continue to operate its business for the benefit of all creditors and other interested parties in the Chapter 11 Case. As noted above, as of the Petition Date, the Debtor employs approximately 195 employees, all of whom work at least 40 hours per week.

119. In total, as of the Petition Date, the Debtor estimates that approximately $450,000.00 in Prepetition Wage Claims are owed to the employees, approximately $45,000.00 in employer and employee federal, state and local withholding and payroll-related taxes relating to prepetition periods, and approximately $50,000.00 in reimbursable business expenses incurred prepetition (which is the approximate monthly average of such expenses). These estimated amounts are included in anticipated disbursements allocated in the Budget, which is an exhibit to the Interim Order. In addition, in the Debtor requests in the Wages/Benefit Motion to allow their employees with "cash out" of their respective accrued paid vacation, which consistent with the Debtor's prepetition course of business, can be carried over year to year, and may be "cashed" by an employee if not taken. Such cash will be strictly limited to the extent that such amount,

combined with the respective employee's Prepetition Wage Claim, does not exceed the $12,850 limit for wages provided under Sections 507(a)(4) of the Bankruptcy Code, except as otherwise expressly noted in such motion.

120. The Debtor self-insures its employees' health insurance. The Debtor intends to maintain existing health, dental, life, disability, and worker's compensation insurance coverage (collectively, the **"Employee Insurance Benefits"**) for its employees during the pendency of the Chapter 11 Case. Employees may enroll in a health insurance plan (for themselves, spouses and dependent children), for which the Debtor pays a percentage of the premium, depending on the length of employment. On average, an Employee will pay 60% of the premium. Participating employees also receive prescription drug, dental and vision care coverage.

121. The Debtor's employee health insurance program is administered by HealthSmart, one of the Company's current clients, for a monthly fee of $25,000.00. The plan is self-insured by the Debtor, with a cap on payment of claims up to $1.3 million, after which HealthSmart will reimburse the Debtor for payments in excess of that amount. In addition, each Employee has a $100,000 cap for reimbursable health insurance claims.

122. The Debtor believes that, as of the Petition Date, all premiums for Employee Insurance Benefits were fully paid, although there may be wire transfers for such payments not yet fully processed.

123. To the extent there are any claims relating to Employee Insurance Benefits which arose prior to the Petition Date and remain unpaid, the Debtor requests authority to pay such claims, consistent with and in the ordinary course of its business. For example, the Debtor seeks authority to pay such obligations related to Employee Insurance Benefits incurred in June prior to the Petition Date, as well as any health insurance coverage obligations that arose prepetition

even in the event such amounts exceed the statutory limits provided in section 507(a)(5) of the Code.

124. The Debtor believes that the payment of the foregoing sums, and the continuance of all other employee benefit programs (e.g., its 401(k) plan and FSA program, as detailed in the Wages/Benefit Motion), are both critical to retaining its employees in order to effectuate an orderly sale of the Debtor's Business in the Chapter 11 Case. No employees shall be paid salary, wage or vacation benefits in excess of the $12,850 limit for wages provided under Sections 507(a)(4) of the Bankruptcy Code.

D. Obligations to the U.S. Department of Homeland Security and other federal government agencies related to foreign worker authorizations

125. The Debtor requests authority, in its sole discretion, to pay or honor prepetition obligations to the U.S. Department of Homeland Security or other federal government agencies related to foreign worker authorizations (the "**Foreign Work Authorizations Motion**"). To the best of my knowledge, information and belief, there are no prepetition claims in connection with federal foreign worker authorizations. Nonetheless, given that a significant portion of the Workforce is subject to such authorizations, the Debtor must have authority to pay any such claims in order to maintain its Workforce and preserve the value of its Business.

126. While many of the Debtor's employees are U.S. citizens or permanent residents holding green cards, many of the employees are not. Under federal law, the Debtor is required to verify that all of its employees who seek to work inside the U.S. have proper authorization to do so.

127. There are several different authorized processes, overseen by the United States Citizen and Immigration Services, which enables the Debtor to employ such workers, including Optional Practical Training ("**OPTs**"), H-1B Visas, or Employment Authorization Documents

(“**EADs**”). Approximately 45% of the existing employees are foreign workers that require either an OPT, H-1B Visa, or EAD from the federal government.

128. To maintain its highly-educated employees and the specific roles they have at various clients, the Debtor must ensure that all prepetition obligations to the U.S. Department of Homeland Security or any other applicable federal government agency in connection with obtaining H-1B Visas or EADs for the employees are honored, including but not limited to the H-1B Visa fees and the EAD fees.

129. I believe that the relief requested in the Foreign Work Authorizations Motion is in the best interests of the Debtor's estate, its creditors, and all other parties in interest, and will enable the Debtor to maintain its employees and thus continue to operate its business in the Chapter 11 Case without disruption.

E. Extension of time to file Bankruptcy Schedules/Statement of Financial Affairs

130. The Debtor requests the extension of the time within which it must file its Bankruptcy Schedules (**“Schedules”**) and Statement of Financial Affairs (**“SOFA”**) under Bankruptcy Rules 1007(a)(1) and (c) (**“Extension Motion”**). If necessary, the Extension Motion will also apply to the Debtor's reporting requirements under Bankruptcy Rule 2015.3, with respect to its subsidiary Stratitude. The Debtor's affairs are very complex and an analysis of a significant amount of information from numerous documents and books of account will be required to complete the Schedules and SOFA in as thorough a manner as practicable, especially in light of the matters which are the subject of the Criminal Action and the implications concerning the Debtor's books and records.

131. The Extension Motion proposes an extension of time which will still permit the Schedules and SOFA to be completed before the scheduled first meeting of creditors to be held in the Chapter 11 Case under Section 341 of the Bankruptcy Code.

132. I believe that the relief requested in the Extension Motion is in the best interests of the Debtor's estate, its creditors, and all other parties in interest, and will enable the Debtor to prepare the Schedules and SOFA in as accurate and thorough a manner as is practicable under the circumstances, and provide the Court, U.S. Trustee's office and all creditors and their representatives with detailed and sufficient information which in turn, should help enable the Chapter 11 Case to proceed smoothly.

F. Sale Motion

133. As mentioned, included in the Debtor's seven (7) Business Units are the following four (4) Business Units: Staffing, U.S. Solutions, Hybrid Solutions, and QEDX Education Platform, which in large part provide customer services (collectively, the **"Subject Business Units"**).

134. The success of each of the Subject Business Units is largely based on maintaining the Debtor's highly skilled employee, independent contractor and third party subcontractor workforce (collectively, the **"Workforce"**) and maintaining customer relationships. Because of the technology skills held by a majority of the Workforce, these individuals are readily employable. Much of the Workforce is dedicated to a particular customer, making the individual even more employable, often directly by that customer. Absent a prompt resolution of the Debtor's financial difficulties in maintaining the viability of the Subject Business Units, many in the Workforce will seek, and likely obtain, pother jobs, leaving the Debtor with insufficient human resources to service its customers.

135. The Debtor's ability to maintain the Debtor's customer relationships and contracts, retain the Workforce, and maximize the value of its assets is dependent on the Debtor's ability to quickly and efficiently proceed with an orderly liquidation of its assets and businesses pursuant to a Court approved Section 363 sales and bidding process.

136. To that end, much of the Debtor's marketing efforts, as described above, have initially been focused on the Subject Business Units, as each is more susceptible to sustaining irreparable damage by the loss of customers and/or the Workforce.

137. To implement the necessary sale and bidding process, the Debtor has been negotiating with prospective bidders to become stalking horse bidders in order to commence a Section 363 sale process, and to that end, has obtained the four (4) Proposed Stalking Horse Bids for the Subject Business Units.

138. The Debtor requests the entry of an order authorizing the Debtor to enter into the Proposed Stalking Horse Bids, approving bid protection and break-up fees, scheduling a public auction and subsequent sale hearing, authorizing the sale of the assets of the debtor free and clear of liens, claims, encumbrances and interests; authorizing the assumption and assignment of executory contracts and unexpired leases; and approving the form of notice and manner of notice of sale hearing and proposed assumption and assignment as soon as is practicable after the commencement of the Chapter 11 Case (**"Sale Motion"**).

139. The Sale Motion will be limited to the Subject Business Units. The Debtor intends to file a similar motion(s) for the remaining Business Units as soon as is practicable thereafter.

140. I believe that proceeding with the Sale Motion immediately after filing the Chapter 11 Case is imperative to the success of the Debtor's efforts herein

VII. MOTIONS TO BE FILED ON OR SHORTLY AFTER PETITION DATE[18]

141. In addition to the First-Day Motions, the Debtor will be requesting other relief shortly following the Petition Date. Among other things, the Debtor will seek to retain Livingstone as its investment banker; Silverman Consulting as its financial consultants; Michael Silverman as its Chief Restructuring Officer; Adelman & Gettleman, Ltd. as general bankruptcy counsel; Nixon Peabody, LLP, as its special counsel in the Chapter 11 Case for any and all matters outside the expertise of the Debtor's general bankruptcy counsel, such as taxes, labor, ERISA, securities compliance and international law; and Faegre Baker Daniels, LLP as its special counsel for securities litigation matters.

142. I believe the retention of all of these professionals, as well as other relief sought below, is essential to the success of the Chapter 11 Case and to the Debtor's ability to maximize the value of its estate for the benefit of creditors and other interested parties.

A. Investment Banker

143. The Debtor has selected Livingstone to serve as its investment banker in the Chapter 11 Case, for the purposes of marketing and selling substantially all of the Debtor's assets by way of going concern sales of the Business Units, in whole or in part.

144. Livingstone is an internationally recognized, middle-market investment banking firm with over 100 professionals located across offices in Chicago, Los Angeles, London, Dusseldorf, Stockholm, Madrid and Beijing. Since 2007, Livingstone has completed over 400 investment banking transactions.

145. Livingstone is a global investment banking firm with expertise in mergers and acquisitions, capital raising, restructurings and other strategic advisory services. Livingstone

[18] The motions described herein are not intended as an exhaustive list of motions to be filed following the Petition Date.

works exclusively with middle-market companies, which encompasses companies with similar size to the Debtor's. Livingstone has substantial expertise in advising troubled companies in numerous situations, including in connection with asset sales and related issues, and Livingstone is particularly well suited to serve as the Debtor's investment banker in the Chapter 11 Case. While at Livingstone and previous professional services firms, Livingstone's professionals have developed extensive experience in matters involving complex financial restructurings and its bankers have been involved as investment banker and/or advisor to a diverse group of debtors, creditors, and bondholders in the Chapter 11 cases of many companies, including, among numerous others, Cardiac Science Corporation, IPC International Corporation, Robbins Bros. Corporation, Hartmarx Corporation, Renew Energy LLC, Waterworks Holding Corp., Advantage Rent-A-Car Inc., American IronHorse Motorcycles, Inc., KLCG Property, LLC, Budget Group Inc., Havens Steel Company, Portrait Corporation of America, Inc., Diamond Glass Companies, Inc., Gateway Ethanol, Inc., and UAL Corporation.

146. Livingstone has extensive experience in the matters for which the Debtor intends to engage Livingstone. Livingstone's services have included the identification of assets available for sale, the identification of potential buyers, developing and executing marketing programs for the assets, and negotiating the terms of any sales.

147. I believe that Livingstone is well qualified to serve as investment banker to the Debtor. Its extensive experience and resources will enable the Debtor to secure the highest and best sale price for the Business Units, which will ultimately benefit the Debtor's estate and its creditors.

B. Financial Consultant

148. The Debtor has selected Silverman Consulting to serve as its financial advisors in the Chapter 11 Case.

149. Silverman Consulting is a Chicago-based consulting firm that specializes in management advisory and restructuring services, with over a 38 year history of serving both financially troubled and profitable companies nationwide, both within and outside of Chapter 11 cases. Since the firm's inception, Silverman Consulting has helped to engineer the successful turnaround and profit enhancement of more than 700 public and privately held businesses ranging in size from $5 million to over $1.2 billion in annual revenues. It has served as the court appointed Chapter 11 financial consultant to numerous debtors in possession throughout the years.

150. In addition, Silverman Consulting's knowledge of the Debtor's operations, employees, assets and liabilities, developed over the six months prior to the Petition Date, will continue to be invaluable in allowing the Debtor's Business to operation without unnecessary disruption and additional expense.

151. The Debtor's management and accounting staff is small. Given the complexities of the Business, the Debtor is in dire need of outside experienced financial consultants to ensure its continued viability, compliance with the budget and fulfillment of all of its debtor in possession operating obligations and responsibilities in the Chapter 11 Case.

152. I believe that Silverman Consulting is well qualified to serve as the Debtor's financial consultants. Its extensive experience and resources will enable the Debtor to maintain the operation of the Business while pursuing the highest and best sale price for the Business Units, which will ultimately benefit the Debtor's estate and its creditors.

C. **Chief Restructuring Officer**

153. While Silverman Consulting was retained January 16, 2017, for the matters discussed above, as part of the BMO Forbearance Agreement, BMO required that Michael A. Silverman (a member of Silverman Consulting), individually, become a member of the Board and also serve as Chief Restructuring Officer ("**CRO**"). Effective on March 16, 2017, Mr. Silverman became a member of the Board along with Bradford A. Buxton and me.

154. While the Debtor never appointed Mr. Silverman as CRO, he has effectively served the Debtor in that role since March 2017. Since his involvement in this matter in January 2017, Mr. Silverman has had a unique role with the Debtor and has become familiar with the Debtor's day-to-day operations, its business affairs, and important aspects of the marketing and sale process. He has worked with the Debtor's Board and key management personnel on all aspects of the Debtor's restructuring efforts. He has also served as the Debtor's authorized liaison with BMO, provided critical assistance in negotiating the terms of the BMO Forbearance Agreement, and has helped develop the prepetition marketing process.

155. Therefore I believe that the Debtor requires Mr. Silverman's continued services as a director, consultant and CRO in the Chapter 11 Case to complete the sale and restructuring process. He will also continue to be involved with the financial analysis of and Budget for the Debtor. The Debtor should retain Mr. Silverman on an hourly basis in the Chapter 11 Case.

D. **Chapter 11 Counsel**

156. The Debtor has selected the law firm of Adelman & Gettleman, Ltd. (**"A&G"**) as its insolvency and restructuring counsel in the Chapter 11 Case. Prior to the Chapter 11 Case, the Debtor retained A&G to assist the Debtor in analyzing its alternatives and effectuating a course of action to address the Debtor's financial difficulties.

157. I believe the continued representation of the Debtor by A&G is critical to the success of the Chapter 11 Case because, among other things, the firm is familiar with the Debtor's business and legal affairs leading into the Chapter 11 Case.

158. The Debtor selected A&G as its attorneys because of the firm's extensive experience and knowledge in the field of debtors' and creditors' rights and business reorganizations under Chapter 11 of the Bankruptcy Code, and now-comprehensive experience with and knowledge of the Debtor and its Business and the goals in the Chapter 11 Case.

159. Accordingly, I believe the Debtor should seek to retain A&G under a general retainer for their professional counseling and legal services in connection with the Chapter 11 Case.

E. Special Counsel - Nixon & Peabody, LLP

160. The Debtor has selected the law firm of Nixon Peabody, LLP (**"Nixon Peabody"**) as its special counsel for matters arising during the Chapter 11 Case concerning taxes, labor, ERISA, securities compliance, international law, and other areas outside of the expertise of A&G.

161. Nixon Peabody is a global law firm, with more than 650 attorneys collaborating across major practice areas in cities across the U.S., Europe and Asia. It has expertise in each of the areas where its specialization may be sought during the Chapter 11 Case.

162. Nixon Peabody has served as the Company's corporate and securities counsel since late May, 2016, and is intimately familiar with the Debtor's background and Business, although it was unaware of the Criminal Defendant's activities leading to the commencement of the Criminal Action.

163. I believe the continued representation of the Debtor by Nixon Peabody is critical to the success of the Chapter 11 Case because, among other things, the firm is familiar with the Debtor's business and legal affairs leading into the Chapter 11 Case.

164. The Debtor selected Nixon Peabody as its special counsel because of the firm's extensive experience and knowledge in the fields of law referenced above, and experience with and knowledge of the Debtor and its Business.

165. Accordingly, I believe the Debtor should seek to retain Nixon Peabody as special counsel under a general retainer for their professional counseling and legal services in the specified areas in connection with the Chapter 11 Case.

F. Special Counsel - Faegre Baker Daniels, LLP

166. The Debtor has selected the law firm of Faegre Baker Daniels, LLP (**"Faegre Banker"**) as its special counsel for matters arising during the Chapter 11 Case concerning securities enforcement matters, including the ongoing investigations by the SEC and the U.S. Department of Justice related to the matters alleged in the Criminal Action, all of which are outside of the expertise of A&G.

167. Faegre Baker is an international law firm, with more than 750 attorneys in office throughout the U.S. as well as in the U.K. and China. It has expertise in the specific area where its specialization may be sought during the Chapter 11 Case.

168. Faegre Baker was retained on June 20, 2016 to represent three members of the Board (Messrs. Firrek, Sawyer and Gurr) who had been subpoenaed by the SEC in connection with the matters ultimately leading to the filing of the Criminal Action. Faegre Baker thereafter also rendered services to the Company in regards to assisting the Company in responding to discovery and other requests from the federal authorities concerning its investigations. It is

intimately familiar with the Debtor's background and business, although it was unaware of the Criminal Defendant's activities leading to the commencement of the Criminal Action.

169. I believe the continued representation of the Debtor by Faegre Baker is critical to the success of the Chapter 11 Case because, among other things, the firm is familiar with the Debtor's business and legal affairs leading into the Chapter 11 Case as they relate to the federal investigations.

170. The Debtor selected Faegre Baker as its special counsel because of the firm's extensive experience and knowledge in the fields of law referenced above, and experience with and knowledge of the Debtor and its Business.

171. Accordingly, I believe the Debtor should seek to retain Faegre Baker as special counsel under a general retainer for their professional counseling and legal services in the specified areas in connection with the Chapter 11 Case.

G. Utilities

172. The Debtor will request the entry an order authorizing payment of deposits as adequate assurance of payments for utility services, and prohibiting the utility company(s) from altering, refusing to provide, or discontinuing the utility services, or discriminating against the Debtor solely on the basis of the commencement of the Chapter 11 Case or on account of any unpaid invoice for services provided prior to the Petition Date (the "**Utilities Motion**"). During the time it takes the Debtor to sell the assets of its business, it is important that utilities services continue uninterrupted. I believe that the Debtor's proposed procedures governing the utility companies' requests for adequate assurance are appropriate in the Chapter 11 Case. I believe that the relief requested in the Utilities Motion is in the best interests of the Debtor's estate, its

creditors, and all other parties in interest, and will enable the Debtor to continue to efficiently administer the Chapter 11 Case without disruption.

H. Key Employee Retention Program

173. The Debtor will request the entry of an order authorizing the implementation of key employee retention programs for Ms. Redeekesh, Ms. Bhatt, Mr. Arjunakani and Mr. Heitzman (**"Key Employees"**) pursuant to Section 363, as limited by Section 503(c) of the Bankruptcy Code (**"KERP Motion"**). The relief sought in the KERP Motion will be critical to the Debtor's efforts in the Chapter 11 Case.

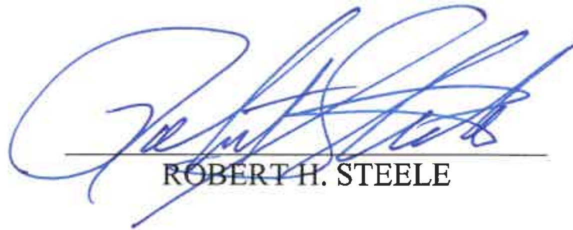
174. Should any of the Key Employees leave at this time, it will severely and negatively impact the Debtor's ability to operate as well as its ability to maximize the value of the Debtor's assets and businesses for the benefit of all creditors and other interested parties in the Chapter 11 Case. Given the time constraints of the Chapter 11 Case, the Debtor does not believe it can attract competent and qualified replacements given the Debtor's current bankruptcy status and complexities of its businesses.

175. The Debtor believes that providing the Key Employees with reasonable retention bonuses for staying with the Debtor throughout the Chapter 11 process is imperative to avoid the detriment which the Debtor's estates will suffer should these individuals leave for more stable positions. In an effort to reduce costs, and to incent the non-insider Key Employees to remain in the Debtor's employ in their current positions, the KERP Motion will request authority to enter into retention bonus arrangements retroactive to the Petition Date, unless or until such Key Employee voluntarily terminates their employment with the Debtor without the prior written consent of the Debtor or is involuntarily terminated by the Debtor with cause.

VIII. CONCLUSION

176. In order to minimize any loss to the value of the Debtor's assets and to maximize the benefit to the Debtor's creditors and estate, the Debtor's immediate objective is to immediately undertake a marketing and sale process of the Debtor's assets and Business, all of which the Debtor believes have meaningful value. I believe that if the Court grants the relief requested in each of the First-Day Motions and other motions to follow, the prospect of achieving such objectives, and thus maximizing the recovery for the Debtor's estate and creditors, will be significantly enhanced.

Dated: June 29, 2017



ROBERT H. STEELE