

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

In re:)	Chapter 11
)	
QUADRANT 4 SYSTEM CORPORATION, <i>et al.</i> ,)	Case No. 17-19689
)	(Jointly Administered)
)	
Debtors.)	Honorable Jack B. Schmetterer
)	
)	Hearing Date: January 23, 2018
)	Hearing Time: 10:30 a.m.

NOTICE OF MOTION

PLEASE TAKE NOTICE that on **Tuesday, January 23, 2018 at 10:30 a.m.**, we shall appear before the Honorable Jack B. Schmetterer of the United States Bankruptcy Court for the Northern District of Illinois, or any other judge sitting in his place and stead, at Courtroom 682 in the Dirksen Federal Building, 219 S. Dearborn Street, Chicago, Illinois, and then and there present the **MOTION OF DEBTORS TO EXTEND THE EXCLUSIVE PERIODS TO FILE A CHAPTER 11 PLAN AND DISCLOSURE STATEMENT AND TO SOLICIT ACCEPTANCES THEREFOR**, a copy of which is hereby served upon you.

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CERTIFICATE OF SERVICE

The undersigned, an attorney, hereby certifies that true and correct copies of this notice and the documents referred to therein were served upon the parties listed on the below service list via CM/ECF, as listed herein, on January 18, 2018.

By: /s/ Nicholas R. Dwayne
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**MOTION OF DEBTORS TO EXTEND THE EXCLUSIVE PERIODS
TO FILE A CHAPTER 11 PLAN AND DISCLOSURE STATEMENT
AND TO SOLICIT ACCEPTANCES THEREFOR**

NOW COME Quadrant 4 System Corporation (“**Q4**”), and Stratitude, Inc., (“**Stratitude**”), debtors and debtors in possession (collectively, the “**Debtors**”), by and through their undersigned counsel, and by this motion (the “**Motion**”) requests the entry of an order pursuant to 11 U.S.C. § 1121(d) of the United States Code, 11 U.S.C. §§101 et seq. (the “**Code**”), extending the Debtors’ exclusive periods within which to file a Chapter 11 plan and disclosure statement and solicit acceptances therefor, and in support thereof, respectfully states as follows:

I. FACTUAL BACKGROUND

1. On June 29, 2017 (the “**Q4 Petition Date**”), Q4 filed a voluntary petition for relief under Chapter 11 of the Code, commencing the above-captioned Chapter 11 case (the “**Q4 Case**”). Since the Q4 Petition Date, Q4 has remained in possession of its assets and has continued to operate its businesses as a debtor in possession in accordance with sections 1107(a) and 1108 of the Code.

2. On October 13, 2017 (the “**Stratitute Petition Date**”, and together with the Q4 Petition Date, the “**Petition Dates**”), Stratitute, a wholly-owned subsidiary of the Q4, filed a voluntary petition for relief under Chapter 11 of the Code, commencing its own chapter 11 case, Case No. 17-30724 (the “**Stratitute Case**”). On October 19, 2017, this Court entered an order holding that the Q4 Case and the Stratitute Case would be jointly administered for procedural purposes only [Dkt. No. 192]. The jointly administered cases shall be collectively referred to herein as the “**Chapter 11 Cases.**”

3. On July 6, 2017, an official committee of unsecured creditors (the “**Committee**”) was appointed in the Q4 Case. The Office of the United States Trustee filed an amended notice of appointment on October 24, 2017 [Dkt. No. 195], to reflect the addition of a Stratitute creditor to the Committee in the Chapter 11 Cases.

4. The nature of Q4’s business, the factual background relating to the commencement of the Q4 Case, and further factual support for this Motion, are set forth in more detail in the *Declaration of Robert H. Steele in Support of Chapter 11 Petitions and First-Day Motions* [Dkt. No. 7] (the “**Q4 Declaration**”) filed on the Q4 Petition Date and incorporated herein by reference.¹

5. The nature of the Stratitute’s business and the factual background relating to the commencement of the Stratitute Case are set forth in more detail in that certain *Declaration of Robert H. Steele in Support of Chapter 11 Petition and First-Day Motions* [Stratitute Case Dkt. No. 9] (the “**Stratitute Declaration**”, and together with the Q4 Declaration, the “**Declarations**”) filed on the Stratitute Petition Date and incorporated herein by reference.²

¹ Any capitalized terms not otherwise defined in the Motion shall have the same meaning as ascribed in the Q4 Declaration.

² Any capitalized terms not otherwise defined in the Motion or the Q4 Declaration shall have the same meaning as ascribed in the Stratitute Declaration.

6. Since the Q4 Petition Date, Q4 and its professionals have worked to sell substantially all of the Q4's assets, consisting primarily of six (6) business units (the "**Business Units**"), each commonly referred to as U.S. Solutions, Hybrid Solutions, India Solutions (together, the "**Solutions Units**"), Legacy Staffing, QEDU Education Platform, and QHIX Healthcare Platform. On August 14, 2017, Q4 conducted auctions which resulted in the identification of purchasers for its Solutions Units, Legacy Staffing, and QEDU Education Platform business units. Those purchasers entered into Asset Purchase Agreements with Q4, and the sales contemplated therein were respectively closed on August 18 and August 28, 2017. The Court entered three orders each dated August 18, 2017, confirming the sales and authorizing the sale closings of the Solutions Units, QEDU Education Platform, and Legacy Staffing Business Units [Dkt. Nos. 123, 124 and 126, respectively] (together, the "**Q4 Asset Sales**").

7. Similarly, since the Stratitude Petition Date, the Debtors have also spent significant time marketing Stratitude's assets and negotiating the terms of a sale of those assets, which was ultimately approved by this Court on December 1, 2017, by that certain *Order Authorizing the Sale of Substantially all of the Property of the Debtor's Estate Free and Clear of Liens, Claims, Encumbrances and Interests, Assumption and Assignment of Executory Contracts and Unexpired Leases and Related Relief*. [Dkt. No. 253], and which closed on December 4, 2017 (the "**Stratitude Asset Sale**", and together with the Q4 Asset Sales, the "**Asset Sales**").

8. The Debtors' only remaining significant assets are Q4's QHIX Healthcare Platform Business Unit, as well as its rights under that certain Source Code License and Services Agreement (the "**License Agreement**") with TriZetto Corporation n/k/a Cognizant TriZetto Software Group, Inc. (with its predecessors, successors and assigns, "**TriZetto**"). Q4's efforts to

market and sell the QHIX Healthcare Platform Business Unit continue, as of the filing of the Motion.

9. Q4 and its professionals have also engaged in significant efforts to negotiate a disposition and monetization of the License Agreement. These negotiations have involved multiple constituencies in the Chapter 11 Cases, including Q4's secured creditors, the Committee, and TriZetto. Ultimately, Q4 and TriZetto conditionally entered into that certain Modification Agreement (the "**Modification Agreement**"), which will represent a significant windfall to Q4's estate. On January 16, 2018, Q4 filed that certain *Motion of the Debtor for Authority to Enter into Modification Agreement with TriZetto Corporation, and for Shortened Notice* [Dkt. No. 269] (the "**Modification Agreement Motion**"), which seeks Court approval of the Modification Agreement. Along with this Motion, the Modification Agreement Motion is scheduled for presentment before the Court on January 23, 2018.

10. On October 25, 2017, by that certain *Motion of Debtor to Extend the Deadline to File a Chapter 11 Plan and Disclosure Statement and to Solicit Acceptances Therefor* [Dkt. No. 197] (the "**First Exclusivity Motion**"), Q4 moved to extend the period of time during which only the debtor may file a Chapter 11 plan (the "**Plan Proposal Period**") and the period of time to solicit and obtain acceptances of such plan, during which no other party in interest may file a plan (the "**Solicitation Period**," together with the Plan Proposal Period, the "**Exclusivity Periods**").

11. The Court granted the First Exclusivity Motion pursuant to that certain *Order Extending the Deadline and the Exclusive Periods to Propose a Chapter 11 Plan and Disclosure Statement and to Solicit Acceptance Therefor* [Dkt. No. 211] (the "**First Exclusivity Order**").

Pursuant to the First Exclusivity Order, the Plan Proposal Period in the Q4 Case expires on January 25, 2018, and the Solicitation Period in the Q4 Case expires on March 26, 2018.

12. Stratitude has not previously moved to extend the Exclusivity Periods with respect to the Stratitude Case. Initially, the Plan Proposal Period runs for 120 days after the commencement of the case. *See* 11 U.S.C. § 1121(b). Generally, a disclosure statement must be filed at the same time as the plan. *See* Fed. R. Bankr. P. 3016(b). Therefore, by default, the Plan Proposal Period in the Stratitude Case expires on February 10, 2018. In conjunction therewith, the initial Solicitation Period runs for 180 days after the commencement of the case. *See* 11 U.S.C. § 1121(c). Therefore, the Solicitation Period in the Stratitude Case expires on April 11, 2018.

13. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. § 1334. Venue lies properly in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(M). The statutory predicates for the relief requested herein is sections 1121(d) and 105(a), and the applicable rule is Rule 3016 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”).

II. RELIEF REQUESTED

14. The Debtors requests the entry of an order pursuant to 11 U.S.C. § 1121(d) granting an extension of the Exclusivity Periods and setting the expiration of the Exclusivity Periods in both the Q4 Case and the Stratitude Case as the same dates. The Debtors request the following extensions and proposed expiration dates (the “**Proposed Expiration Dates**”):

Debtor	Name of Period	Current Expiration Date	Extension Requested	Proposed Expiration Date
Q4	Plan Proposal Period	January 25, 2018	90 days	April 25, 2018
Q4	Solicitation Period	March 26, 2018	90 days	June 24, 2018
Stratititude	Plan Proposal Period	February 10, 2018	74 days	April 25, 2018
Stratititude	Solicitation Period	April 11, 2018	74 days	June 24, 2018

15. As noted above, this is Q4’s second request and Stratitudes’s first request for extension of the Exclusivity Periods.

16. Notwithstanding the requested maintenance of exclusivity, the Debtors anticipate that any plan or plans it will file in the Chapter 11 Cases will be proposed jointly with the Committee.

III. AUTHORITY FOR RELIEF REQUESTED

17. Pursuant to section 1121(d) of the Code, upon timely request of a party in interest, a court may extend the applicable exclusivity periods “for cause.” 11 U.S.C. § 1121(d)(1). Whether “cause” exists is determination entrusted to the sound discretion of the bankruptcy court, based upon the facts and circumstances of each case. *In re Hoffinger Indus., Inc.*, 292 B.R. 639, 643-44 (B.A.P. 8th Cir. 2003).

18. While “cause” for extending a debtor’s exclusivity periods is not defined in the Code, courts generally examine the following factors: (a) the size and complexity of the case; (b) the necessity of sufficient time to negotiate a plan and prepare adequate information; (c) the existence of good faith progress toward reorganization; (d) whether the debtor is paying its debts as they come due; (e) whether the debtor has demonstrated reasonable prospects for filing a viable plan; (f) whether the debtor has made progress in negotiations with its creditors; (g) the

amount of time that has elapsed in the case; (h) whether the debtor is seeking an extension of exclusivity in order to pressure creditors to submit to the debtor's demands; and (i) whether unresolved contingencies exist. *In re Adelpia Commc'ns Corp.*, 352 B.R. 578, 587 (Bankr. S.D.N.Y. 2006); *see also In re Energy Conversion Devices*, 474 B.R. 503, 507 (Bankr. E.D. Mich. 2012); *In re SW Boston Hotel Venture, LLC*, No. 10-14535-JNF, 2011 WL 1675085, at *2-3 (Bankr. D. Mass. May 4, 2011); *In re Friedman's Inc.*, 336 B.R. 884, 888 (S.D. Ga. 2005).

19. The facts and circumstances of the Chapter 11 Cases all show that cause exists to extend the Exclusivity Periods, primarily because the Debtors have not yet had an opportunity to focus on negotiating a successful Chapter 11 plan and prepare adequate information in support thereof. Since their respective Petition Dates, the Debtors' attention has been singularly focused on selling substantially all their assets—efforts that have paid off for their creditors by generating a large pool of money for their estates and for the benefit of both secured (*e.g.*, paying down a large portion of the secured debt) and unsecured creditors (*e.g.*, assumption and assignment of leases and executory contracts, and assumption of certain employee claims).

20. The respective directors, officers and management of the Debtors overlap significantly. Stratitude's assets served as collateral for Q4's secured lenders. As such, during the first six months of the Q4 Case, Q4's management team and professionals have also spent significant time marketing Stratitude's assets and negotiating the terms of a sale of those assets, which as explained above, ultimately led to Court approval and closing of the Stratitude Asset Sale in the beginning of December, 2017.

21. In addition to Asset Sales described above, Q4 and its professionals maintain ongoing efforts to sell the QHIX Healthcare Platform Business Unit including marketing and negotiations for distinct subparts of that Business Unit.

22. Further, Q4 and its professionals have committed significant time and effort to resolving the disposition of Q4's licenses under the License Agreement with TriZetto and the parties' disputes thereunder. Q4 first began exploring a settlement and buy-down with TriZetto in September, 2017. Such discussions ultimately led to the parties agreeing to the Modification Agreement submitted to this Court for presentment on January 23, 2018. Relatedly, significant efforts were also committed to the drafting of the Modification Agreement Motion, including addressing the concerns for Q4's secured creditors and the Committee.

23. Despite the vast majority of the Debtors' attention being directed to the efforts described above, the Debtors have begun negotiations with the Committee with the goal of drafting a joint plan of liquidation. As of the filing of this Motion, a draft term sheet has been circulated between the Debtors and the Committee and negotiations are well underway, meaning there is a high likelihood of the filing and solicitation of a joint, confirmable plan, prior to the Proposed Expiration Dates.

24. In connection with their successful and time-consuming efforts regarding the Asset Sales and the Modification Agreement, the Debtors have worked closely with their secured lenders and the Committee throughout the Chapter 11 Cases to obtain consensus and cooperation among the key constituencies where possible. In the same vein, the Debtors have strived to address concerns and comments from the Office of the United States Trustee. Accordingly, a majority of the effort of the Debtors and their professionals occur "behind the scenes" in this matter.

25. Finally, as detailed in the Declarations, the Chapter 11 Cases were filed in less than ideal circumstances as a result of the Criminal Action, the SEC Action, and the action of the Criminal Defendants. These actions have required additional time and effort on the Debtors'

part to complete their Schedules and Statement of Financial Affairs, and have generally complicated the fact-gathering process for many of the motions filed and presented to date.

26. In light of the foregoing and the fact that a relatively little amount of time has elapsed since the Petition Dates given the size and complexities involved in the Chapter 11 Cases, cause exists to extend the Exclusivity Periods.

27. Where a complex and ultimately successful asset sale consumes a debtor's attention in the early months of a case, the debtor should not be penalized by losing exclusivity. "It was intended," noted one bankruptcy court, "that at the outset of a Chapter 11 case a debtor should be given the unqualified opportunity to negotiate a settlement and propose a plan of reorganization without interference from creditors and other interests." *In re Texaco Inc.*, 81 B.R. 806, 809 (Bankr. S.D.N.Y. 1988) (citing H.R. Rep. No. 595, 95th Cong., 2d Sess. 221–222 (1978), U.S. Code Cong. & Admin. News 1978, p. 5787). When, due to the unique demands of a given case, the debtor has not been given such an opportunity during the current exclusivity period, the period should be extended for a reasonable period of time.

28. Indeed, the diligence that the Debtors exercised in obtaining favorable outcomes in the Asset Sales is strong evidence of the Debtors' ability to propose a confirmable plan if the Exclusivity Periods are extended. There is no reason to believe the Debtors will not apply the same diligence to negotiating, proposing, and soliciting acceptance of a plan, a process that has begun but simply requires more time.

IV. NOTICE

29. Notice of the filing of this Motion and the hearing thereon has been served on five (5) days' notice, via CM/ECF, to: (a) the Office of the United States Trustee for the Northern

District of Illinois; (b) counsel to the Committee; (c) counsel to the Debtors' secured lenders; and (d) all other parties who have requested notice and service of pleadings in the Chapter 11 Cases.

WHEREFORE, Quadrant 4 System Corporation and Stratitude, Inc., debtors herein, respectfully request the entry of an order in accordance with the foregoing recommendations in the form filed herewith and made a part hereof without further notice, and such other and further relief as is just.

Respectfully submitted,

Quadrant 4 System Corporation and
Stratitude, Inc.

By: /s/ Nicholas R. Dwayne
One of their attorneys

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