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

In re	Chapter 11
QUADRANT 4 SYSTEM CORPORATION, *et al.*[1]	Case No. 17-19689
	(Jointly administered)
Debtors.	Honorable Jack B. Schmetterer

DISCLOSURE STATEMENT FOR JOINT PLAN OF LIQUIDATION OF QUADRANT 4 SYSTEM CORPORATION AND STRATITUDE, INC. AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

IMPORTANT DATES

- Date by which Ballots must be received: _____, 2018
- Date by which objections to Confirmation of the Plan must be filed and served: _____, 2018
- Hearing on Confirmation of the Plan: _____, 2018 at _____ (Central Time)

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[1] The Chapter 11 case of Quadrant 4 System Corporation was filed on June 29, 2017, as Case No. 17-19689 (the "**Q4 Chapter 11 Case**"), and is being jointly administered with the pending Chapter 11 case filed by Quadrant 4 System Corporation's wholly owned subsidiary, Stratitude, Inc., on October 13, 2017, as Case No. 17-30724 (the "**Stratitude Chapter 11 Case**"), pursuant to an order of the Bankruptcy Court entered on October 19, 2017 in both Chapter 11 cases [Q4 Docket No. 192 and Stratitude Docket No. 38]. All references to Docket Nos. hereafter in this Disclosure Statement shall be to the docket maintained by the Clerk of the Bankruptcy Court in the Q4 Chapter 11 Case, unless otherwise noted.

I. INTRODUCTORY STATEMENT

This disclosure statement ("**Disclosure Statement**") is filed by Q4 System Corporation (**"Q4"**), and its wholly owned subsidiary, Stratitude, Inc. ("**Stratitude**"), debtors and debtors in possession herein (collectively, the "**Debtors**", and each, a "**Debtor**"), in connection with the Joint Plan of Liquidation (the "**Plan**") filed by the Debtors and the Official Committee of Unsecured Creditors (the "**Committee**") appointed in the "Chapter 11 Cases" (defined below). The Debtors and the Committee are hereinafter collectively referred to as the "**Plan Proponents**". Capitalized terms not otherwise defined herein shall have the same meaning as stated in the Plan.

For ease of the Creditors' review, the following Section I.B sets forth an introductory summary of the nature of the Plan and description of the proposed treatment of each class of Creditors and key provisions. Section II provides a more detailed summary of the Plan.

THE COMMITTEE, WHICH REPRESENTS ALL OF THE UNSECURED CREDITORS IN THE CHAPTER 11 CASES, HAS PREPARED AND FILED THE PLAN JOINTLY WITH THE DEBTORS. ACCORDINGLY, AS SET FORTH BELOW, THE COMMITTEE STRONGLY RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN.

A. Bankruptcy Case Summary

On June 29, 2017 ("**Q4 Petition Date**") and October 19, 2017 ("**Stratitude Petition Date**") (collectively, the "**Petition Dates**", and each, a "**Petition Date**"), the Debtors voluntarily commenced the above-captioned Chapter 11 cases (collectively, the "**Chapter 11 Cases**").

Q4 is a publicly held company. Q4's common stock ("**Q4 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". Q4's registration number on file with the SEC is Commission File No. 33-42498. As reported in Q4's Q3 2016 Form 10-Q, there were approximately 110,341,504 issued and outstanding shares of the Q4 Stock as of May 4, 2017.

The commencement of each of the Chapter 11 Cases is directly attributable to filing of a federal criminal complaint against the Debtors' two key officers, directors, and persons in control of a majority of the outstanding Q4 Stock, Nandu Thondavadi ("**Thondavadi**"), the Debtors' then-Chief Executive Officer, and Dhru Desai ("**Desai**"), the Debtors' then-Chairman of the Board and Chief Financial Officer (collectively, the "**Criminal Defendants**"). On November 29, 2016, the United States Department of Justice ("**DOJ**") caused a criminal complaint to be filed against the Criminal Defendants, which matter remains pending in the United States District Court for the Northern District of Illinois, Eastern Division (the "**District Court**"), 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*, federal securities laws and interstate wire laws, specifically alleging that the Criminal Defendants 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 Q4), and also alleging that Thondavadi violated Title 18, United States Code, §1001 (false statements).[2] The Criminal Defendants were arrested on November 30, 2016, by the U.S. Federal Bureau of Investigation for alleged securities and related fraud, all as more fully set forth in the Criminal Action.[3]

On or about December 1, 2016, the Debtors received a Default Notice and Reservation of Rights under Credit Agreement letter from the Debtors' senior secured lender, BMO Harris Bank, N.A. ("**BMO**"), advising the Debtors 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 the Criminal Defendants. A similar letter was received on or about that day from the Debtors' junior secured lender, BIP Quadrant 4 System Debt Fund I, LLC ("**BIP**") (collectively, the "**Notice of Default Letters**") (BMO and BIP are hereinafter collectively, the "**Secured Lenders**").

On December 5, 2016, the Criminal Defendants both resigned as officers, directors and employees of the Debtors ("**Criminal Defendants Resignations**"). On or about December 12, 2016, with the support of BMO and Q4's then-remaining members of its Board of Directors[4] (Philip Firrek - Chairman, Dr. Thomas E. Sawyer, and Eric Gurr[5]), Robert H. Steele ("**Steele**") was appointed as Q4's Chief Executive Officer.

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[2] On June 29, 2017, the following also occurred: (a) the DOJ filed an Information against the Criminal Defendants in the Criminal Action [Criminal Action Docket No. 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 an investigation brought by the United States Securities and Exchange Commission ("**SEC**"); and (b) the SEC filed a civil complaint against the Criminal Defendants and Q4 in the District Court, as Case No. 17-cv-04883 ("**SEC Action**"), and related motion for approval of a partial settlement between Q4 and the SEC whereby Q4, which consented to the entry of a proposed judgment on a "no-admit, no-deny" basis, agreed to refrain from violating various provisions of the federal securities laws. On September 28, 2017, the District Court entered that certain *Final Judgment as to Defendant Quadrant 4 System Corp.* ("**SEC Judgment**") [SEC Action Docket No. 37], approving the partial settlement whereby Q4, by consent, was permanently restrained and enjoined from violating federal securities laws. The SEC Judgment also included the statement that the SEC had "determined not to seek imposition of disgorgement, prejudgment interest, and a civil penalty as to Defendant in light of the liquidating Chapter 11 bankruptcy case". Accordingly, the SEC has not filed any Claims in the Chapter 11 Cases.

[3] As of the date hereof, there is a "change of plea hearing" (*i.e.*, expectation of guilty pleas) scheduled before the District Court in the Criminal Action for Desai on May 31, 2018 at 10:30 a.m., and for Thondavadi on July 18, 2018 at 10:00 a.m. Sentencing dates have not been set.

[4] As to the Board of Directors of Q4 and/or Stratitude, as the case may be, the "**Board(s)**".

[5] Mr. Gurr resigned from the Board on or about December 31, 2016.

Following the issuance of the Notice of Default Letters, representatives of, and prior insolvency counsel and current securities litigation counsel for, the Debtors engaged in negotiations with BMO to address the events of default and the attendant issues of the Debtors' former CEO and CFO being charged with criminal fraud. Among the topics addressed were the means of a possible disposition of the Debtors' "Business Units" (defined below) and other assets in the best interests of Creditors and other interested parties, the nature and extent of the Debtors' necessary funding needs, an initial determination of the Debtors' assets and liabilities, the hiring of financial consultants and investment bankers, the election of additional Board members and appointment of new officers in light of the Criminal Defendants Resignations.

In addition, following the Criminal Defendants Resignations, and under the direction of Messrs. Steele, Firrek and Sawyer, Q4 immediately began to cooperate closely with the DOJ and SEC in their continuing investigations as to the civil and criminal matters related to the Criminal Action.

On or about March 16, 2017, the Debtors entered into a 60-day forbearance arrangement with BMO to continue the stabilization of the Debtors' business and exploration for prospective buyers of the Debtors' various Business Units (the "**Forbearance Agreement**"). The Forbearance Agreement required the Debtors to operate under budgets approved by BMO, elect Mr. Michael A. Silverman as Q4's Chief Restructuring Officer ("**Silverman**"); appoint Messrs. Steele and Silverman, and Mr. Bradley A. Buxton[6] to fill vacancies on the Board conditioned upon a necessary directors' and officers' liability insurance policy being obtained (which had been placed into effect); and maintain the engagements of Silverman Consulting, Inc. ("**Silverman Consulting**") and Livingstone Partners LLC ("**Livingstone**") as the Debtors' financial consultants and investment bankers, respectively. As of that date, Messrs. Steele, Silverman and Buxton joined Messrs. Firrek and Sawyer as members of the Board.

As of the date hereof, and as more fully described below, all of the Debtors' Business Units have been sold or disposed of as going concerns pursuant to orders of the Bankruptcy Court ("**Bankruptcy Court**") entered in the Chapter 11 Cases. **The gross proceeds received and to be received from court approved sales/liquidation of the Debtors' business assets in the Chapter 11 Cases are in excess of $26,000,000.00.** The Debtors do not have any ongoing business operations.

B. Introductory Comments on Plan[7]

1. Types of Claims; Timing of Payments; Possible Range of Distributions. The Plan separates claims of Creditors ("**Claims**") and Holders of interests of equity security ("**Equity Interests**") into the following types and classes with anticipated timing of payment and possible range of distributions as follows:

[6] Mr. Buxton resigned from the Board on or about April 30, 2017.
[7] Unless otherwise noted, all defined terms are set forth in later sections of this Disclosure Statement.

Class	Description	Entitled to Vote	Estimated Claims[8]	Approx. Estimated Recovery	Treatment
Unclassified	Administrative Claims	N/A	$452,828.05[9]	100%	Full satisfaction in cash paid on the later of (a) the Effective Date of the Plan or (b) within 14 days of allowance by the Bankruptcy Court.
Unclassified	Priority Tax Claims	N/A	$38,795.10	100%	Full satisfaction in cash paid on the later of: (a) the Effective Date of the Plan; (b) allowance by the Bankruptcy Court; or (c) the date upon which the Liquidating Trustee determines there are sufficient Net Proceeds to pay such Claims.
Class 1	Secured Claims of BMO Harris Bank N.A.	Yes	$8,485,731.13	100%	On the Effective Date of the Plan: (a) assignment of the TriZetto Royalty Payments; (b) cash in the amount of the Fifth Third Account Funds pursuant to the Stipulation; (c) payments from the Residual Assets Sale; and (d) assignment of any and all rights, title and interest of Q4 in and to the TriZetto License Agreement; provided that the foregoing shall only continue until such time as the Allowed BMO Secured Claims have been paid in full.

[8] Unless otherwise indicated, estimates based on filed Claims, or where no Claim was filed, Claims listed in the Debtors' respective Schedules of Assets and Liabilities on file in the Chapter 11 Cases ("**Schedules**") as liquidated, non-contingent and undisputed. Estimates assume elimination of duplicative Claims.

[9] Estimate reflects outstanding Professional Fees as of March 31, 2018. Estimate does not account for Professional Fees or U.S. Trustee fees after March 31, 2018, which continue to accrue. The final amounts are unknown at this time. Other unpaid Administrative Claims are anticipated to be nominal as the Debtors have remained current on their operational liabilities throughout the Chapter 11 Cases.

Class 2	Secured Claims of BIP Quadrant 4 System Debt Fund I, LLC	Yes	$4,474,623.41[10]	Unknown	On the later of the Effective Date of the Plan or within 14 days of allowance by the Bankruptcy Court: (a) $250,000 pursuant to the BIP Payment Terms; (b) at such time as the Class 2 Claims of BMO have been paid in full, any residual TriZetto Royalty Payments and Fifth Third Account Funds; (c) any recoveries from the Director Causes of Action; and (d) a Class 4(a) and Class 4(b) unsecured Claim in an amount to be determined, to be reduced on a dollar-for-dollar basis by any payments received under (a)-(c) above; provided that each of the foregoing shall only continue until such time as the Allowed BIP Secured Claims have been paid in full.
Class 3	Priority Non-Tax Claims	Yes	$19,984.13[11]	100%	Full satisfaction in cash. Initial distribution from available Net Proceeds within 30 days of the Liquidating Trustee's determination there are sufficient Net Proceeds to pay such Claims.
Class 4(a) - (b)	General Unsecured Claims	Yes	(a): $2,870,618.05 ; (b): $266,582.07	Unknown	Distribution to each Holder of an Allowed Class 4 Claim within the later of: (a) 30 days of the Liquidating Trustee's determination that there are funds sufficient to make a distribution to Holders of Allowed Class 4 Claims; and (b) 30 days of a disputed Class 4 Claim being Allowed by Final Order. Allowed Class

[10] Estimate based on filed Claim of BIP against Stratitude less the "BIP Residual Assets $1 Million Credit Bid" (defined below).

[11] Excludes employee Claims arising under Section 507(a)(4)-(5) to the extent such Claims were paid in full pursuant to prior orders of the Bankruptcy Court [*see* Docket No. 50 and Stratitude Docket No. 34].

					4(a) paid initially from: (a) any Net Proceeds from Q4 Causes of Action; and (b) any other proceeds obtained by the Liquidating Trustee upon liquidation of the Q4 Liquidating Trust Assets, as applicable. To the extent any Net Proceeds remain after satisfaction of all Class 4(b) Claims, such Net Proceeds shall be distributed to Q4 as the sole owner of Stratitude and distributed by the Liquidating Trustee under the Plan. Allowed Class 4(b) Claims shall be paid initially from: (x) any Net Proceeds from Stratitude Causes of Action; and (y) any other proceeds obtained by the Liquidating Trustee upon liquidation of the Stratitude Liquidating Trust Assets, as applicable.
Class 5(a) - (b)	Insider Claims	Yes	(a): $13,553,045.10; (b): $0.00	Unknown	Deemed disputed unless or until Allowed after the completion of the Liquidating Trustee's investigation into potential Causes of Action against certain Holders of such Claims. Allowed Class 5(a) Claims shall be paid Pro Rata with Allowed Class 4(a) Claims. Allowed Class 5(b) Claims shall be paid Pro Rata with Allowed Class 4(b) Claims.
Class 6	Q4 Equity Interests (Non-Insider)	No	Unknown	0%	It is not anticipated there will be a distribution of any amounts to Holders of Class 6 Equity Interests.
Class 7	Stratitude Equity Interests	Yes	Unknown	Unknown	It is not anticipated there will be a distribution of any amounts to Holder of Class 7 Equity Interests, but if all

					Allowed Claims against Stratitude are paid in full, then any excess shall be remitted to Q4 as sole owner of Stratitude and distributed by the Liquidating Trustee in accordance with the Plan.
Class 8	Q4 Insider Equity Interests	No	Unknown	0%	It is not anticipated there will be a distribution of any amounts to Holders of Class 8 Equity Interests.

(a) "**Administrative Claims**" consist of two types of Claims: (i) "Professional Fee Claims" (defined below) of the Debtors' and the Committee's respective "Professionals" (defined below); and (ii) Administrative Claims other than Professional Fee Claims. There are sufficient funds on deposit in the Debtors' operating accounts to pay 100% of the Administrative Claims. In accordance with the applicable provisions of the Bankruptcy Code, Holders of Administrative Claims do not vote on the Plan.

(b) "**Priority Tax Claims**" consist of those Claims held by any federal, state or municipal taxing authority entitled to priority pursuant to the applicable provisions of the Bankruptcy Code. In accordance with the applicable provisions of the Bankruptcy Code, Holders of Priority Tax Claims do not vote on the Plan.

(c) **Class 1 – "BMO Secured Claims"** consists of the Secured Claims of BMO Harris Bank N.A., the Debtors' senior secured lender. Holders of Class 1 Claims are Impaired and shall be entitled to vote on the Plan.

(d) **Class 2 - "BIP Secured Claims"** consists of the Secured Claims of BIP Quadrant 4 Debt Fund I, LLC, the Debtors' junior secured lender. Holders of Class 2 Claims are Impaired and shall be entitled to vote on the Plan.

(e) **Class 3 - "Priority Non-Tax Claims"** consists of employee Claims arising under Section 507(a)(4)-(5) of the Bankruptcy Code, if any. Holders of paid Class 3 Claims are Unimpaired and shall not be entitled to vote on the Plan, having been deemed to accept the Plan. Holders of unpaid Class 3 Claims are Impaired and shall be entitled to vote on the Plan.

(f) **Class 4(a), Q4, and 4(b), Stratitude - General Unsecured Claims (Non-Insider) (collectively, "General Unsecured Claims")** consists of all general unsecured Claims held against the Debtors as of the Petition Dates, other than general unsecured Claims held by

"Insiders" (defined below). Holders of Class 4 Claims are Impaired and shall be entitled to vote on the Plan.

(g) Class 5(a), Q4, and 5(b), Stratitude - Insider Claims (collectively, "Insider Claims") consists of all general unsecured Claims held by Insiders against the Debtors as of the Petition Dates. Holders of Class 5 Claims are Impaired and shall be entitled to vote on the Plan.

(h) Class 6 - Interests of Holders of Q4's Publicly Issued Q4 Stock (Non-Insider) ("Q4 Equity Interest Holders")[12] consists of the Equity Interests of Equity Interest Holders in Q4, other than Equity Interests held by Insiders of Q4. Because Holders of Class 6 Equity Interests are not expected to receive any distributions under the Plan, they are deemed to have rejected the Plan.

(i) Class 7 - Interests of Holder of Stratitude's Stock ("Stratitude Equity Interest Holder") consists of the 100% Equity Interest held by Q4 in Stratitude. Q4, as the Stratitude Equity Interest Holder, is Impaired and shall be entitled to vote on the Plan.

(j) Class 8 - Interests of Holders of Q4's Publicly Issued Q4 Stock (Insiders) ("Insider Equity Interest Holders") consists of Equity Interests in Q4 held by Insiders of Q4. It is not anticipated there will be a distribution of any amounts to Insider Equity Interest Holders. Because Holders of Class 8 Equity Interests are not expected to receive any distributions under the Plan, they are deemed to have rejected the Plan.

2. Voting. All Holders of Claims entitled to vote to accept or reject the Plan and who choose to vote to accept or reject the Plan must properly execute, complete, and deliver their respective ballots for accepting or rejecting the Plan ("**Ballots**") such that they are **actually received** by the Clerk of the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the "**Court Clerk**"), 219 South Dearborn Street, Room 710, Chicago, Illinois 60604, by no later than _____. Failure to follow the instructions set forth in the Ballot may disqualify that Ballot and the vote represented thereby.

3. Acceptance by Impaired Classes. An Impaired Class of Claims shall have accepted the Plan if: (a) the Holders (other than any Holder designated under Section 1126(e) of the Bankruptcy Code) of at least two-thirds (2/3) in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan, and (b) the Holders (other than any Holder

[12] According to Q4's stock transfer agent, Securities Transfer Corporation, 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034, (469) 541-0338, the record Q4 Equity Interest Holders as of November 30, 2016 totaled approximately 484.

designated under Section 1126(e) of the Bankruptcy Code) of more than one-half (1/2) in number of the Allowed Claims actually voting in such Class have voted to accept the Plan. Each subclass of Class 4 Claims and Class 5 Claims – *i.e.*, 4(a) and 4(b) of Class 4, and 5(a) and 5(b) of Class 5 – must accept the Plan in order for the Plan to be considered accepted by each such Class as a whole.

4. Joint Administration. The Plan provides for the joint administration of the Debtors' bankruptcy estates ("**Estates**"). This means that a single Liquidating Trustee (as described in Section II.C below) will be appointed to handle the post-confirmation duties and responsibilities for both Debtors. However, respective Creditors of Q4 and Stratitude will each be able to vote on the Plan in their capacity as a Creditor of either or both of the Debtors, as the case may be.

5. Releases. For the reasons fully described in Section III.B-C below, the Plan provides for each of the Debtors and the Liquidating Trustee to release: (a) Mr. Steele, the Debtors' CEO and member of the Boards; (b) Mr. Silverman, the Debtors' CRO and member of the Boards; (c) Aparna Radeekesh, an employee of Q4; (d) Bradley A. Buxton, a member of Q4's Boards for approximately 6 weeks (Mr. Buxton resigned approximately two months before the Q4 Chapter 11 Case was filed having determined he did not have the time to undertake the necessary duties and responsibilities); and (e) BMO, BIP, the Committee and the primary Professionals in the Chapter 11 Cases. Messrs. Steele and Silverman were brought into their respective roles after the Criminal Defendants Resignations for the purpose of attempting to stabilize the Debtors' operations and maximize the value of the Estates for the benefit of the Debtors' respective Creditors and other interested parties, including the Q4 Equity Interest Holders. Due, in large part, to Messrs. Steele and Silverman's conscientiousness, diligence, professionalism, and experience, the Debtors have been successful in liquidating their assets for the benefit of their Creditors under the most difficult of circumstances they inherited upon their appointments. For all practical purposes, Mr. Buxton played no role in these matters whatsoever. BMO, BIP, the Committee and the primary Professionals in the Chapter 11 Cases are not implicated in the Criminal Action or activities of the Criminal Defendants, and in addition, are released in acknowledgement of and exchange for services and activities rendered to and/or on behalf of the Estates prior to the Effective Date of the Plan.

6. Officers and Directors of the Debtors. Upon the Effective Date, all officers and directors of the Debtors, as the case may be, shall be automatically deemed to have resigned from such positions, without further act, notice, deed or court order.

II. MORE DETAILED SUMMARY OF PLAN

A. Joint Administration

Following Q4's acquisition of Stratitude's outstanding common stock on November 3, 2016, Stratitude became a wholly owned subsidiary of Q4. Thereafter, although operated separately from their respective principal offices in Illinois and California, both companies had the same Boards and principal officers. As "affiliates" under the Bankruptcy Code, immediately upon the commencement of the Stratitude Chapter 11 Case, the Debtors sought and received the entry of an order on October 19, 2017 [Docket No. 192], authorizing the joint administration of the Q4 Chapter 11 Case and the Stratitude Chapter 11 Case. This meant that the Chapter 11 Cases would have all motions and pleadings filed under one case number (the previously filed Q4 Chapter 11 Case), and proceed on the same hearing schedules to the extent practicable. Many matters impacted both Debtors and were heard the same day, and for those matters particular to one or the other Debtor, all parties and the Bankruptcy Court attempted to schedule hearings on the same day to address such individual matters.

The Plan proposes to continue this procedure to obviate the need for another liquidating trustee, duplicate notices, applications, and orders, and thereby save considerable time and expense for the Debtors and, consequently, their Estates. As a result, the Plan addresses the treatment of both Q4 and Stratitude Creditors, and this Disclosure Statement does likewise.

The Liquidating Trustee will maintain separate accounts and segregate funds generated by or from claims and/or causes of action in favor of Q4 and Stratitude, as the case may be (the "**Q4 Causes of Action**", and "**Stratitude Causes of Action**", respectively, and collectively, the "**Causes of Action**") to the extent practicable insofar as certain Causes of Action may equally affect both Estates, in which case the Liquidating Trustee may have to equally divide such monies, or make such apportionment as he deems fair and reasonable in his business judgment.

Further, the rights of the respective Creditors of the Debtors will not be adversely affected by post-confirmation joint administration of the Chapter 11 Cases, because each Estate's Creditors' Claims will be addressed separately to the extent practicable.

It is believed the joint administration of the Estates by the Liquidating Trustee will also protect parties in interest by ensuring that parties to each of the Chapter 11 Cases are apprised of all the various matters that will arise in either or both of the Chapter 11 Cases following the confirmation of the Plan, as well as any court proceedings which may be instituted. It will also avoid any confusion caused by having different post-confirmation trustees. In fact, the rights of all Creditors will be enhanced by the reduction in costs resulting from joint administration, thereby avoiding separate liquidating trustee fees and legal costs, duplicate notices, duplicative files, separate court filings and hearings, and other administration matters.

The joint administration of the Debtors' individual Estates, as it has been during the Chapter 11 Cases, is purely procedural and is in no way intended to affect substantive rights.

Please note that notwithstanding the joint administration of the Chapter 11 Cases, or proposed post-confirmation joint administration of the Estates, Q4 and Stratitude Creditors will each be able to vote on the Plan in their capacity as a Creditor of either or both of the Debtors, as the case may be.

B. Releases

For the reasons fully described in Section III.B below, the Plan provides for each of the Debtors and the Liquidating Trustee to release: (a) Robert H. Steele, the Debtors' CEO and member of the Boards; (b) Michael A. Silverman, the Debtors' Chief Restructuring Officer and member of the Boards; (c) Bradley A. Buxton, who served as a member of the Q4 Board for approximately 6 weeks (mid-March, 2016 - April 30, 2016); and (d) Aparna Radekeesh, a key employee of Q4 prior to and during the Chapter 11 Cases[13]. As set forth above, Messrs. Steele, Silverman and Buxton all accepted their management roles on behalf of the Debtors, as the case may be, subsequent to the filing of the Criminal Action against the Criminal Defendants, and the Criminal Defendants Resignations. None were members of the Debtors' management prior thereto.[14] Mr. Buxton resigned before becoming active in any of the Debtors' matters.

[13] By order of the Bankruptcy Court dated September 14, 2017 [Docket No. 170], the Debtor was authorized to pay Ms. Radeekesh, Q4's Director of Finance, a $15,000 retention bonus upon terms set forth therein on the basis of her status as a "key non-insider employee" under the applicable provision of the Bankruptcy Code in consideration of the critical services Q4 required in its operations and marketing efforts that she could provide given her expertise and experience with Q4's business. Ms. Radeekesh was equally critical with respect to Stratitude's operations both before and after the filing of the Stratitude Chapter 11 Case, but did not receive an additional retention bonus therein.

[14] Mr. Steele's initial involvement with Q4 began in early 2012 when EmpowHR, LLC ("**EmpowHR**"), a healthcare benefits administration company of which he was Chief Executive Officer and majority owner, was contacted by Desai and asked to assist Q4 in submitting a bid to help the State of California design, build and deploy a state-operated individual consumer health insurance marketplace. Mr. Steele participated in that effort without compensation, believing it to be an opportunity for EmpowHR. Ultimately, Q4 was not awarded the bid by the State of California, and neither EmpowHR nor Mr. Steele entered into any contract with Q4 at that time. However, as a result of Q4's communications with EmpowHR, Q4 became determined to enter the healthcare IT industry. To that end, as of July 1, 2012, Q4 acquired certain of EmpowHR's assets primarily consisting of intellectual property and software application in exchange for 1.25 million shares of Q4 Stock ("**EmpowHR Acquisition**"). At that time, Q4 valued such shares at approximately $175,000. Concurrently therewith, Mr. Steele became an unpaid independent contractor for Q4 attempting to assist it in pursuing state-organized public healthcare exchanges. Mr. Steele became a full-time, compensated independent contractor for Q4's healthcare division in or around July 2013 with the unofficial title of Chief Sales and Marketing Officer. During 2013-2014, Mr. Steele's focus changed from acting in that capacity to being named the "President" of Q4's healthcare division, then called "Q4 Health". Despite such unofficial title, Mr. Steele remained an independent contractor to Q4, and was never a duly appointed corporate officer of Q4 or Stratitude until

Following the sales of the Debtors' Business Units, as described below, and as of the date hereof, Mr. Steele and Ms. Radeekesh are the Debtors' sole remaining employees handling the Debtors' continuing compliance with their debtor in possession duties and responsibilities in the Chapter 11 Cases, the wind down of the Debtors' Estates, and confirmation of the Plan.

The Plan also provides for the releases of BMO, BIP, the Committee and its members, as well as the primary Professionals in the Chapter 11 Cases, Silverman Consulting, Adelman & Gettleman, Ltd. ("**A&G**"), Livingstone, and Sugar Felsenthal Grais & Helsinger LLP ("**SFGH**"), and each of their respective principals, employees, agents, officers, directors, shareholders, professionals, legal representatives, successors and assigns, of claims arising prior to the Effective Date. Such parties are not implicated in the Criminal Action or activities of the Criminal Defendants, and in addition, are released in acknowledgement of and exchange for services and activities rendered to and/or on behalf of the Estates prior to the Effective Date of the Plan.

C. The Plan is a Liquidating Plan and will be Administered under a Liquidating Trust

The Plan provides for the sale, liquidation or other disposition of all assets in the Debtors' Estates in order that Creditor distributions can be maximized and accomplished as soon as is practicable after the Plan's confirmation. All tangible and intangible personal property assets utilized in the operation of the Debtors' businesses have been sold and/or liquidated pursuant to prior orders of the Bankruptcy Court.

The Plan is based upon the proposition that the Debtors' Creditors will receive a more prompt and greater distribution thereunder than they would if the Chapter 11 Cases were converted to Chapter 7 liquidation cases, with the attendant delays and costs associated therewith. Under the Plan, the "Liquidating Trustee" (defined below) has the ability to exercise his reasonable business judgment and discretion and take actions to implement the Plan provisions, largely without need for further order of the Bankruptcy Court. A Chapter 7 trustee needs court authority for virtually all decisions, and as such, many costs and delays arise therefrom. The end result of a Chapter 7 liquidation is often a diminution and delay in any distribution to unsecured creditors.

The Plan is a liquidating plan providing for the establishment of a liquidating trust (the "**Liquidating Trust**") pursuant to a trust agreement attached as Exhibit A to the Plan, and by express reference made a part hereof (the "**Liquidating Trust Agreement**"). The Plan and Liquidating Trust Agreement further provide for the appointment of a third party, independent trustee (the "**Liquidating Trustee**"). The Liquidating Trustee is charged with overseeing and

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his appointment as CEO of Q4 in December 2016, and subsequent appointment as CEO of Stratitude in August 2017.

directing the sale, liquidation or other disposition of all of the Debtors' assets and the complete distribution of proceeds to the Creditors in the Chapter 11 Cases in accordance with the priorities established under the Bankruptcy Code and applicable law, and pursuant to the terms and conditions of the Plan and the Liquidating Trust Agreement. All distributions under the Plan will be strictly in accordance with the "Absolute Priority Rule" under the Bankruptcy Code, which provides that no junior class of Claims or Equity Interests will receive any distribution until all senior classes are paid in full. For example, Q4 cannot receive any distributions on account of its ownership of Stratitude until all Stratitude Creditors are paid in full, and similarly, Q4 Equity Interest Holders cannot receive any distributions on account of the Q4 Stock holdings unless all of Q4's Creditors are paid in full.

The Plan proposes that Sheldon Stone, a partner in the financial advisory firm of Amherst Partners LLC ("**Amherst Partners**"), serve as the Liquidating Trustee. Mr. Stone has over 20 years of experience in corporate restructuring with national firms like Plante & Moran, PLLC and Booz Allen Hamilton, Inc. Mr. Stone is active in several professional organizations, such as American Bankruptcy Institute (ABI), Commercial Finance Association (CFA), and Turnaround Management Association (TMA), among others.

Founded in 1994, Amherst Partners provides M&A advisory, management advisory, capital raising, and restructuring services to middle-market companies (generally having revenues between $10 million and $500 million) in a wide range of industries throughout the Midwest and other parts of the U.S. Amherst Partner's offices are located at 255 E. Brown, Suite 120, Birmingham, MI 48009; Tel. (248) 642-5660; website: www.amherstpartners.com.

By order of the Bankruptcy Court dated July 28, 2017, Amherst Partners, with Mr. Stone as the lead consultant, was appointed as the Committee's financial advisers in the Chapter 11 Cases [Docket No. 81]. As such, Mr. Stone is very familiar with the Debtors' operations throughout the Chapter 11 Cases, and all significant aspects of the Chapter 11 Cases. His knowledge of, and experience in, the Chapter 11 Cases will be cost effective and greatly facilitate his tasks as Liquidating Trustee.

As stated, upon confirmation of the Plan, and pursuant to the Liquidating Trust Agreement, the general responsibility for carrying out the terms and conditions of the Plan will pass from the Debtors to the Liquidating Trustee. Except as otherwise provided under the Plan, the Liquidating Trustee will hold all monies in the Debtors' Estates at the time of confirmation and any and all funds received thereafter. All such monies shall be deposited by the Liquidating Trustee upon receipt into interest-bearing segregated trust accounts in accordance with the Plan, to be established by the Liquidating Trustee upon confirmation, and shall be known as the "**Liquidation Proceeds**". All disbursements of the Liquidation Proceeds shall be strictly in accordance with the terms and conditions of the Plan and the Liquidating Trust Agreement.

Simply put, the Plan provides for the distribution of all monies in the Debtors' Estates as quickly as possible after confirmation in accordance with the priorities established under the Bankruptcy Code. The Liquidating Trustee will be compensated for his services. The Liquidating Trustee is authorized under the Plan to retain professionals or other persons as necessary to consummate the Plan. The Liquidating Trustee's primary responsibilities will be to: (i) complete the sale, liquidation or other disposition of all of the remaining personal property assets in the Chapter 11 Cases; (ii) file, prosecute, settle or dismiss any and all Causes of Action in favor of the Estates; (iii) review, and if necessary, object to, any Claims filed in the Chapter 11 Cases; and (iv) ensure compliance with all tax filing and other reporting requirements until the Plan is fully consummated and the Chapter 11 Cases are closed.

D. Treatment of Claims and Equity Interests

As summarized above and further described below, the Plan provides for the division of Creditors and Holders of Equity Interests into the eight (8) classes identified below, in addition to the unclassified Claims consisting of Administrative Claims and Priority Tax Claims.

Pursuant to orders of the Bankruptcy Court, the last day to file proofs of claims: (a) in the Q4 Chapter 11 Case for pre-Petition Date claims against Q4 was September 29, 2017 for non-Governmental Units and December 26, 2017 for all "Governmental Units" (defined below) (the "**Q4 Bar Dates**"); and (b) in the Stratitude Chapter 11 Case for pre-Petition Date claims against Stratitude was May 7, 2018 for all non-Governmental Units and Governmental Units (the "**Stratitude Bar Date**") (collectively, the "**Bar Dates**", and each, a "**Bar Date**"). The Claims Register for the Q4 Chapter 11 Case (the "**Q4 Claims Register**") and the Claims Register for the Stratitude Chapter 11 Case (the "**Stratitude Claims Register**") (collectively, the "**Claims Registers**") are maintained by the Court Clerk. Under the Bankruptcy Code and Bankruptcy Rules, Creditors listed in the Debtors' Schedules in liquidated, non-contingent and undisputed amounts did not have to file proofs of claim before the applicable Bar Date in order to vote on the Plan and receive any distributions under the Plan. Of the approximately 648 Creditors listed in the Schedules (Q4 - 483; and Stratitude - 165), only 58 filed proofs of claim as per the Claims Registers (Q4 - 47[15]; and Stratitude - 11).

The Plan provides for the following treatment and classes of Claims and Equity Interests:

1. Administrative Claims. Administrative Claims are generally those Claims for goods and services incurred by a debtor during the pendency of a Chapter 11 case - from the commencement of the Chapter 11 case through the confirmation of a plan of reorganization or liquidation. Section 503 of the Bankruptcy Code governs the allowance of Administrative Claims. The Plan provides for the payment of all Allowed Administrative Claims in full upon the

[15] One of the 47 Claims filed against Q4 was subsequently withdrawn.

later of the Effective Date[16] of the Plan or within fourteen (14) days of any Administrative Claim being deemed an Allowed Claim. Allowed Administrative Claims shall be paid in cash in accordance with Section 1129(a)(9)(A) of the Bankruptcy Code from available existing cash, unless the Holder of an Administrative Claim agrees to a different treatment.

Under the Plan, except as provided below, all persons requesting payment of Administrative Claims, including but not limited to Claims under Section 503(b)(9) of the Bankruptcy Code, shall be required to file a request for payment of such Claim with the Bankruptcy Court by no later than the Administrative Claims Bar Date, which shall be thirty (30) days after the Effective Date of the Plan.

The Debtors have fully paid, and continue to pay, all known Administrative Claims, as and when they have become due during the Chapter 11 Cases in accordance with the provisions of the Bankruptcy Code and various orders of the Bankruptcy Court, with the sole exceptions being the following:

(a) Professional Fee Claims. Pursuant to an order of the Bankruptcy Court dated August 3, 2017 [Docket No. 103], the Debtors have been authorized to pay up to 80% of the monthly invoices submitted for professional fees ("**Professional Fees**") incurred by the Debtors' and the Committee's court-appointed professionals ("**Professionals**"), with the balance being a "holdback" pending the conclusion of the Chapter 11 Cases and further Bankruptcy Court order. The total "holdbacks" and other unpaid amounts due and owing to the Professionals through March 2018 are estimated at $452,828.05, consisting of: (i) A&G, Debtors' counsel – $160,997.79; (ii) Silverman Consulting, Debtors' financial consultants – $207,245.18[17]; (iii) Nixon Peabody LLP, Debtors' special counsel for tax, labor, securities compliance and corporate matters – $10,730.20; (iv) Faegre Baker Daniels LLP, Q4's special counsel for securities litigation matters – $6,048.72; (v) SFGH, Committee's counsel – $51,338.54; and (vi) Amherst Partners, LLC, Committee's financial consultants – $16,467.62. All such compensation, including that previously paid, is subject to final allowance by the Bankruptcy Court. All compensation owing to Livingstone has been paid in full pursuant to prior orders of the Bankruptcy Court.

[16] The term "**Effective Date**" is defined under the Plan, substantially as follows: (i) the entry of an order of the Bankruptcy Court confirming the Plan under the applicable provisions of the Bankruptcy Code; (ii) the execution and delivery of the Liquidating Trust Agreement and all necessary documents related thereto; and (iii) the appointment of the Liquidating Trustee. The Plan Proponents anticipate that absent an appeal of the Bankruptcy Court order confirming the Plan (the "**Confirmation Order**"), the Effective Date would occur approximately fifteen (15) days following entry of the Confirmation Order.

[17] Silverman Consulting has only submitted monthly invoices for interim payment in the Chapter 11 Cases through November 2017. The total amount due and owing to Silverman Consulting reflected herein includes both holdback amounts through November 2017 and all fees and expenses accruing between December 2017 and March 2018.

The Administrative Claims Bar Date shall not apply to Professionals requesting payment of Professional Fee Claims, who shall be entitled to file an application for allowance of such Claims with the Bankruptcy Court until not later than forty-five (45) days after the Effective Date of the Plan.

(b) U.S. Trustee Fees. Until such time as the Chapter 11 Cases are closed, the Debtors or the Liquidating Trustee remains responsible for the payment of fees due to the U.S. Trustee's office under 28 U.S.C. § 1930(a)(6) ("**U.S. Trustee Fees**"). The Debtors shall remain responsible for payment of such fees in full to and including the Effective Date of the Plan, including filing any "Monthly Operating Reports" (defined below) for such period prior to the Effective Date, and the Liquidating Trustee shall assume such responsibility and pay such obligations for any periods after the Effective Date from the Liquidating Trust. The Administrative Claims Bar Date shall not apply to any fees due the U.S. Trustee assessed against the Debtors' Estates pursuant to 28 U.S.C. § 1930(a)(6).

2. Priority Tax Claims. "**Governmental Units**" are defined in Section 101(27) of the Bankruptcy Code, and, in general, consist of Claims owing the United States, any state, county, or municipality, or any department, agency or instrumentality thereof. The Plan provides for the payment of all Allowed Priority Tax Claims of Governmental Units in full in cash on the later of: (a) the Effective Date of the Plan; (b) allowance by the Bankruptcy Court; or (c) the date upon which the Liquidating Trustee determines there are sufficient "Net Proceeds" (defined below) to pay such Claims.

Allowed Priority Tax Claims shall include simple interest accruing at the rate prescribed by Section 511 of the Bankruptcy Code beginning on the Effective Date until paid in full. This treatment of Allowed Priority Tax Claims is intended to comply with the requirements of Sections 507(a) and 1129(a)(9)(C) of the Bankruptcy Code. Payments to the Holders of Allowed Priority Tax Claims will be paid from available Net Proceeds of the Liquidating Trust.

The Debtors had largely remained current on all taxes as and when they became due prior to the commencement of the Chapter 11 Cases. The majority of outstanding Priority Tax Claims against the Debtors as of the Petition Dates were unliquidated. As such, the Debtors' respective Schedules E reflect a total of only $14,979.24 of Priority Tax Claims owing as of the Petition Dates (Q4: $0.00; Stratitude: $14,979.24).

The Claims Registers reflect 12 Priority Tax Claims were filed totaling $23,815.86 (Q4: $18,910.02; Stratitude: $4,905.84). The Debtors are examining such Claims for accuracy.

3. Class 1 – BMO Secured Claims. This class consists of Claims held against the Debtors by BMO secured by liens on substantially all of the Debtors' assets. BMO has asserted

that it holds secured Claims against Q4 and Stratitude in the amount of $8,485,731.73[18]. Under orders entered by the Bankruptcy Court in the Q4 Chapter 11 Case on July 10, 2017 and September 7, 2017 [Docket Nos. 52 & 162], and an order entered in the Stratitude Chapter 11 Case on October 20, 2017 [Stratitude Docket No. 41], authorizing post-petition financing of, and use of cash collateral by, the Debtors (the "**DIP Financing Orders**"), the Debtors consented to the validity, priority, and extent of such Secured Claims asserted by BMO and the collateral securing such Claims. The Secured Claims of BMO are deemed Allowed pursuant to the DIP Financing Orders.

The Plan provides that on the Effective Date, and in full and final satisfaction, settlement, and release of and in exchange for such Allowed Secured Claims of BMO, the Holder of such Claims shall receive: (a) assignment of the "TriZetto Royalty Payments" (defined below); (b) cash recovered, if any, from the "Fifth Third Bank Interpleader Action" (defined below) pursuant to the "Stipulation" (defined below); (c) payments from the "Residual Assets" (defined below) pursuant to the Stipulation; (d) assignment of any and all rights, title and interest of Q4 in and to the "TriZetto License Agreement" (defined below); provided that each of the foregoing shall only continue until such time as the Allowed BMO Secured Claims have been paid in full.

4. Class 2 – BIP Secured Claims. This class consists of Claims held against the Debtors by BIP secured by liens on substantially all of the Debtors' assets. BIP has asserted that it holds secured Claims against the Debtors in the amount of $4,474,623.41[19]. However, the liens of BIP are junior to the liens of BMO, and as such, the Claims of BIP are most likely partially unsecured. Under the DIP Financing Orders, the Debtors consented to the validity, priority, and extent of such Secured Claims asserted by BIP and the collateral securing such Claims. The Secured Claims of BIP, less its credit purchase of $1.0 million for substantially all of the assets of the Debtor's "Q4 Health Business Unit" (defined below), are deemed Allowed to the extent provided under the DIP Financing Orders.

The Plan provides that on the later of the Effective Date or within fourteen (14) days of any such Claims being deemed Allowed Secured Claims, and in full and final satisfaction, settlement, and release of and in exchange for such Allowed BIP Secured Claims, the Holder of such Claims shall receive: (a) $250,000.00 pursuant to the "BIP Payment Terms" (defined

[18] Figure based on the filed Claim of BMO against Stratitude dated May 7, 2018, and does not take into account accruing taxes, fees and costs. Upon information and belief, BMO's Claim against Stratitude supersedes its filed Claim against Q4 in the amount of $8,481,271.41 dated September 26, 2017, as the liability of the Debtors to BMO is joint and several.

[19] Figure based on the filed Claim of BIP against Stratitude dated May 4, 2018, less the BIP Residual Assets $1 Million Credit Bid, but does not take into account accruing fees, costs and interest. BIP's filed Claim against Q4 dated September 28, 2017 is also $5,474,623.41, as the liability of the Debtors to BIP is joint and several. Such proof of claim was filed before BIP's Claim was reduced by the BIP Residual Assets $1 Million Credit Bid.

below); (b) at such time as the Class 1 BMO Secured Claims have been paid in full, any residual TriZetto Royalty Payments and Fifth Third Account Funds and (c) a Class 4(a) and Class 4(b) unsecured Claim in an amount to be determined, to be reduced on a dollar-for-dollar basis by any payments received under (a) or (b) above; provided that each of the foregoing shall only continue until such time as the Allowed BIP Secured Claims have been paid in full.

For purposes of the foregoing, the "**BIP Payment Terms**" are as follows: on the Effective Date, BIP shall release its lien against the Causes of Action, other than the Director Causes of Action[20]. BIP shall be gifted the aggregate sum of $250,000.00 from BMO, paid as follows: (1) $100,000.00 (which has been paid from the "2018 First Installment" (defined below) under the "TriZetto Settlement" (defined below); (2) $100,000.00 shall be paid from the TriZetto Settlement "2019 Installment" (defined below); and (3) $50,000.00 shall be paid from BMO's recovery, if any, of the Fifth Third Account Funds.

5. Class 3 - Priority Non-Tax Claims. Unsecured Claims entitled to priority, as of the commencement of the Chapter 11 Cases, are defined in Section 507 of the Bankruptcy Code. For purposes of the Plan, Class 3 Claims do not include Priority Tax Claims which are addressed separately as set forth above. The Priority Non-Tax Claims include any employee Claims arising under Section 507(a)(4)-(5) of the Bankruptcy Code ("**Employee Obligation Claims**").

The Plan provides that the Liquidating Trustee shall pay each Allowed Priority Non-Tax Claim in full. The Liquidating Trustee shall make a distribution from available Net Proceeds to each Holder of an Allowed Priority Non-Tax Claim within 30 days of the Liquidating Trustee's determination that there are funds sufficient to make a distribution to Holders of Allowed Priority Non-Tax Claims. The Liquidating Trustee will be entitled to make one or more partial, interim distributions to Holders of Allowed Priority Non-Tax Claims at his discretion. Allowed Priority Non-Tax Claims shall receive distributions in accordance with the order of priority prescribed in Section 507(a) of the Bankruptcy Code.

Pursuant to an order of the Bankruptcy Court entered in the Q4 Chapter 11 Case on July 10, 2017 [Docket No. 50], and an order entered in the Stratitude Chapter 11 Case on October 20, 2017 [Stratitude Docket No. 34], the Debtors paid substantially all Claims of their respective employees for accrued but unpaid wages, health insurance and related obligations entitled to priority under Section 507(a)(4)-(5) of the Bankruptcy Code.[21] The Claims Registers reflect approximately $19,984.13 in Employee Obligation Claims (Q4: $19,984.13; Stratitude: $0.00).

[20] The "**Director Causes of Action**" consist of claims and causes of action, if any, in favor of the Estates against current and former members of the Board who were serving at, or had served prior to, the time of the Criminal Defendants Resignations.

[21] Pursuant to the Bankruptcy Court orders, Q4 paid 179 employees a total of $357,426.06 in Employee Obligation Claims and Stratitude paid 49 employees a total of $211,024.09 in Employee Obligations Claims. The Debtors were not authorized to pay any Claims in excess of the priority limit of $12,850

6. Class 4(a), Q4, and 4(b), Stratitude - General Unsecured Claims. This class consists of all Claims held against the Debtors as of the Petition Dates which are not Administrative Claims, Priority Tax Claims, or Claims in Classes 1 through 3 above. Class 4 General Unsecured Claims do not include any Insider Claims. Class 4(a) Claims are those held against Q4. Class 4(b) Claims are those held against Stratitude.

Class 4 General Unsecured Claims include Claims arising from the rejection of unexpired leases and other executory contracts to which the Debtors are a party ("**Rejection Damages Claims**"). The Plan serves to reject all executory contracts and unexpired leases as of confirmation that have not previously been assumed by Bankruptcy Court order. All proofs of claim with respect to Rejection Damages Claims arising from the rejection of executory contracts or unexpired leases that are deemed rejected on the Confirmation Date pursuant to the Plan shall be filed with the Bankruptcy Court by no later than thirty (30) days after the Effective Date. The Bankruptcy Court may extend this deadline as it deems necessary in the exercise of its discretion. This provision does not extend any deadline for the filing of a Rejection Damages Claim arising from an order rejecting such contract or lease entered prior to entry of the Confirmation Order, which deadline is controlled by such prior order. The amount of Rejection Damages Claims cannot be ascertained at this time.

Under the Plan, the Liquidating Trustee shall pay each Allowed Class 4 General Unsecured Claim Pro Rata from available funds. The Liquidating Trustee shall make a distribution to each Holder of an Allowed Class 4 Claim within the later of: (a) 30 days of the Liquidating Trustee's determination that there are funds sufficient to make a distribution to Holders of Allowed Class 4 Claims; and (b) 30 days of a disputed Class 4 Claim being Allowed by a final, non-appealable order of the Bankruptcy Court ("**Final Order**").

Allowed Class 4(a) General Unsecured Claims shall be paid initially from: (x) any Net Proceeds from Q4 Causes of Action; and (y) any other proceeds obtained by the Liquidating Trustee upon liquidation of the "Q4 Liquidating Trust Assets" (defined below), as applicable. To the extent any Net Proceeds remain after satisfaction of all Class 4(b) Claims, such Net Proceeds shall be distributed to Q4 as the sole owner of Stratitude and distributed by the Liquidating Trustee under the Plan. Allowed Class 4(b) General Unsecured Claims shall be paid initially from: (a) any Net Proceeds from Stratitude Causes of Action; and (b) any other proceeds obtained by the Liquidating Trustee upon liquidation of the "Stratitude Liquidating Trust Assets" (defined below), as applicable.

Any Net Proceeds shall be distributed according to the Plan and the Liquidating Trust Agreement. No distributions shall be made to Holders of Allowed Class 4 Claims, until Allowed

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under Section 507(a)(4)-(5) of the Bankruptcy Code. As such, there is an additional $6,629.19 in Claims treated as scheduled Class 4(b) Claims.

Class 1 Claims, Allowed Class 2 Claims, Allowed Class 3 Claims, Allowed Administrative Claims and Allowed Priority Tax Claims are paid in full.

The Debtors' Schedules F lists approximately 42 Creditors holding General Unsecured Claims totaling approximately $230,848.66[22] broken down as follows: Q4 in the amount of $89.59; and Stratitude in the amount of $230,759.07.[23]

The Claims Registers reflect that 38 General Unsecured Claims were filed totaling $2,788,289.43 (Q4 - $2,742,121.41; Stratitude - $46,168.02). Certain General Unsecured Claims may be duplicative, with Creditors filing the same Claim against both Debtors. Certain other General Unsecured Claims may misidentify the appropriate Debtor(s).

Presently, there are insufficient funds on deposit in the Debtors' operating accounts to make any meaningful payment to the Holders of Allowed Class 4 General Unsecured Claims. It is impossible to predict when or how much, if anything, will ever be available for distribution to Class 4 General Unsecured Creditors as it is dependent on the outcome of as yet-unidentified Causes of Action, none of which are the subject of any pending litigation. The Plan Proponents cannot predict the amount and/or timing of any distributions under the Plan to Holders of Allowed General Unsecured Claims at this time.

7. Class 5(a), Q4, and 5(b), Stratitude - Insider Claims. This class consists of all General Unsecured Claims belonging to "insiders" of the Debtors as that term is defined under Section 101(31) of the Bankruptcy Code ("**Insiders**"), except as otherwise noted. Insiders include the following Creditors, as applicable: all current officers and directors of the Debtors; all former officers and directors of the Debtors, including, the Criminal Defendants; relatives and affiliated entities of any of the foregoing (which include Q4 India - *see* footnote 25 below); and certain of the "Former Stratitude Shareholders" (defined below). There may be other Insiders as yet to be identified who hold Claims against the Debtors.[24]

Insider Claims against Q4 or Stratitude shall be deemed disputed unless or until Allowed after completion of the Liquidating Trustee's investigation into potential Causes of Action against the Holders of such Claims. Accordingly, Holders of Insider Claims shall not receive a distribution until the Liquidating Trustee completes his investigation into potential Causes of Action against that Insider and such Insider Claim is subsequently Allowed.

[22] Figures are exclusive of (i) Claims based on the rejection of unexpired leases or executory contracts, (ii) Claims scheduled as unliquidated, contingent or disputed, (iii) scheduled Claims for which there are superseding filed Claims, and (iv) the BIP Secured Claims to the extent such Claims may be unsecured.

[23] Approximately $210,402.00 of these Claims against Stratitude have already been paid during the Stratitude Chapter 11 Case pursuant to the "Stratitude Critical Vendor Order" (defined below).

[24] These parties reflect the Debtors' determination only, and does not constitute a legally binding determination of whether a particular person or entity qualifies as an "insider" under the Bankruptcy Code.

To the extent a Class 5(a) Claim is an Allowed Claim and not otherwise subordinated by court order, such Claim shall be paid Pro Rata with Allowed Class 4(a) Claims. To the extent a Class 5(b) Claim is an Allowed Claim and not otherwise subordinated by court order, such Claim shall be paid Pro Rata with Allowed Class 5(b) Claims. No distributions shall be made to Holders of Allowed Class 5 Claims, until Allowed Class 1 Claims, Allowed Class 2 Claims, Allowed Class 3 Claims, Allowed Administrative Claims and Allowed Priority Tax Claims are paid in full.

The Claims Registers reflect that seven (7) Insider Claims[25] were filed totaling $13,553,045.10 (Q4 - $13,553,045.10; Stratitude - $0.00).

Presently, there are insufficient funds on deposit in the Debtors' operating accounts to make any meaningful payment to the Holders of Allowed Class 5 Insider Claims. It is impossible to predict when or how much, if anything, will ever be available for distribution to Insider Creditors as it is dependent on the outcome of as yet-unidentified Causes of Action, none of which are the subject of any pending litigation. The Plan Proponents cannot predict the amount and/or timing of any distributions under the Plan to Holders of Allowed Insider Claims at this time.

8. Class 6 - Q4 Equity Interest Holders.[26] This class consists of all Equity Interests in Q4 except Equity Interests held by Insiders. Any distribution to Q4 Equity Interest Holders is completely dependent on the Liquidating Trustee's ability to recover Liquidation Proceeds sufficient to pay 100% of Allowed Class 4 General Unsecured Claims and Allowed Class 5 Insider Claims.

It is not anticipated there will be a distribution of any amounts to Allowed Q4 Equity Interest Holders. To the extent any cash remains after all Allowed Class 1 Claims, Allowed Class 2 Claims, Allowed Class 3 Claims, Allowed Class 4(a) Claims, Allowed Class 5(a) Claims, Allowed Administrative Claims, and Allowed Priority Tax Claims are paid in full, then in such event, and in full and final satisfaction, settlement, and release of and in exchange for such Allowed Class 6 Equity Interests, Q4 Equity Interest Holders as of the Distribution Record Date shall receive their Pro Rata share of the cash available for distribution from the Liquidating Trust.

9. Class 7 - Stratitude Equity Interest Holder. This class consists of the 100% Equity Interest held by Q4 in Stratitude. To the extent any cash remains after all Allowed Class 1 Claims, Allowed Class 2 Claims, Allowed Class 3 Claims, Allowed Class 4(b) Claims, Allowed Class 5(b) Claims, Allowed Administrative Claims, and Allowed Priority Tax Claims are paid in full, then in such event, any excess shall be remitted to Q4 as sole owner of Stratitude and

[25] Total treats single Claim filed on behalf of three creditors as if filed by single creditor.
[26] Approximately 484 holders. *See* footnote 10.

distributed by the Liquidating Trustee in accordance with the Plan. Thereafter, Q4's Equity Interest in and to Stratitude shall be deemed canceled. Given the amount of outstanding Claims against Stratitude, it is not anticipated there will be any distribution to Q4 as the Holder of the Class 7 Equity Interest.

10. Class 8 - Insider Equity Interest Holders. This class consists of Equity Interests in Q4 held by Insiders. Insider Equity Interests in Q4 shall be deemed disputed unless or until Allowed after completion of the Liquidating Trustee's investigation into potential Causes of Action against the Holders of such Equity Interests. Accordingly, Insider Equity Interest Holders shall not receive a Distribution until the Liquidating Trustee completes his investigation into potential Causes of Action against that Insider and such Insider Equity Interest is subsequently Allowed.

It is not anticipated there will be a distribution of any amounts to Allowed Insider Equity Interest Holders. To the extent any cash remains after all Allowed Class 1 Claims, Allowed Class 2 Claims, Allowed Class 3 Claims, Allowed Class 4(a) Claims, Allowed Class 5(b) Claims, Allowed Administrative Claims, and Allowed Priority Tax Claims are paid in full, then in such event, and in full and final satisfaction, settlement, and release of and in exchange for such Allowed Class 8 Equity Interests, Insider Equity Interest Holders as of the Distribution Record Date shall receive their Pro Rata share of the cash available for distribution from the Liquidating Trust.

E. Preliminary Claims Analysis

The Debtors are examining all filed Claims for accuracy, and while they have attempted to reconcile their books and records against the Claims Registers on an ongoing basis, the final review of such Claims will be conducted by the Liquidating Trustee pursuant to the Plan and Liquidating Trust Agreement. However, in an effort to inform Creditors in advance of voting on the Plan, the Debtors have undertaken a preliminary analysis of all Claims filed against Q4 or Stratitude, which is attached hereto as **Exhibit A** and made a part hereof (the "**Preliminary Claims Analysis**"). The Preliminary Claims Analysis indicates whether, based on information available to the Debtors as of the date hereof, it is likely or not likely that the Liquidating Trustee will object to such Claims subsequent to confirmation of the Plan. As the Preliminary Claims Analysis only reflects an initial review of filed Claims by the Debtors, it is intended only for informational purposes, and nothing in the Preliminary Claims Analysis, the Plan or this Disclosure Statement is intended to be, nor shall be, binding on the Debtors, their pre-confirmation or post-confirmation Estates, the Liquidating Trust or the Liquidating Trustee.

F. Sources of Funds

Upon the Effective Date of the Plan, all of then-remaining personal property assets of Q4 (the "**Q4 Liquidating Trust Assets**") and Stratitude (the "**Stratitude Liquidating Trust Assets**") (collectively, the "**Liquidating Trust Assets**"), will be assigned by and through the Plan to the Liquidating Trust. The Liquidating Trust Assets will be liquidated and administered under the terms of the Plan and the Liquidating Trust Agreement under the direction and supervision of the Liquidating Trustee. Pursuant thereto, the Liquidating Trustee can sell, transfer, convey or otherwise dispose of any or all of the Liquidating Trust Assets in such manner as he deems fit in his reasonable discretion, for the benefit of all of the Debtors' Creditors and other interested parties in the Chapter 11 Cases. At present, the anticipated sources of monies which will fund costs and expenses of the Liquidating Trust and distributions under the Plan can generally be described as follows:

(a) All cash held by the Debtors or Debtors' Professionals in escrow on behalf of the Debtors or their Estates;

(b) All cash to which the Committee is entitled under the Stipulation (*see* Section IV.C(1) below);

(c) Recoveries from all Causes of Action which may lie in favor of one or both of the Debtors[27]; and

(d) Such other sources of funds which may exist as determined by the Liquidating Trustee.

G. Uses of Funds

As set forth in the Plan and in accordance with the Absolute Priority Rule provisions of the Bankruptcy Code, all Allowed Administrative Claims, Priority Tax Claims, Class 1 BMO

[27] The Causes of Action exclude the Director Causes of Action, which exclusion was negotiated in connection with the Stipulation. Pursuant thereto, BIP shall be entitled to pursue the Director Causes of Action on behalf of itself and the Liquidating Trust, remitting any Net Proceeds, after satisfaction of the BIP Secured Claim, to the Liquidating Trust. The Debtors are unaware whether any such Director Causes of Action exist against Messrs. Firrek or Sawyer, each of whom helped to preserve the value of the Debtors' assets and operations for the benefit of all creditors, Q4 shareholders and other interested parties from and after the Criminal Defendants Resignations, and have continued to be extremely helpful, diligent and professional throughout the Chapter 11 Cases in performing all of their duties and obligations as members of the Boards. Without Messrs. Firrek and Sawyer's cooperation and support following the Criminal Defendants Resignations, the Debtors would have been unable to continue their operations, preserve asset values and jobs, and file their Chapter 11 Cases, resulting in immediate closure and destruction of asset values, and likely elimination of any meaningful recoveries from the sale and liquidation of the Debtors' assets.

Secured Claims, Class 2 BIP Secured Claims, and Class 3 Priority Non-Tax Claims must be paid in full before Holders of Allowed Class 4 General Unsecured Claims and Allowed Class 5 Insider Claims can receive any distributions. So too, Allowed Class 4(a) Claims and Class 5(a) Claims, must be paid in full before Holders of Allowed Class 6 and Class 8 Equity Interests can receive any distribution on account of such Equity Interests. Similarly, Allowed Class 4(b) Claims and Class 5(b) Claims must be paid in full before Q4, as the sole Holder of the Class 7 Equity Interest in Stratitude, can receive any distribution on account of such Equity Interest. Pursuant to the Plan and Liquidating Trust Agreement, the Liquidating Trustee will review all Claims of any kind or nature against the Debtors for validity and accuracy.

Upon final allowance and payment of Administrative Claims, Priority Tax Claims, Class 1 BMO Secured Claims, Class 2 BIP Secured Claims, and Class 3 Priority Non-Tax Claims, all remaining funds in the Chapter 11 Cases as of confirmation or received thereafter by the Liquidating Trustee, will be distributed to the Holders of Allowed Class 4 General Unsecured Claims and Allowed Class 5 Insider Claims as provided in Sections I. B(1) and II. D(6) and (7) above, subject only to the payment of the costs and expenses, including reasonable fees and costs incurred by the Liquidating Trustee for attorneys, accountants and other necessary professionals, if any, as more fully set forth in the Liquidating Trust Agreement. Such expenses will consist of the Liquidating Trustee's fees and expenses at the rates agreed to by the Plan Proponents and the Liquidating Trustee, and the legal, accounting and other fees and costs incurred by the Liquidating Trustee associated with carrying out the terms and conditions of the Plan and the Liquidating Trustee Agreement, including the continued liquidation efforts of the remaining assets in the Chapter 11 Cases, the determination and, if necessary, prosecution of objections to Claims, the prosecution of other Causes of Action in favor of the Debtors' Estates, the filing of necessary reports, documents and tax returns on behalf of the Debtors' Estates, and other ordinary and necessary matters related to the Plan and the Liquidating Trust Agreement.

Given the complexities and extent of the matters needed to be resolved by the Liquidating Trustee, and the unknown amount of litigation which may be required to fully consummate the Plan, including the finalization of all anticipated objections to Claims, the Plan Proponents cannot predict the amount of post-confirmation expenses of completing the required liquidation efforts and distributing all remaining funds to the Creditors in the Chapter 11 Cases. At this early stage of the liquidation process, it is not unreasonable to assume that it could take 1 - 2 years or longer to fully consummate the Plan. Hopefully, within that time, there will be sufficient funds on deposit in the Estates to permit interim distributions to the Holders of Allowed General Unsecured Claims and Allowed Insider Claims.

H. Timing of Distributions

Much work needs to be done to complete the liquidation and administration of the Debtors' assets and affairs. Upon confirmation of the Plan, the Liquidating Trustee shall undertake such steps as are necessary to liquidate the Debtors' assets (including prosecution of

any Causes of Action), analyze all Claims in the Chapter 11 Cases, and distribute all Net Proceeds pursuant to the terms and conditions of the Plan and the Liquidating Trust Agreement.

Given the nature of the Liquidating Trust Assets primarily being Causes of Action, it is too early to ascertain or estimate the amount of the projected Net Proceeds or timing of the distributions under the Plan to the Holders of Allowed Priority Tax Claims, Class 3 Priority Non-Tax Claims, Class 4 General Unsecured Claims and Class 5 Insider Claims.

III. OTHER KEY PLAN PROVISIONS

A. PERMANENT INJUNCTION

SECTION 7.18 OF THE PLAN PROVIDES THAT THE CONFIRMATION ORDER SHALL CONSTITUTE A PERMANENT INJUNCTION AGAINST ALL HOLDERS OF CLAIMS AGAINST THE LIQUIDATING TRUSTEE AND THE LIQUIDATING TRUST TO ENSURE THERE ARE NO COLLATERAL ATTACKS AGAINST THE PLAN OR THE ADMINISTRATION OF THE ESTATES. THE PURPOSE OF THE PERMANENT INJUNCTION IS TO AVOID THE NECESSITY OF THE LIQUIDATING TRUST BEING ADMINISTERED IN ANY MANNER OTHER THAN AS SET FORTH IN THE PLAN UNDER THE JURISDICTION OF THE BANKRUPTCY COURT. SPECIFICALLY, HOLDERS OF: (I) ADMINISTRATIVE CLAIMS; (II) PRIORITY TAX CLAIMS; (III) CLASS 1 BMO SECURED CLAIMS; (IV) CLASS 2 BIP SECURED CLAIMS; (V) CLASS 3 PRIORITY NON-TAX CLAIMS; (VI) CLASS 4(A) AND 4(B), Q4 AND STRATITUDE GENERAL UNSECURED CLAIMS, RESPECTIVELY; (VII) CLASS 5(A) AND (B), Q4 AND STRATITUDE INSIDER CLAIMS, RESPECTIVELY; AND CLASSES 6-8 EQUITY INTERESTS, ARE PROHIBITED FROM TAKING ANY ACTIONS AGAINST THE LIQUIDATING TRUSTEE AND THE LIQUIDATING TRUST ARISING OUT OF ANYTHING CONCERNING THE DEBTORS, THEIR ESTATES OR THE CHAPTER 11 CASES. AN IMPORTANT EXCEPTION IS THAT SUCH PERMANENT INJUNCTION DOES NOT IMPAIR ANY PARTIES' RIGHT TO APPEAR OR BRING AN ACTION IN THE BANKRUPTCY COURT TO ENFORCE OR ASSERT ANY RIGHT OR OBLIGATION UNDER THE PLAN OR THE BANKRUPTCY CODE. FURTHER, THE LIQUIDATING TRUSTEE REMAINS LIABLE FOR GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR FRAUD, OR BREACH OF FIDUCIARY DUTY OTHER THAN NEGLIGENCE, AS PROVIDED IN SECTION 7.21 OF THE PLAN AND IN THE LIQUIDATING TRUST AGREEMENT. UNDER ARTICLE X OF THE PLAN, THE BANKRUPTCY COURT RETAINS JURISDICTION OF THE CHAPTER 11 CASES UNDER THE BANKRUPTCY CODE FOR ALL MATTERS ARISING OUT OF, UNDER OR RELATED TO THE DEBTORS, THEIR ESTATES, THE LIQUIDATING TRUST

ASSETS, THE PLAN, THE LIQUIDATING TRUST, AND THE LIQUIDATING TRUSTEE.

B. RELEASES OF ROBERT H. STEELE, MICHAEL A. SILVERMAN, BRADLEY A. BUXTON AND APARNA RADEEKESH

AS PREVIOUSLY STATED, ROBERT H. STEELE IS THE DEBTORS' CEO AND MEMBER OF THE BOARDS. MICHAEL A. SILVERMAN IS THE DEBTORS' CHIEF RESTRUCTURING OFFICER AND MEMBER OF THE BOARDS. BRADLEY A. BUXTON WAS A MEMBER OF THE Q4 BOARD FOR APPROXIMATELY 6 WEEKS (MID-MARCH, 2016 - APRIL 30, 2016). APARNA RADEEKESH WAS AN EMPLOYEE OF Q4 PRIOR TO AND DURING THE CHAPTER 11 CASES.

AS SET FORTH ABOVE, MESSRS. STEELE, SILVERMAN AND BUXTON ALL ACCEPTED THEIR MANAGEMENT ROLES ON BEHALF OF THE DEBTORS, AS THE CASE MAY BE, SUBSEQUENT TO IMPROPER ACTIONS OF THE CRIMINAL DEFENDANTS, THE FILING OF THE CRIMINAL ACTION AGAINST THE CRIMINAL DEFENDANTS, AND THE CRIMINAL DEFENDANTS RESIGNATIONS. NONE WERE MEMBERS OF THE DEBTORS' MANAGEMENT PRIOR THERETO. ALONG WITH MS. RADEEKESH, NONE HAD ANY INVOLVEMENT IN THE CRIMINAL DEFENDANTS' WRONGDOING.[28] MR. SILVERMAN IS A PROFESSIONAL FINANCIAL CONSULTANT SPECIALIZING IN DISTRESSED FINANCIAL MATTERS BROUGHT IN EXCLUSIVELY TO RENDER CONSULTING SERVICES FOR THE DEBTORS IN THAT REGARD. AT BMO'S REQUEST, HIS RETENTION INCLUDED BEING APPOINTED IN MORE OFFICIAL CAPACITIES AS CRO AND A MEMBER OF THE BOARDS. MR. BUXTON ACCEPTED HIS ELECTION AS AN OUTSIDE MEMBER OF THE Q4 BOARD AT MR. STEELE'S REQUEST, BUT UPON FURTHER RECOGNIZING THE TIME COMMITMENT WHICH WOULD BE REQUIRED GIVEN THE DEBTORS' DIFFICULT CIRCUMSTANCES, RESIGNED BEFORE BECOMING ACTIVE IN ANY OF THE DEBTORS' MATTERS.

[28] As set forth in footnote 13 above, following Mr. Steele's sale of EmpowHR to Q4 in 2012, he became an unpaid independent contractor for Q4 in its efforts to enter state-organized public healthcare exchanges. In or around July 2013, he became and remained until his appointment as CEO in December 2016, a full-time, compensated independent contractor for Q4 Health with the unofficial titles of "Chief Sales and Marketing Officer", and later "President". Although the Criminal Defendants' wrongdoings as set forth in the Criminal Action and the SEC Action were not alleged to have extended into Q4 Health, the SEC did interview Mr. Steele in 2016 concerning the Criminal Defendants' actions. Mr. Steele has, at all times continuing to date, fully cooperated with the DOJ and SEC, and at no time has either agency stated or even intimated that Mr. Steele had any part in the Criminal Defendants' wrongdoings and in fact, recognized Mr. Steele as a victim of the Criminal Defendants' actions.

ALL OF MESSRS. STEELE'S, SILVERMAN'S AND BUXTON'S, AND MS. RADEEKESH'S, SERVICES WERE PERFORMED WITH THE SUPPORT OF THE DEBTORS' MANAGEMENT REMAINING AFTER THE CRIMINAL DEFENDANTS RESIGNATIONS; WITH THE FULL SUPPORT OF BMO, THE DEBTORS' PRIMARY SECURED LENDER; AND FOR THE SOLE PURPOSE OF STABILIZING THE DEBTORS' OPERATIONS FOLLOWING THE ARRESTS OF THE CRIMINAL DEFENDANTS AND FILING OF THE CRIMINAL ACTION, AND MAXIMIZING THE VALUE OF THE DEBTORS' ASSETS AND BUSINESSES FOR THE BENEFIT OF ALL CREDITORS AND OTHER INTERESTED PARTIES.

THE COMMITTEE HAS ACTIVELY PARTICIPATED AND PLAYED A KEY ROLE IN EVERY ASPECT OF THE CHAPTER 11 CASES SINCE THEIR INCEPTION WHICH OCCURRED WITHIN ONE WEEK OF THE Q4 PETITION DATE. AS SUCH, THE COMMITTEE HAS WORKED CLOSELY WITH MESSRS. STEELE AND SILVERMAN AND MS. RADEEKESH ON A REGULAR, AND AT TIMES, DAILY, BASIS. THE DEBTORS, THE COMMITTEE AND THE SECURED CREDITORS ARE TOTALLY UNAWARE OF ANY MATTERS WHICH COULD GIVE RISE TO ANY CAUSE OF ACTION AGAINST MESSRS. STEELE, SILVERMAN OR BUXTON, OR MS. RADEEKESH. THE PLAN PROPONENTS BELIEVE IT APPROPRIATE IN LIGHT OF THEIR VALUABLE SERVICE TO THE DEBTORS' ESTATES AND THE CREDITORS IN THE CHAPTER 11 CASES, AND MR. BUXTON'S SHORT TENURE ON THE Q4 BOARD, THAT THEY BE GRANTED RELEASES AS PART OF THE PLAN.

THROUGHOUT THE CHAPTER 11 CASES, THE SERVICES OF MESSRS. STEELE AND SILVERMAN AND MS. RADEEKESH HAVE BEEN CRITICAL. THE DEBTORS' MANAGEMENT TEAM HAS ALWAYS BEEN SMALL, AND IN THEIR RESPECTIVE CAPACITIES, MESSRS. STEELE AND SILVERMAN HAVE A UNIQUE UNDERSTANDING, BACKGROUND AND KNOWLEDGE OF THE DEBTORS' ASSETS, LIABILITIES, OPERATIONS, BOOKS, RECORDS, AND FINANCIAL AFFAIRS. SIMILARLY, MS. RADEEKESH HAS WORKED CLOSELY WITH MESSRS. STEELE AND SILVERMAN IN EXECUTING THE DEBTORS' DAY-TO-DAY OPERATIONS DURING THE CHAPTER 11 CASES. THEIR CONTRIBUTIONS WERE, AND ARE, CRITICAL TO THE CONTINUED MAINTENANCE AND PRESERVATION OF THE DEBTORS' ASSETS, AND THE MAXIMIZATION OF THE VALUE OF THE DEBTORS' REMAINING ASSETS, FOR THE BENEFIT OF ALL CREDITORS AND OTHER INTERESTED PARTIES IN THE CHAPTER 11 CASES.

GIVEN THE DEBTORS' CURRENT AND PROJECTED LIQUIDATION EFFORTS, ALL OF THE DEBTORS' EMPLOYEES, WITH THE EXCEPTION OF MR. STEELE AND MS. RADEEKESH, HAVE LEFT THE DEBTORS' EMPLOY. MR. STEELE'S AND MS. RADEEKESH'S EMPLOYMENT BY THE DEBTORS WILL END

ON THE EFFECTIVE DATE OF THE PLAN. FOLLOWING CONFIRMATION OF THE PLAN, THE PLAN PROPONENTS BELIEVE MR. STEELE'S, AND POSSIBLY MS. RADEEKESH'S, UNDERSTANDING, BACKGROUND AND KNOWLEDGE OF THE DEBTORS WILL BE ESSENTIAL TO THE LIQUIDATING TRUSTEE.

IN FURTHERANCE THEREOF, MR. STEELE AMD MS. RADEEKESH HAVE INDICATED THEIR WILLINGNESS TO PROVIDE INDEPENDENT CONTRACTING SERVICES TO THE LIQUIDATING TRUSTEE FOLLOWING THE EFFECTIVE DATE OF THE PLAN AS ARE REQUESTED AND REASONABLE UNDER THE CIRCUMSTANCES AT SUCH RATE OF COMPENSATION AS THE LIQUIDATING TRUSTEE AND EACH OF THEM MAY MUTUALLY AGREE.

C. OTHER RELEASES

THE PLAN ALSO PROVIDES FOR THE RELEASES OF BMO, BIP, THE COMMITTEE AND ITS MEMBERS, AS WELL AS THE PRIMARY PROFESSIONALS IN THE CHAPTER 11 CASES, SILVERMAN CONSULTING, A&G, LIVINGSTONE, AND SFGH, AND EACH OF THEIR RESPECTIVE PRINCIPALS, EMPLOYEES, AGENTS, OFFICERS, DIRECTORS, SHAREHOLDERS, PROFESSIONALS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, OF CLAIMS ARISING PRIOR TO THE EFFECTIVE DATE. SUCH PARTIES ARE NOT IMPLICATED IN THE CRIMINAL ACTION OR ACTIVITIES OF THE CRIMINAL DEFENDANTS, AND IN ADDITION, ARE RELEASED IN ACKNOWLEDGEMENT OF AND EXCHANGE FOR SERVICES AND ACTIVITIES RENDERED TO AND/OR ON BEHALF OF THE ESTATES PRIOR TO THE EFFECTIVE DATE OF THE PLAN.

THE FOREGOING IS A BRIEF SUMMARY OF THE PLAN AND SHOULD NOT BE RELIED ON FOR VOTING PURPOSES. CREDITORS ARE URGED TO READ THE PLAN IN FULL. CREDITORS ARE FURTHER URGED TO CONSULT WITH COUNSEL, OR WITH EACH OTHER, IN ORDER TO FULLY UNDERSTAND THE PLAN. THE PLAN IS COMPLEX INASMUCH AS IT REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BY THE PLAN PROPONENTS AND AN INTELLIGENT JUDGMENT CONCERNING SUCH PLAN CANNOT BE MADE WITHOUT UNDERSTANDING IT.

IV. HISTORY OF THE CHAPTER 11 CASES

Following the Criminal Defendant's arrests, the filing of the Criminal Action, the Criminal Defendants Resignations, the issuance of the BMO and BIP respective Notice of Default Letters, continuing operating losses and dwindling operating funds, it was clear that the

Debtors' new management needed to first stabilize the business while analyzing how the Debtors should and could proceed. Given the damage done to the Debtors' business operations, and customer, employee and vendor relationships, such analysis promptly showed that the only feasible approach which would be in the best interests of the Debtors' creditors, employees and Q4 shareholders would be to continue operating Q4's eight (8) distinct business units (collectively, the "**Business Units**"), including its wholly-owned subsidiary, Stratitude, as efficiently and effectively as possible while simultaneously marketing each of the Business Units for sale as going concerns. With the continued financing of BMO, the Debtors initiated such marketing efforts by retaining investment bankers (Livingstone) and financial consultants (Silverman Consulting).

After months of marketing efforts, it became clear that the only realistic manner in which to conduct and finalize a competitive bidding process for the benefit of the Debtors' Estates would be to offer the assets of each of the Business Units for sale pursuant to Chapter 11 sale procedures. Upon receiving acceptable written bids for five (5) of Q4's Business Units, as more fully described below, BMO agreed to provide the necessary Chapter 11 funding, and the Q4 Chapter 11 Case was filed on June 29, 2017. Because of numerous factors more fully described below affecting Q4's remaining Business Units, including the "Stratitude Assets" (defined below), Q4's management decided, with the support of the Secured Lenders and the Committee, to proceed first with the "Initial Business Units Sale" (defined below), and follow that up as soon as practicable with all other necessary sale and liquidation efforts, including a later filing of the Stratitude Chapter 11 Case. Moreover, while the remaining Q4 Business Units and Stratitude were certainly thought to have value, it was the "Five Business Units" (defined below) which generated the vast majority of Q4's revenues and thought to have the most value. They were also the Business Units with the greatest customer and labor-force flight risks.

Within one day of the Q4 Petition Date, Q4 filed seven (7) different motions needed to continue its operations and commence the sale process. Five of these motions were standard "first day" motions necessary to facilitate a successful start to any Chapter 11 case: authorize debtor-in-possession funding from BMO; pay certain pre-petition priority wage Claims; maintain existing bank accounts and business records; extend the time to file the Schedules and Statement of Financial Affairs; and establish procedures to ensure continued utility services (all such motions were subsequently granted by orders of the Bankruptcy Court). A sixth motion was filed to authorize the payment of prepetition obligations to the U.S. Department of Homeland Security and other governmental agencies to ensure the ability of Q4's foreign workers to continue servicing Q4's customers (also granted by order of the Bankruptcy Court). The seventh motion, the "**Sale Motion**" filed on June 30, 2017 [Docket No. 19], is addressed below.

The Debtors' efforts thereafter in the Chapter 11 Cases to date can be generally described in the following categories:

(a) Sale of the Five Business Units and related difficulties concerning Q4's Indian

subcontractors ("**Master Services Agreement Issues**");

(b) Sale of Stratitude's assets and business ("**Stratitude Sale**");

(c) Settlement and modification of the TriZetto License Agreement (the "**TriZetto Settlement**");

(d) Sale of Q4's remaining assets (the "**Residual Assets Sale**");

(e) Settlement and termination of the First Tek India Master Services Agreement ("**First Tek India MSA Termination**");

(f) Miscellaneous ordinary and customary matters arising throughout the Chapter 11 Cases ("**Miscellaneous Matters**"); and

(g) Formulation and preparation of the Plan, this Disclosure Statement and other actions taken in connection with an orderly conclusion to the Chapter 11 Cases.

A. Initial Business Unit Sales

1. Sale Motion.

The Sale Motion, filed on June 30, 2017, sought the Bankruptcy Court's approval of a proposed sale and bidding process under Section 363 of the Bankruptcy Code (**"363 Sale(s)"**) for five (5) of Q4's Business Units (collectively, the "**Five Business Units**"), and authorizing Q4's acceptance of five (5) "stalking-horse bids" (subject to further competitive bidding), one for each of the Five Business Units commonly known as: (1) "**Legacy Staffing**"; (2) "**U.S. Solutions**"; (3) "**Hybrid Solutions**"; (4) "**India Solutions**"; and (5) "**QEDU Education Platform**" (collectively, the "**Stalking-Horse Bids**" or the "**Stalking-Horse Bidders**"). Copies of each of the Stalking-Horse Bids were attached as exhibits to the Sale Motion, and, in the aggregate, had purchase prices totaling $7,400,000.00.

Time was very much of the essence insofar as the uncertainty created by the actions of the Criminal Defendants and the resulting financial pressures on Q4, together with the typical uncertainty accompanying any Chapter 11 filing, created a very real risk of Q4 losing its customers and skilled labor force. Being in the IT industry, in addition to its intellectual property assets, Q4's other critical "assets" were people – consultants, programmers, etc. Most of Q4's employees were readily employable given their technology skills and knowledge. Q4's customers included some of the biggest names in the IT industry and needed to know if their needs would continue to be served without disruption. In fact, many of Q4's employees and subcontracted personnel actually worked on site at a customer's location, making it very easy for the customer to simply hire that person to ensure uninterrupted service. All in all, Q4's new management was under extremely tight time constraints if they had any chance to preserve the

value of the Five Business Units.

On July 11, 2017, the Bankruptcy Court entered an order approving the Sale Motion and setting forth the procedures, terms and conditions of Q4's sale of the Five Business Units [Docket No. 53] (the "**Bidding Procedures Order**"). The Bidding Procedures Order included a detailed description of the bidding procedures governing the 363 Sales and the bidding by the Stalking-Horse Bidders and any competing bidders. Among other things, the Bidding Procedures Order scheduled August 8, 2017 as the last day to submit a "qualifying" bid for all or any of the Five Business Units ("**Bid Deadline**"); August 14, 2017 as the auction date for the Five Business Units (the "**Auction**"); and August 17, 2017 as the hearing to approve the highest-and-best bids received at the Auction for each of the Five Business Units (the "**Sale Hearing**").

The term "stalking-horse bid" is not defined in the Bankruptcy Code, but has become the generally used term of art for an initial bid which serves as the starting point and minimum purchase price for all future bids in the context of a 363 sale. While a debtor can conduct a 363 Sale without a stalking-horse bid, having one generally facilitates the sale process and helps maximize the value of the assets being sold. To encourage buyers to submit a bid which can be a stalking-horse bid, courts commonly allow that bidder to have two forms of protection: (1) overbid protection (often equal to 10% of the original bid amount) which requires competing bidders to bid an amount in excess of the stalking-horse bid plus the overbid amount; and (2) a "break up" fee which enables the stalking-horse bidder to be reimbursed some of its fees and costs incurred in helping initiate the sale process by setting a floor if that bidder is not the winning bidder at the auction. Here, the Bidding Procedures Order granted stalking-horse protection to the two parties which had submitted the Stalking-Horse Bids: Aspire Systems, Inc., an Oregon corporation ("**Aspire**"), for the U.S. Solutions and Hybrid Solutions Business Units; and First Tek, Inc., a New Jersey corporation ("**First Tek**"), for the Legacy Staffing, India Solutions and QEDU Education Platform Business Units.

Immediately following entry of the Bidding Procedures Order, Q4 sent all requisite notices out to all creditors, known prospective bidders, and other parties in interest setting forth the bidding procedures and relevant dates. At the same time, Q4's investment bankers and financial consultants aggressively continued their prior marketing efforts.

2. <u>Master Service Agreement Issues.</u>

While such marketing efforts continued, an emergency arose within two weeks after entry of the Bidding Procedures Order that threatened to shut down Q4's entire business and terminate its efforts to sell the Business Units. This emergency concerned Q4's Indian subcontractor which provided approximately 300 highly skilled consultants and programmers required for Q4 to operate its business ("**Indian Labor Force**"). Q4 did not employ any persons in India. To provide the necessary services for its customers, Q4, under the direction of the Criminal Defendants, had entered into a Master Services Agreement dated January 1, 2014 with

Quadrantfour Software Solutions Private Limited, an Indian corporation ("**Q4 India**" or the "**Q4 India MSA**"), under *ostensibly* different management from Q4.[29] Pursuant to the Q4 India MSA, Q4 India was the key supplier and subcontractor of computer related consulting and programming services to Q4. Without the Indian Labor Force, Q4 could not operate its business.

While Q4's management, Livingstone and Silverman Consulting were soliciting letters of intent for all or some of Q4's and Stratitude's assets and businesses in the months preceding the Q4 Petition Date, Q4 India's representatives indicated an interest in acquiring all of Q4's Business Units. To that end, Q4 India was encouraged to submit a letter of intent for all or such of the Business Units as it desired. On or about April 3, 2017, C2C Innovations Pvt. Ltd, an Indian corporation ("**C2C**"), which Q4 India representatives said owned Q4 India, submitted a letter of intent for much of Q4's assets ("**C2C LOI**"), but included the ominous statement that if C2C was not the successful purchaser of these assets, it "would unfortunately reassign its resources to more profitable work and ultimately cease to provide services to [Q4]. We regret the impact this would have on [Q4's customers], but have every expectation that this Binding Offer [the C2C LOI] would be accepted." This threat was not taken lightly by Q4's management which realized that, in fact, Q4 India could cause Q4 to literally close overnight by simply instructing its employees to stop working on Q4 assignments. Moreover, any sudden shut down would leave Q4 with insufficient time and resources to find replacement consultants and programmers before customers would go elsewhere (or hire such personnel themselves).

Exacerbating the problem were two other issues: (1) Q4 India continued to invoice Q4 amounts it had billed under the Criminal Defendants' management of Q4 which Q4's new management determined were well in excess of the proper amounts (following the Criminal Defendants Resignations, Q4 paid a lesser amount its new management believed appropriate, while the parties' dispute remained unresolved); and (2) certain Q4 India employees and managers had advised Q4 that Q4 India was not current on Q4 India's leased office space or utility obligations. Q4 India's financial instability further threatened Q4's business and ability to utilize the Indian Labor Force under the Q4 India MSA.

As discussions with the Stalking-Horse Bidders progressed in the two months prior to the Q4 Petition Date, the discussions with Q4 India representatives did not. Matters were becoming even tenser as the Q4 India representatives became increasingly aware their bidding efforts were falling far short of the Stalking-Horse Bids. Comments from Q4 India management continued about potentially pulling the Indian Labor Force from Q4 customer projects if Q4 India could not become the stalking-horse bidder. When the Q4 Chapter 11 Case and the Sale Motion were filed, it was clear that while Q4 would welcome Q4 India to bid at the Auction, Q4 India no longer

[29] Among the allegations in the SEC Action is that the Criminal Defendants directly and/or indirectly controlled Q4 India. The SEC Action has numerous other allegations questioning transactions between Q4 and Q4 India during the Criminal Defendants' involvement. Other connections, including a familial relationship between Thondavadi and a representative of "C2C" (defined below), seemed to exist as well. Q4 India's current ownership, management and operational status are unknown.

could get stalking-horse status.

Learning of Q4's difficulties with Q4 India, both Aspire and First Tek also became greatly concerned that Q4 India's inability or unwillingness to provide the services would completely undermine the viability of their Stalking-Horse Bids. Each suggested it would formally take over the duties and obligations arising under the Q4 India MSA to ensure that Q4's businesses could be maintained as best as possible in the ordinary course pending the 363 Sales.

To preserve the value of its assets for the benefit of its creditors and other interested parties, Q4 negotiated a letter agreement in late July 2017 with First Tek Services Private Limited ("**First Tek India**"), an affiliate of First Tek and one of the Stalking-Horse Bidders, which had already proceeded to acquire the necessary facilities in India. Pursuant thereto, First Tek India would temporarily provide the independent contracting services necessary to replace the services being provided under the Q4 India MSA by employing the Indian Labor Force (the "**First Tek India MSA**"). To effectuate this transition, on July 26, 2017, Q4 filed two motions in the Q4 Chapter 11 Case under the applicable provisions of the Bankruptcy Code – one seeking to enter into the First Tek India MSA and the other seeking to reject the Q4 India MSA. Despite efforts by Q4 India to derail the proposed transition to First Tek as well as the 363 Sales, Q4 was successful in obtaining the entry of court orders on August 1, 2017 authorizing the First Tek India MSA [Docket No. 94] and rejecting the Q4 India MSA [Docket No. 95]. Most of the Indian Labor Force voluntarily gave their resignations to Q4 India and accepted positions with First Tek India. In sum, Q4's businesses requiring use of the Indian Labor Force were preserved and the 363 Sales could proceed unimpeded.

3. August 14, 2017 Auction.

As of the Bid Deadline (August 8, 2017), and through the aggressive efforts of Q4's management, Livingstone and Silverman Consulting, Q4 received sixteen (16) bids, including the Stalking-Horse Bids, from five (5) parties who, under the Bidding Procedures Order, were deemed Qualified Bidders, including the two Stalking-Horse Bidders. A total of $2,914,600 in earnest-money deposits was received representing all required deposits.

Of the 16 bids received, nine were submitted by three bidders, each of whom were bidding on U.S. Solutions, Hybrid Solutions and India Solutions (collectively, the "**Solutions Business Units**"). The bids for all of the Solutions Business Units combined ranged from $4,750,000.00 to $5,130,000.00. Including the Stalking-Horse Bidder for the Staffing Business Unit, there were two other bids received for the Staffing Business Unit. The bids ranged from $2 million to $2.2 million.

No additional bids were received for the QEDU Education Platform, meaning that under the Bidding Procedures Order, the Auction was cancelled as to this Business Unit, and the Stalking-Horse Bid of First Tek became the winning bid.

At the Auction, there were 28 rounds of bidding for the Solutions Business Units in bulk. It was determined and agreed upon by all parties that it made no sense to solicit bids for the Solutions Business Units individually since each bidder wanted all three Solutions Business Units. The winning bid for the Solutions Business Units was submitted by Aspire in the amount of $9,790,000.00, more than two times the amount of Aspire's Stalking-Horse Bids for the primary Solutions Business Units (U.S. and Hybrid).

There were 10 rounds of bidding for the Staffing Business Unit. The winning bid for the Staffing Business Unit was submitted by Intellyk, Inc., a New Jersey corporation, in the amount of $3,470,000.00, representing an almost 75% increase over the Stalking-Horse Bid received for this Business Unit.

In all, the Auction for the Solutions and Staffing Business Units lasted 13 hours and was attended by approximately 40 individuals, most of who stayed until the end. The winning bids accepted at the Auction totaled almost $14 million, almost twice as much as the Stalking-Horse Bids combined.

Over the objection of Q4 India, the Bankruptcy Court approved each of the winning bids by entry of orders on August 18, 2017 [Docket Nos. 123, 124 & 126]. The sales of each of the Five Business Units closed later on the afternoon of August 18, 2017.

B. Stratitude Sale

Following the August 2018 closings of the Five Business Units, Q4's attention moved to a sale of Stratitude's assets ("**Stratitude Assets**"). Although the Stratitude Assets had been marketed from more or less the beginning of 2017 by Q4, Livingstone and Silverman Consulting, there were complications emanating from the "Stratitude/Agama Transactions" (defined below) engineered by the Criminal Defendants. These complications necessitated certain analysis and actions before the Stratitude Chapter 11 Case could be filed and a 363 Sale implemented for the Stratitude Assets.

Q4 acquired the ownership of Stratitude on November 3, 2016 ("**Stratitude/Agama Closing**"), whereby: (a) Q4 acquired all of the issued and outstanding common stock of Stratitude pursuant to that certain Stock Purchase Agreement dated as of November 3, 2016 between "Stratitude, Inc. and The Shareholders of Stratitude, Inc.", as sellers, and Q4, as purchaser, for approximately $6.2 million (the "**Stratitude SPA**"); and (b) concurrently therewith and as a condition thereof, Stratitude acquired certain of the assets of Agama

Solutions, Inc., a California corporation ("**Agama**"), pursuant to that certain Asset Purchase Agreement dated as of November 3, 2016 between Agama, as seller, and Stratitude, as purchaser (the "**Agama APA**", and together with the Stratitude SPA, the "**Stratitude/Agama Transactions**"). Prior to the Stratitude/Agama Closing, both Stratitude and Agama had been under common management and ownership,[30] which, to the best of the Debtors' new management's knowledge, were separate and distinct from the management and ownership of Q4.

Although Stratitude, for the most part, had operated on a break-even basis from and after the Stratitude/Agama Closing, it faced increasing customer and employee[31] flight risks as the Q4 Chapter 11 Case progressed, given the overall uncertainty of Q4's ability to continue operating and its ownership of Stratitude. However, as more fully described below (*see* Section V), the intermingling of Stratitude and Agama operations by Stratitude Former Management (who remained owners of Agama), and the need to separate the physical and financial operations from one another, impaired the ability of Q4, Livingstone and Silverman Consulting to market the Stratitude Assets insofar as certain of the asset values could not readily be ascertained.

As the marketing process progressed throughout late summer 2017, the Debtors generated significant interest in the sale of the Stratitude Assets from three prospective purchasers, and some interest from others. Within one week of the Stratitude Petition Date, Stratitude received a proposed stalking-horse bid from First Tek dated October 20, 2017, in the amount of $1,500,000.00 ("**First Tek Stalking-Horse Bid**"). On October 24, 2017, Stratitude filed its motion to commence the 363 Sale process, requesting approval of substantially similar procedures to those Q4 employed in selling the Five Business Units (the "**Stratitude Sale Motion**") [Docket No. 196].

On October 31, 2017, the Bankruptcy Court entered an order approving the Stratitude Sale Motion and setting forth the procedures, terms and conditions of Stratitude's sale of the Stratitude Assets [Docket No. 208] (the "**Stratitude Bidding Procedures Order**"). The Stratitude Bidding Procedures Order, among other things, set November 20, 2017 as the last day to submit a "qualifying bid" for all or any of the Stratitude Assets ("**Stratitude Bid Deadline**"); November 28, 2017 as the auction date for the Stratitude Assets (the "**Stratitude Auction**"); and November 30, 2017 as the hearing to approve the highest-and-best bids received at the Stratitude Auction (the "**Stratitude Sale Hearing**").

[30] To the best of Q4's knowledge, Stratitude and Agama were each owned by Ashish Sanan ("**Sanan**"); Pankaj Kalra who served as Agama's CEO ("**Kalra**"); and Khannan Sankaran, who served as Stratitude's CEO ("**Sankaran**", and collectively, the "**Former Stratitude Shareholders**"). Following the Stratitude/Agama Closing, the Criminal Defendants had Stratitude employ Sankaran to manage Stratitude's day-to-day operations, notwithstanding his continued ownership interest in Agama ("**Stratitude Former Management**").

[31] Stratitude did not need the Indian Labor Force as all of its employees were U.S.-based.

In addition to the First Tek Stalking-Horse Bid, Stratitude received two other qualifying bids by the Stratitude Bid Deadline, including one from JA Tech, Inc., a New Jersey corporation ("**JA Tech**"), dated November 20, 2017, in the amount of $1,700,000.00 plus a sum equal to certain outstanding accounts receivable to be determined as of closing (the "**JA Tech Offer**"). At the Stratitude Auction, which was attended by approximately 17 people, the JA Tech Offer was declared the winning bid insofar as neither First Tek nor the other bidder submitted further bids. On December 1, 2017, the Bankruptcy Court entered an order authorizing the sale of the Stratitude Assets to JA Tech pursuant to the JA Tech Offer ("**Stratitude Sale Order**") [Docket No. 253], and the transaction closed on December 4, 2017, effective as of December 1, 2017.

Including an additional $127,018.00 received from at the closing of the JA Tech Offer for accounts receivable owing Stratitude, subject to a post-closing reconciliation thereof ("**Receivable Reconciliation**"), Stratitude received total sales proceeds of $1,827,018.00. Under the terms of the JA Tech Offer, the sum of $300,000.00 represented a holdback pending the final determination of the Receivable Reconciliation which was expected to occur within approximately 2 - 4 weeks. Pursuant to the agreement between Stratitude and BMO, the Debtors were authorized to use up to the sum of $512,017.00 of the sales proceeds for payment of related obligations under the First Tek India MSA and the remaining balance for the Debtors' operations in the Chapter 11 Cases.

Subsequently, disputes arose between Stratitude and JA Tech over the Receivable Reconciliation, which were resolved by the parties, with the consent of the Secured Lenders and the Committee, on or about March 15, 2018. Pursuant thereto, the Debtors remitted $48,197.75 of the $300,000.00 holdback to JA Tech, with the balance of $251,802.25 disbursed to BMO in consideration of its liens and pursuant to the Stratitude Sale Order.

C. TriZetto Settlement

The efforts of Q4 to achieve the TriZetto Settlement were by the far the most contested, heavily litigated aspect of the Chapter 11 Cases to date, insofar as it dealt with what arguably was the largest asset in the Chapter 11 Cases – the TriZetto License Agreement. Ultimately, a settlement, described below, was reached on February 6, 2018, with the support of all parties, but it came only after the intense litigation efforts described below.

Following Q4's acquisition of EmpowHR from Mr. Steele in 2012, and with his assistance, Q4 began to develop a new software product for use in the healthcare industry. After years of effort, Q4 was ultimately able to successfully launch a new healthcare administration software product under the name "QHIX", which it then began to market to large companies providing administrative services to insurance companies ("**QHIX Source Code**"). Essentially, QHIX is a healthcare IT ecosystem with applications for all stakeholders, including employers, employees, brokers, insurance companies, health plans and third-party administrators.

On or about March 2, 2016, Q4 and TriZetto Corporation ("**TriZetto**")[32], an international provider of software solutions and related products for the healthcare industry, entered into that certain Source Code License and Services Agreement ("**TriZetto License Agreement**"), pursuant to which Q4 agreed to grant TriZetto a license to use certain Q4 software products, including the QHIX Source Code, and Q4 would provide certain services to TriZetto related thereto. In exchange, TriZetto agreed to, among other things, pay Q4 a "royalty" (collectively, the "**TriZetto Royalty Payments**") and other fees for services rendered. Based upon the parties' projections, it was thought that the total TriZetto Royalty Payments under the TriZetto License Agreement could reach $90 million or more over an 8+ year period, depending on the number of TriZetto customers using the Licenses. There were no minimum royalties guaranteed, and it was unknown if or when TriZetto would be successful in selling the licensed products to its customers. Under the TriZetto License Agreement, TriZetto did make an initial payment to Q4 of approximately $3 million at the time the TriZetto License Agreement was signed.

It is important to note that under the TriZetto License Agreement, the Licenses were exclusive to TriZetto in the "Target Market", which was defined as the as "the market consisting of software products and related services offered to health plans (including standalone dental and other ancillary benefit providers) with a membership of 75,000 members or greater". As to all other markets ("**Non-Exclusive Markets**"), TriZetto did not have an exclusive right to use the Licenses and Q4 was free to market and sell the Licenses to any parties in the Non-Exclusive Markets. Significantly, Q4's right to sell Licenses in the Non-Exclusive Market remained a part of its "Residual Assets" (defined below).

Almost immediately after the resignation of the Criminal Defendants, disputes arose between Q4 and TriZetto over their respective performance under the TriZetto License Agreement. These disputes continued throughout much of 2017, and centered on: (1) TriZetto's employment of certain individuals in the Indian Labor Force, which Q4 believed violated certain provisions of the TriZetto License Agreement; (2) TriZetto's allegations that Q4 had failed to perform certain of the services required of Q4 under the TriZetto License Agreement before and after the Criminal Defendants Resignations; and (3) Q4's allegations that TriZetto had failed, and continued to fail, to remit service fees earned by Q4 under the TriZetto License Agreement. Although the parties continued their discussions throughout the year, the failure to reach any mutual accommodation resulted in Q4 taking the following actions: (a) on June 2, 2017, Q4's counsel sent TriZetto a letter setting forth Q4's demand that TriZetto (i) cease and desist from employing individuals in violation of the TriZetto License Agreement, and (ii) remit the sum of $200,000.00 due and owing Q4 for services rendered to TriZetto; and (b) on June 15, 2017, Q4's counsel sent TriZetto a follow-up letter demanding payment of unpaid fees which were then-calculated to be approximately $339,000.00. Following these demands, TriZetto did begin

[32] During the course of the Chapter 11 Cases, TriZetto changed its name to Cognizant TriZetto Software Group, Inc.

making partial payments to Q4 for services rendered, but disputes over the employment issues and other fees continued.

At the same time, Q4, Livingstone and Silverman Consulting were continuing to market Q4's healthcare industry-related assets (collectively "**Q4 Health Business Unit**"), which had first begun in January 2017. The assets of the Q4 Health Business Unit included Q4's right, title and interest in and to four (4) distinct segments: (1) the TriZetto License Agreement; (2) the QHIX Source Code, product, technology and commercial business ("**QHIX Healthcare Platform**"); (3) the EmpowHR product, technology and commercial business; and (4) Non-Exclusive Markets licensing of the QHIX and/or EmpowHR technology.

While discussions between representatives of Q4 and TriZetto continued concerning a possible acquisition by TriZetto of the TriZetto License Agreement and possibly other assets in the Q4 Health Business Unit, little progress was being made, and the parties' disputes referenced above continued. Through September 2017, discussions between Q4 and TriZetto occurred intermittently, and none had progressed beyond an offer by TriZetto during the summer to pay $2 million to acquire Q4's interests in the TriZetto License Agreement and the QHIX Source Code, an amount Q4 felt was wholly inadequate.

Ultimately, Q4 filed a motion in the Q4 Chapter 11 Case under Bankruptcy Rule 2004 on September 25, 2017 [Docket No. 182], seeking an examination of TriZetto's books and records concerning the License ("**2004 Motion**"). Such an examination is often a prelude to litigation, which Q4 was prepared to commence if necessary to enforce its rights under the TriZetto License Agreement. On September 28, 2017, the Bankruptcy Court entered an order approving the 2004 Motion [Docket No. 186].

Significantly, despite TriZetto's marketing efforts, at no time during 2016 - 2017 had TriZetto yet achieved sufficient sales of the Licenses of the QHIX Source Code under the TriZetto License Agreement to trigger the obligation to pay any TriZetto Royalty Payments. Accordingly, by September 2017, Q4 still had yet to receive <u>any</u> TriZetto Royalty Payments. Nonetheless, the prospect of up to $90 million in TriZetto Royalty Payments over the succeeding years loomed large in the Q4 Chapter 11 Case.

Due to Q4's inability to fully service the TriZetto License Agreement, and the complete lack of any viable offers for the Q4 Health Business Unit, in whole or in part, Q4 and its professionals began exploring a settlement and buy-down with TriZetto in September, 2017. This meant that Q4 would try to monetize the potential royalty stream under the TriZetto License Agreement so that rather than risk whether TriZetto would ever sell sufficient products to generate TriZetto Royalty Payments, the parties would agree on a fixed stream of TriZetto Royalty Payments not dependent on any sales by TriZetto – in other words, obtaining certainty in exchange for an indeterminate, and potentially, worthless asset.

Throughout 2017 and during Q4's periodic discussions with TriZetto, Q4, Livingstone and Silverman Consulting continued aggressively marketing the Q4 Health Business Unit for sale, in whole or in part. As a result of these efforts, by the end of 2017, approximately twenty-five (25) potential buyers and their advisors had received access to the Livingstone data room to conduct detailed due diligence on the Q4 Health Business Unit, including the QHIX Healthcare Platform. Livingstone hosted and/or facilitated multiple different buyers for diligence session calls, product demonstrations, and meetings with Q4's management. Livingstone also worked closely with Mr. Steele and Silverman Consulting to evaluate non-binding indications of interest received by Q4.

Despite the efforts of Livingstone and Silverman Consulting, and companion marketing efforts conducted directly by Mr. Steele, by the end of 2017, Q4 had not received any offers for purchase of Q4's rights under the TriZetto License Agreement, the QHIX Healthcare Platform or any of the other assets in the Q4 Health Business Unit. The problems faced included the fact that Q4 had lost key employees and subcontractors that helped develop the QHIX Source Code and QHIX Healthcare Platform. Further, Q4 had been unable to update the QHIX Source Code for over twelve (12) months due to the loss of such employees/subcontractors and Q4's limited funding and concerted efforts in connection with other matters in the Chapter 11 Cases.

Perhaps most significantly, there was no guarantee that TriZetto would ever use the Licenses, without which no TriZetto Royalty Payments would ever become due. There was no minimal use required under the TriZetto License Agreement that would trigger an absolute right to any royalties, and moreover, given the size of TriZetto, it clearly had the ability to develop its own software product obviating the need for any use of the QHIX Source Code. In fact, TriZetto had made clear on numerous occasions that it was exploring the development of its own product which could render the TriZetto License Agreement worthless to Q4's Estate. Q4's and its professionals' marketing efforts found that potential bidders were not interested in paying millions of dollars for an asset that might not exist without TriZetto's cooperation, or buying what could be in effect a lawsuit with TriZetto concerning the TriZetto License Agreement.

Ultimately, following months of negotiations, Q4 was able to reach an agreement with TriZetto to modify the TriZetto License Agreement, whereby TriZetto would make a fixed number and amount of TriZetto Royalty Payments totaling $10 million over approximately 3 years. This agreement was reflected in that certain TriZetto Modification Agreement (Source Code License and Services Agreement), dated as of January 15, 2018 between Q4 and TriZetto ("**TriZetto Modification Agreement**"). To that end, Q4 filed a motion to approve the TriZetto Modification Agreement with the Bankruptcy Court on January 16, 2018, with the support of BMO, which continued to hold senior liens in and to any royalty stream ("**TriZetto Settlement Motion**") [Docket No. 269]. Q4 scheduled its initial presentation of the TriZetto Settlement Motion before the Bankruptcy Court for January 23, 2018. The TriZetto Modification Agreement

revised the TriZetto License Agreement to provide for the payment of the $10,000,000.00 to be remitted to Q4 (or a successor liquidating trust) as follows:

(a) Initial payment of $1,500,000.00 payable within 7 business days after the entry of an order approving the TriZetto Settlement Motion ("**2018 First Installment**");

(b) Second payment of $1,500,000.00 payable on the later of January 15, 2018 or 7 business days after the entry of an order approving the TriZetto Settlement Motion ("**2018 Second Installment**");

(c) Third payment of $3,000,000.00 payable on or before January 15, 2019 ("**2019 Installment**");

(d) Fourth payment of $2,000,000.00 payable on or before January 15, 2020;

(e) Fifth payment of $1,500,000.00 payable on or before January 15, 2021; and a

(f) Sixth payment of $500,000.00 payable on or before January 15, 2021, but subject to a right of setoff in favor of TriZetto if TriZetto sustains any losses concerning intellectual property representations and warranties made by Q4 under the TriZetto Modification Agreement, which Q4 does not believe should arise.

Upon the filing of the TriZetto Settlement Motion, Q4 believed that it would be supported by BIP and the Committee who were each having independent negotiations with BMO over a possible sharing of the monies to be received under the TriZetto Modification Agreement. Prior to the hearing on January 23, it became clear that such support from BIP and the Committee would not be forthcoming.

BIP's objection centered on the fact that it did not believe any meaningful portion of its junior Secured Claims would ultimately be satisfied by the liquidation of the Debtors' assets. BIP contended that the Debtors' Estates would have difficulty in fully satisfying BMO's Secured Claims, which by agreement and law, was required to be paid ahead of BIP. BIP claimed that although there were no guarantees Q4 would ever receive more than $10 million in TriZetto Royalty Payments, the *possibility* existed, and if such possibility was realized, the entire BIP Secured Claim could be fully paid. The Debtors believed that litigation over the TriZetto License Agreement, which would become necessary without a settlement, would result in protracted, costly and uncertain litigation which the Debtors' Estates could not afford. BMO had made it clear it would not provide such funding. BIP inferred it would provide the funding, but never delivered anything definitive supporting such claims. BIP advised BMO that in exchange for a sharing of the $10 million TriZetto Royalty Payments under the TriZetto Modification

Agreement and other certain concessions regarding Q4's Residual Assets, it would support the TriZetto Settlement Motion. BMO's positon was that BIP was bound by an Intercreditor and Subordination Agreement between BMO and BIP dated November 3, 2016 (the "**Intercreditor Agreement**"), which prevented BIP from taking any action to disrupt the TriZetto Settlement Motion.

Daily discussions between all parties to achieve an uncontested hearing on the TriZetto Settlement Motion ultimately failed, and resulted in BIP and the Committee each filing objections on January 22, 2018 [Docket Nos. 280 & 284]. By agreement of the parties, and to enable settlement discussions to continue, the hearing on the TriZetto Settlement Motion was continued for two weeks to February 6, 2018, during which time, BIP and the Committee, at their request, would be permitted to conduct expedited discovery on Q4 and TriZetto. As the TriZetto Modification Agreement by its terms included a TriZetto-imposed deadline of January 31, 2018 for Bankruptcy Court approval, Q4 and BMO had significant concern that TriZetto would back out of the settlement given the need for the hearing to be pushed back two weeks. TriZetto refused to commit that it would waive its right to terminate the TriZetto Modification Agreement after the January 31, 2018 deadline.

Between January 23 and February 6, 2018, the various parties expended hundreds of hours of efforts involving extensive discovery and preparation for an evidentiary hearing on February 6, 2018. Settlement efforts continued on a daily, and sometimes hourly, basis, but without success. BIP filed an emergency motion for expedited discovery on January 25, 2018, which the Bankruptcy Court largely granted [Docket No. 306]. Thousands of pages of documents and emails were required to be, and were in fact, produced by Q4 to BIP. Further contested pleadings in connection with the dispute were filed by all parties. Many hours of depositions were conducted by BIP's counsel of Mr. Steele, Mr. Silverman, Mr. Andrew Bozelli, a Livingstone partner, and Mr. Chuck Sanders, a representative of TriZetto, between January 29 and February 5, 2018. Court-ordered document production continued almost daily by Q4 through February 5, 2018. Replies to BIP's and the Committee's objections were filed by Q4 and BMO. After much discussion between Q4 and TriZetto representatives and counsel, TriZetto agreed to waive the January 31 deadline as the Bankruptcy Court had indicated without such a waiver, it was not inclined to entertain the TriZetto Settlement Motion further only to find TriZetto backing out in its sole discretion. On February 2, 2018, Q4 and BIP each filed extensive witness and exhibit lists as required under the Bankruptcy Court's discovery order. Evenings were consumed with document review and production and trial preparation.

In addition to the dispute over the TriZetto Modification Agreement, further contested matters were raised by BIP in connection with Q4's motion to extend the time to file a Chapter 11 plan, which ordinarily would have been a routine matter. It too, became embroiled in the parties' dispute, and led to the Bankruptcy Court requiring BIP to file its own outline of a

proposed Chapter 11 plan, which likewise raised further disputes and created the need for further filings by Q4 in the Chapter 11 Cases.

Over the weekend of January 27 - 28, 2018, the parties continued settlement discussions and appeared to be making some headway. Although trial preparation remained unrelenting, there was some hope the litigation could be avoided. Discussions continued often hourly, but at times appeared to be going backwards, frustrating all parties. By the end of the weekend, there was no settlement between the BMO and BIP. Fortunately, during the first few days of February, the Committee was able to reach an agreement (described below) with BMO on a sharing of certain proceeds to be received from the TriZetto Modification Agreement, if it was approved, and from the Fifth Third Bank Interpleader Action (defined and described below). To that end, the Committee withdrew its objection to the TriZetto Settlement Motion on February 5, 2018 [Docket No. 337].

During February 5, 2018, one day before the evidentiary hearing, it appeared that there might be some progress between BMO and BIP, but as the day turned into evening, no agreement was reached. A BIP proposal to TriZetto that evening to partially support the TriZetto Settlement Motion was rejected outright. As midnight approached, there was no settlement and all parties continued to prepare for hearing the next morning.

About two hours before the evidentiary hearing was set to begin, there was a breakthrough between BMO and BIP revolving around the TriZetto Royalty Payments under the proposed TriZetto Modification Agreement, the Fifth Third Bank Interpleader Action, and the Residual Assets. Outside of the courtroom, an agreement was reached between Q4, BMO, BIP and the Committee. When the matter was called, the parties advised the Bankruptcy Court of same, and the following two orders were entered, both dated February 6, 2018: (a) *Stipulation and Order Resolving Motion for Authority to Enter into Modification Agreement* (the "**Stipulation**") [Docket No. 351]; and (b) *Order Approving Modification Agreement* [Docket No. 352].

1. **Stipulation.** The Stipulation set forth an agreement between Q4, BMO, BIP and the Committee, as follows:

(a) The following payments to be made:
  (i). $100,000.00 each, to BIP and the Committee (on behalf of the unsecured Creditors) from the 2018 First Installment;
  (ii). $100,000.00 each, to BIP and the Committee (on behalf of the unsecured Creditors) from the 2019 Installment; and
  (iii). $50,000.00 each, to BIP and the Committee (on behalf of the unsecured Creditors) from any funds recovered by BMO, if any, in the Fifth Third Bank Interpleader Action.

(b) Q4 would convey to BIP, in partial satisfaction of its junior Secured Claims (or at BIP's option in full satisfaction), those "software assets identified as the QHIX and EmpowHR software platforms, subject to the rights in the QHIX platform source code granted to TriZetto pursuant to the Motion and the Order Allowing the Motion (the "**Residual Software Platforms**"), free and clear of all liens", subject to the proceeds from the sale of the Residual Software Platform, if any, being divided as follows:

(i). The first $250,000.00 to be paid to BIP;

(ii). The next $250,000.00, or such lesser amount as necessary to pay BMO indebtedness in full, to be paid to BMO; and

(iii). Any proceeds realized thereafter to be divided between BMO and BIP equally, "until such time as BMO has received the lesser of i) $1,000,000 or ii) the balance of its indebtedness, if any."

(c) BMO would waive its liens in any litigation claims or other causes of action the Debtors have or could have, related to the Chapter 11 Cases or otherwise, and all proceeds thereof, with all such claims or causes of action "to be pursued solely by the Committee or any successor to the Committee, for the benefit of unsecured creditors."

(d) BMO would agree to "fund a reasonable amount from the proceeds received from TriZetto for the Debtor and the Committee to prepare and confirm a liquidating plan of reorganization".

On February 16, 2018, Q4 received a wire transfer from TriZetto in the amount of $3,000,000.00 representing the 2018 First and Second Installment Payments.

2. <u>Fifth Third Bank Interpleader Action.</u>

In the course of Mr. Steele's review of Q4's books and records immediately following his appointment as CEO, he discovered a payment from Q4 to a company named MGL America, Ltd. ("**MGL**") in the approximate amount of $800,000.00 which had been authorized by one or both of the Criminal Defendants and deposited in an MGL account ("**MGL Account**") at Fifth Third Bank ("**Fifth Third**" or the "**Fifth Third Account Funds**"). Mr. Steele could find no justification for such payment, and based on other inappropriate conduct alleged against the Criminal Defendants by the DOJ in the Criminal Action, instructed Q4's then-counsel on or about December 15, 2016, to notify Fifth Third of the Criminal Action and as a result thereof, that Q4 was requesting a hold be placed on the Fifth Third Account Funds until proper ownership could be determined.

On December 21, 2016, Fifth Third stated that Thondavadi "visited a Fifth Third branch in the Chicago area and asked to be added to an account [MGL Account] for which he was not a signor."[33] As a result of Thondavadi's actions, which included seeking information on the MGL Account which Fifth Third properly refused to supply, Fifth Third became concerned that Thondavadi could try to improperly access other accounts. As a result, on January 11, 2017, Fifth Third filed a *Complaint for Interpleader* (the "**Fifth Third Complaint**") against MGL and Q4 in the Circuit Court of Cook County, Illinois, County Department, Chancery Division, as Case No. 2017CH00379 ("**Fifth Third Bank Interpleader Action**"), seeking the authorization for Fifth Third to interplead the Fifth Third Account Funds and have that court determine all questions as to ownership of the Fifth Third Account Funds between MGL and Q4 with no further liability of Fifth Third in connection therewith.

Subsequently, BMO sought leave to intervene in the Fifth Third Bank Interpleader Action on the basis of its senior liens in and to substantially all of Q4's assets, which could include the Fifth Third Account Funds if it was determined they were improperly transferred at the direction of the Criminal Defendants to MGL. BMO contends it has a superior right of possession over the Fifth Third Account Funds. Q4 supports BMO's actions in the Fifth Third Bank Interpleader Action and voluntarily consented to the lifting of the automatic stay in the Q4 Chapter 11 Case pursuant to an order entered by the Bankruptcy Court on January 30, 2018 [Docket No. 317].

As of the date hereof, the Fifth Third Bank Interpleader Action is pending and continues to be litigated by BMO. Q4 is unable to predict the outcome thereof. Accordingly, it is unknown whether the payments to BIP and the Committee from the Fifth Third Account Funds pursuant to the Stipulation will ever be realized.

D. Residual Assets Sale

Following the entry of the Stipulation and the order approving the TriZetto Settlement Motion, Q4 undertook the sale of its remaining assets in the Q4 Health Business Unit, including the Residual Software Platforms (collectively, the "**Residual Assets**"). On February 12, 2018, Q4 filed a motion for authority to conduct a private sale of the Residual Assets to BIP pursuant to the terms of the Stipulation ("**Residual Assets Sale Motion**") [Docket No. 354].

The Residual Assets generally consisted of Q4's customer contracts in the Non-Exclusive Markets, books and records relating to the Q4 Health Business Unit, outstanding accounts receivable, intangible and intellectual property pertaining solely to the Q4 Health Business Unit, and the names "QHIX" and "EmpowHR". All of the Residual Assets remained subject to the liens and security interests of BMO and BIP.

[33] Fifth Third Complaint, ¶3.

All of the Residual Assets had been marketed throughout 2017, along with all of Q4's other assets, by the Debtors, Livingstone and Silverman Consulting. As a result of those marketing efforts, a total of approximately 25 potential buyers and their advisors received access to the Livingstone data room to conduct detailed due diligence on all of the Residual Assets together with the Debtors' other assets. Despite those efforts, and the companion efforts conducted directly by Mr. Steele, Q4 never received any offers for the purchase of the Residual Assets. As such, it was determined that it would be an unnecessary expenditure of the Estates' limited funds to go through the same public auction process as the Debtors had done for other assets.

Under the Stipulation, BIP was entitled to credit bid all or a portion of its Secured Claims as the purchase price for the Residual Assets. BIP estimated the value of the Residual Assets at $1,000,000.00 and proposed to make a credit bid in such amount ("**BIP Residual Assets $1 Million Credit Bid**"). Q4 prepared a Settlement and Asset Purchase Agreement dated February 12, 2018 incorporating the BIP credit bid and filed the Residual Assets Sale Motion, which was supported by BMO and the Committee. The motion was granted and the sale approved by order of the Bankruptcy Court dated March 20, 2018 [Docket No. 380]. The sale closed on or about April 3, 2018, with an effective date of March 30, 3018. The closing reduced BIP's Secured Claims in the Chapter 11 Cases by the BIP Residual Assets $1 Million Credit Bid. The remainder of BIP's Claims against the Debtors, or some portion thereof, are likely unsecured Claims which will be paid Pro Rata at such time as any distributions to other General Unsecured Creditors (Classes 4(a) and 4(b) under the Plan) are made in accordance with the terms of the Plan.

E. <u>First Tek India MSA Termination Settlement</u>

Pursuant to the TriZetto Settlement, Q4 was authorized to hold back, in trust, the sum of $500,000.00, otherwise payable to BMO as the senior secured lender, from the 2018 First and Second Installments by agreement between Q4 and BMO for payment of any and all final amounts due by Q4 under the First Tek India MSA (the "**MSA Holdback**").

In accordance with the terms of the First Tek India MSA, upon the sale of each of Q4's Business Units, Q4 would be obligated to pay First Tek India a final payment relating to such Business Unit(s) to cover any outstanding fees attributable to such Business Unit(s) and other costs and expenses incurred by First Tek India in making its services available to Q4 for such Business Unit(s). After the sale of the Five Business Units, Q4 still needed the Indian Labor Force under the First Tek India MSA for use in the Q4 Health Business Unit. Following the Residual Assets Sale, Q4 no longer had such need, and First Tek India needed to terminate those employees tasked with servicing the Q4 Health Business Unit. Under Indian law, Q4 had been advised that an employer could be required to pay severance to terminated employees, and given

the circumstances here, such severance would arguably constitute an additional expense of First Tek India subject to reimbursement from Q4 under the First Tek India MSA.

Q4 exercised its rights under the First Tek India MSA to terminate that agreement following the closing of the Residual Assets Sale. Given such termination, there remained certain final Q4 obligations and liabilities under the First Tek India MSA, the amount of which the parties could not initially agree. Good-faith negotiations ensued and resulted in Q4's filing of a proposed settlement of all matters involving the First Tek India MSA on May 18, 2018 ("**F/T India Settlement Motion**") [Docket No. 401], which is currently set for hearing on June 5, 2018. The proposed settlement is generally as follows ("**Q4-F/T India Settlement**"): (a) Q4 will make a final payment to First Tek India in the amount of $336,064.00 for all fees owing by Q4 under the First Tek India MSA within 10 days of the entry of the necessary Bankruptcy Court order ("**Final Payment**"); (b) Q4 will make an additional payment to First Tek India in an amount not to exceed $80,000.00 (the "**Severance Payment**", and together with the Final Payment, the "**Settlement Payments**"), for any amounts that may be due to First Tek India for any severance it owes its employees that had been providing services to Q4[34]; (c) the Settlement Payments will be in full satisfaction of any and all amounts due and owing by Q4 to First Tek India under the First Tek India MSA or otherwise; and (d) First Tek India will release the Debtors, their Estates, the Liquidation Trustee (once engaged), and their respective agents and representatives, from any and all claims of any kind.

Q4 believes the Q4-F/T India Settlement provides significant benefits to Q4's Estate as it reduces the risk of a potentially larger Administrative Claim being filed by First Tek India, caps the Settlement Payments at no more than $416,064.00; eliminates the risk of protracted, costly and uncertain litigation; and will enable a smoother and more expeditious confirmation of the Plan for the benefit of all of the Debtors' Creditors and other interested parties. After the remittance of the Settlement Payments, the balance of the MSA Holdback will be paid to BMO in partial satisfaction of its Secured Claims. The Debtors do not anticipate there will be any objections to the F/T India Settlement Motion.

F. Miscellaneous Matters

As is typical in any Chapter 11 case, there were numerous other ordinary and customary matters which the Debtors addressed throughout the Chapter 11 Cases (many of which were required in each of the Chapter 11 Cases at different times). The following matters attended to by the Debtors are not exhaustive, and will not be set forth in any detail, but can very generally

[34] The amount of the Severance Payment is unknown at this time and will depend upon, among other things, the number of First Tek India employees who are unable to find alternative employment within the termination notice period required under Indian law. The Severance Payment, if any, will be paid within five (5) days of Q4 and First Tek India's final determination of same (subject to Bankruptcy Court approval if they cannot agree).

be described as follows:

1. Compliance with the duties and reporting obligations of debtors in possession in Chapter 11 cases, including, without limitation, the preparation of detailed Bankruptcy Schedules, Statement of Financial Affairs, and Monthly Operating Reports required by the Office of the U.S. Trustee ("**U.S. Trustee**") in each of the Chapter 11 Cases;

2. Obtaining the necessary retention orders for the Debtors' bankruptcy counsel, special counsel for securities litigation matters, financial consultants, investment bankers, and special counsel for labor, ERISA, securities compliance, international law and other areas outside the expertise of their bankruptcy counsel, all of which professionals were necessary for the Debtors' efforts in the Chapter 11 Cases;

3. Cooperating with counsel for the SEC in connection with the ongoing SEC investigations of the Criminal Defendants and entry of the final SEC Judgment;

4. Ensuring all necessary public filings were properly and timely made with the SEC as significant events arose in the Chapter 11 Cases;

5. In addition to the Q4 "first day" motions, the Stratitude "first day" and related motions;

6. Obtaining the necessary ongoing financing needed from BMO to permit the Debtors to operate their businesses, conduct the above-described sales and liquidation efforts, pursue the confirmation of the Plan, and take such other actions necessary to have an orderly and successful conclusion to the Chapter 11 Cases;

7. Negotiating with certain Stratitude vendors and obtaining an order of the Bankruptcy Court entered in the Stratitude Chapter 11 Case on October 19, 2017 [Stratitude Docket No. 35] ("**Stratitude Critical Vendor Order**"), pursuant to which Stratitude was authorized to pay certain general unsecured pre-petition debts totaling approximately $246,573.00 owing to 10 "critical" vendors upon the earlier of 90 days from the Stratitude Petition Date or closing of the Stratitude Sale, provided that such vendors continued performing their services for Stratitude customers ("**Stratitude Critical Vendor Motion**"). Without the continuation of such services, Stratitude would have been forced to close its operations. The entry of the Stratitude Critical Vendor Order ensured Stratitude's ability to maintain the viability of its business pending the Stratitude Sale and maximized the value of the Stratitude Assets;

8. Rejecting certain unexpired office leases at locations throughout the country as no longer needed, in order to reduce administrative expenses in the Chapter 11 Cases, and obtaining such time as necessary to assume or reject other executory contracts to which one or both of the Debtors were parties;

9. Obtaining approval to pay the key employee retention bonuses to four non-insider key employees [Docket Nos. 170 & 230], and to implement a key employee incentive program with Mr. Steele [Docket No. 188], all of which were critical to the Debtors' efforts in the Chapter 11 Cases;

10. Obtaining periodic and necessary extensions to the due dates for filing of the Plan and this Disclosure Statement;

11. Review of Claims filed in the Chapter 11 Cases from time to time;

12. Obtaining approval to terminate the Debtors' 401(k) plans following the sale of all of the Business Units and cessation of active operations;

13. Obtaining the authority to move the Debtors' books and records to a storage facility following the closing of its Schaumburg office which was no longer needed after the Residual Assets Sale in order to reduce administrative expenses, and the disposition of office equipment located therein to facilitate the wind-down of the Debtors' operations; and

14. Cooperating with all parties in interest throughout the Chapter 11 Cases, including the U.S. Trustee, SEC, BMO, BIP and the Committee, to foster more efficient, expedited and less costly Chapter 11 proceedings.

G. Plan Confirmation Process

As set forth in this Disclosure Statement, the Debtors and the Committee are pursuing the confirmation of the Plan and the establishment of the Liquidation Trust to successfully conclude the Chapter 11 Cases, and institute the means and procedures by which the General Unsecured Creditors might be able to receive distributions on their Claims against the Debtors.

V. EVENTS LEADING TO THE FILING OF THE CHAPTER 11 CASES

The direct causes of the filing of the Chapter 11 Cases have been detailed above with the descriptions of the Criminal Defendants' arrest, the filings of the Criminal Action and SEC Action, the resulting defaults under the Debtors' secured lending arrangements with the Secured Lenders (the "**Loan Defaults**"), and overall turmoil thereby caused to the Debtors' operations and dealings with their respective employees, subcontractors, employees and vendors.

A. BMO Forbearance Agreement

Following the Loan Defaults, initial discussions between Q4's management and BMO resulted in the Criminal Defendants Resignations as officers and directors of the Debtors, and the appointment of Mr. Steele as CEO of the Debtors. Immediately thereafter, Mr. Steele, the remaining members of Q4's Board of Directors, and Q4's prior insolvency counsel, engaged in negotiations with BMO to address how the Debtors could proceed short of an immediate closing of their businesses which would be to the significant detriment of all interested parties. Among the topics discussed was the means of a possible disposition of Q4's Business Units and its newly acquired ownership of Stratitude, the hiring of financial consultants and investment bankers, and the election of additional Board members and appointment of new officers. As a result of these negotiations:

1. Q4 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, for purposes of assisting the Debtors' newly established management's analysis of the Debtors' financial condition, determination of strategic direction, and implementation of a restructuring process;

2. Q4 retained the international investment banking firm of Livingstone for purposes of analyzing merger and acquisition strategies available for the Debtors, including the marketing and solicitation of offers to purchase the Debtors' Business Units, either in whole or in part; and

3. After more than two months of analysis and due diligence by Mr. Steele, with the help of Silverman Consulting, to decipher what the Debtors had in way of assets, liabilities and business operational capabilities, and ongoing negotiations with BMO for continued funding to keep the doors open, the Debtors executed a Forbearance Agreement with BMO dated March 17, 2017 (the "**BMO Forbearance Agreement**"), which was, in part, conditioned on the continued engagement of Silverman Consulting and Livingstone, the engagement of Mr. Silverman as Chief Restructuring Officer for Q4, the appointment of Messrs. Steele, Silverman and Buxton to the Q4 Board, and Mr. Steele's continued appointment as CEO of Q4 at all times prior to the sale of substantially all of the Debtors' Business Units.

During this time, Mr. Steele, and Q4's professionals at the Board's direction, also fully cooperated with the federal authorities in connection with their ongoing investigations of the matters leading to the commencement of the Criminal Action and the then-continuing SEC

investigation (subsequently the subject of the SEC Action), providing documents, information and the testimony of Mr. Steele and other employees and representatives of Q4.

By its terms, the BMO Forbearance Agreement expired May 17, 2017. Because of the operational and marketing progress being made under the direction of Messrs. Steele, Silverman, Firrek and Sawyer, Livingstone and other Silverman Consulting personnel, and the negotiations which led to the Stalking-Horse Bids, BMO continued to forbear from exercising its foreclosure and collection remedies, and continued to provide the necessary funding for the Debtors to prepare for the filings of the Chapter 11 Cases. BMO did not want to extend the forbearance period in light of the imminent filing of the Q4 Chapter 11 Case. As a result, BMO took no action which would have prevented the Debtors from continuing to operate from and after May 17, 2017 through the Q4 Petition Date.

B. Background of Debtors' Formation and Operations[35]

1. Business Units.

At the time of the Q4 Petition Date, Q4 had five (5) operating business divisions, of which one, Solutions, had three (3) distinct subsets, for a total of seven (7) 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**"). During 2016, Q4's Business Units had combined revenues of approximately $47 million. Q4 had approximately 195 employees located in the U.S. Under the Q4 India MSA, Q4 utilized the services of approximately 430 Q4 India employees located in India (subject to frequent changes in headcount). Stratitude had approximately 50 employees, all located in the U.S.

Q4's business consisted of selling IT products and services to companies in the healthcare, media, financial services, education, retail and manufacturing industry segments. Q4's revenues were primarily generated from the placement of staffing or solution consultants, and the sale and licensing of proprietary cloud-based software, as well as a wide range of technology-oriented services and solutions. Q4's principal offices were located in Schaumburg, Illinois, but it also had offices in Naples, Florida; Alpharetta, Georgia; Bingham Farm, Michigan; Cranbury, New Jersey; and Ann Arbor, Michigan. Stratitude's business was similar to Q4's Staffing "Business Unit" (defined below), except that it was all U.S.-based. Stratitude's offices were located in Pleasanton, California.

Q4's Business Units were commonly known as:

[35] In light of the pending Criminal Action, the matters alleged therein, and other possible matters which may have led thereto, much of following financial and other information was taken directly from the SEC Filings. The Debtors' current management, officers and directors are unable to represent or warrant that the information contained therein or herein is complete or without any inaccuracy.

(a) "**Solutions**". Annual revenues in 2016 approximately $16 million. Provided IT solutions (consulting, outsourcing and project delivery) serving customers in a variety of industries. Q4 employees were generally located at client locations, and Q4 India employees in Chennai, India were subcontracted to Q4 clients in the U.S. There were three (3) subsets of Solutions: (i) U.S. Solutions Business; (ii) Hybrid Solutions Business Unit; and (iii) India Solutions Business Unit.

(b) "**Legacy Staffing**". Annual revenues in 2016 approximately $13 million. Provided U.S.-based consulting services, with administrative support services in Hyderabad, India. Q4 placed consultants at end-user customers or through other contractors using mostly Q4's U.S.-based employees, and some Q4 India employees for administrative purposes.

(c) "**Stratitude**". Annual revenues in 2016 approximately $14 million. Similar business to Legacy Staffing, but with all customers and employees being entirely U.S.-based. Consultants would be placed at end-user customers or through other contractors. Stratitude did not subcontract with Q4 India, or later with First Tek India.

(d) "**QHIX Healthcare Platform**". Annual revenues in 2016 approximately $1.5 million. As previously mentioned, QHIX was the basis of the TriZetto License Agreement with TriZetto. Q4 utilized a development team of Q4 India employees based in Chennai, India. Q4's sales and administrative staff and management team were all located in the U.S.

(e) "**QEDU Education Platform**". Annual revenues in 2016 approximately $2.5 million. "Brainchild", a tradename, is an education IT ecosystem with applications for all stakeholders, including students, teachers, school administrators, school districts administrators, consultants and vendor partners. Q4 used a development team of Q4 India employees based in Chennai, India. Q4's sales and administrative staff and management team were all U.S.-based. Brainchild utilized third-party educational content and included sales of the Brainchild™ "Study Buddy" educational/learning hardware.

2. H-1B Visa Program.

Typical of many IT businesses in the U.S., a number of Q4's employees worked in the U.S. under the H-1B Visa program, a non-immigrant visa issued by the U.S. government under the Immigration and Nationality Act, section 101(a)(17)(H), allowing U.S. employers to temporarily employ foreign workers in "specialty occupations", which included the nature of the technology services rendered for Q4 by these individuals. As of the Q4 Petition Date, Q4 employed approximately 85 H-1B Visa employees.

3. History of Business Acquisitions.

Since its inception in 1990, Q4 went through multiple transformations, including many name changes and changes to the nature of its business operations. As a result of a May 2010 acquisition, Q4's core business shifted to what it primarily did at the time of the Q4 Petition Date – consulting and implementation services involving primarily IT software and systems engineering.

Taken from SEC filings, the history of Q4 and its many acquisitions is generally described as follows:

(a) 1990 - 2015. Q4 was originally incorporated by the Florida Department of State on May 9, 1990 as Sun Express Group, Inc. to obtain an air carrier certification. In July 1993, these efforts were suspended by Q4's then-Board of Directors. The Board elected in July, 1993 to suspend certification efforts, dispose of assets and settle existing indebtedness. In July 1994, Q4 sold 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 Q4 became involved in the motion picture industry and changed its name to Sun Network Group, Inc. In June 2005, Q4 became involved in emerging technologies, primarily VOIP and internet-based CCTV security systems, and changed its name to Aventura VOIP Networks, Inc. In October 2005, it merged with Aventura Holdings, Inc. and adopted that name. As Aventura Holdings, Inc., it elected to be governed as a "business development company" under federal law to further VOIP development business and CCTV camera systems sales. Q4 operated as such through May 2006 when it filed to un-elect such status. With that election, Q4 ceased to be an investment company and returned to operating the businesses of its subsidiaries. It acquired an interest in an automobile sales financing company with the rights to acquire a larger interest. This transaction was later unwound and Q4 returned to its core business in emerging technologies. On December 24, 2009, the Florida Secretary of State accepted an amendment to Q4's Articles of Incorporation changing its name to Zolon Corporation (chosen based upon certain planned acquisitions which never materialized). On March 31, 2011, the Florida Secretary of State accepted an amendment to its Articles of Incorporation changing its name to Quadrant 4 Systems Corporation, effective April 1, 2011.

(b) 2010 Acquisition of StoneGate Holdings - VSG, RMI and ISS. On May 20, 2010, Q4 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 Q4 Stock, and the requirement that StoneGate had either just previously completed, or was about to complete, the following acquisitions, all designed to increase Q4'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 $250,000.00 in cash and the assumption of certain liabilities of almost $600,000.00; and (c) effective July 1, 2010, Q4 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 Q4 Stock.

(c) 2011 Acquisition of MGL Solutions. Effective March 11, 2011, Q4 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 Q4 Stock, the assumption of up to $100,000.00 of liabilities, and a contingent earn-out note of up to $10 million. On March 31, 2011, Q4 merged VSG and RMI into ISS, which then changed its name to Quadrant 4 Consulting, Inc. Q4's current management believes this was a related-party transaction involving Thondavadi.

(d) 2012 Acquisition of EmpowHR. Effective July 1, 2012, Q4 consummated the EmpowHR Acquisition.

(e) 2013 Domicile Change and Acquisition of TSS. On April 24, 2013, Q4 changed its domicile from Florida to Illinois. Q4 also subsequently reported the following acquisitions: (i) TSS Acquisition - effective February 1, 2013, Q4 acquired the assets of Teledata Technology Solutions, Inc. and its subsidiaries, Abaris, Inc., Alphasoft Services Corporation, and TTS Consulting, Inc., in exchange for assumption of $5.1 million of certain liabilities, $900,000.00 cash, earn-out payments of $1.5 million and the issuance of 3 million shares of Q4 Stock; (ii) Momentum Mobile Acquisition - effective February 1, 2013, Q4 completed the acquisition of certain assets of Momentum Mobile, LLC in exchange for cash of $400,000.00, earn-out payments of up to $800,000.00 and 1 million shares of Q4 Stock; and (iii) BlazerFish Acquisition - effective February 1, 2013, Q4 completed the acquisition of certain assets of BlazerFish, LLC in exchange for cash of $250,000.00, earn-out payments of up to $600,000.00 and 6.7 million shares of Q4 Stock.

(f) 2014 Reporting. Q4 filed reports with the SEC stating it 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.

(g) 2015 Merger and Acquisitions of Brainchild, DUS and DialedIn. Effective as of January 1, 2015, Q4's two wholly-owned subsidiaries, Quadrant 4 Cloud, Inc.,

and Quadrant 4 Media, Inc., were merged into Q4. In addition, Q4 reported the following three (3) acquisitions: (i) Brainchild Acquisition - on January 1, 2015[36], Q4 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 $500,000.00 in cash, a $1 million note, the issuance of 250,000 shares of Q4 Stock, and an earn-out payment of up to $400,000.00; (ii) DUS Acquisition - effective October 1, 2015, Q4 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 Q4 Stock[37]; and (iii) DialedIn Acquisition - on December 1, 2015, Q4 acquired 100% of the outstanding Q4 Stock of DialedIn Corporation in exchange for the issuance of 4 million shares of Q4 Stock ("**DialedIn**").

(h) 2016 Transactions and Acquisitions.

(i). Annual Reports. As a result of the Criminal Action, the resulting uncertainty of the Debtors' financial operating results and condition, and the filing of the Chapter 11 Cases, no Annual Report for the fiscal year ending December 31, 2016 was ever filed, nor is one for 2017 or 2018 expected to be ever filed.

(ii). DialedIn Merger. As of January 1, 2016, DialedIn, a wholly-owned subsidiary of Q4, was merged into Q4.

(iii). TriZetto License. On or about March 2, 2016, Q4 entered into the TriZetto License Agreement with TriZetto.

(iv). BMO Harris Bank Credit Facility. As of July 1, 2016, Q4 entered into a secured lending arrangement with BMO and established a credit facility of up to $25,000,000 as evidenced, by among other things: (i) a $7,000,000 Revolving Credit Facility; (ii) a $13,000,000 Term Loan; and (iii) a $5,000,000 Cap Software Facility (collectively, the "**BMO Loan**").

(v). November 3, 2016 Transactions:[38]

[36] Brainchild was merged into Q4 on January 20, 2015.

[37] At present, the Debtors do not believe the DUS Acquisition was ever finalized despite the fact that Q4, under the direction of the Criminal Defendants, signed an agreement to purchase, assumed the liabilities and issued the stock.

[38] All of which occurred just over 3 weeks before the FBI's arrest of the Criminal Defendants.

(A) **Stratitude/Agama Transactions.** On November 3, 2016, Q4 completed its acquisition of 100% of the outstanding stock of Stratitude (the "**Stratitude Acquisition**"), and concurrently therewith, Stratitude acquired certain assets of Agama. The purchase price for the Stratitude acquisition was cash of $4,430,740.76, the issuance of 500,000 shares of Q4 Stock, and earn-out payments of up to $2.4 million.

(B) **BIP Credit Agreement.** On November 3, 2016, Q4 entered into its $5,075,000 junior secured lending arrangement with BIP (the "**BIP Loan**");

(C) **Amendment to the BMO Loan.** In connection with the "Stratitude/Agama Transactions" (defined below) and the BIP Loan, Q4 amended its loan agreements with BMO by having Stratitude execute a Guaranty Agreement dated November 3, 2016, guaranteeing all of Q4's obligations under the BMO Loan, and to secure such guaranty, granting BMO a blanket lien in and to all Stratitude Assets. Simultaneously, BMO and BIP entered into the Intercreditor Agreement.

(D) **Great Parents Academy, LLC Acquisition.** On November 3, 2016, Q4 acquired substantially all of the assets of Great Parents Academy, LLC, a Georgia limited liability company and provider of educational technology tools, in exchange for the issuance of 2,645,237 shares of Q4 Stock, the payment of certain royalties and the assumption of certain liabilities.

C. Stratitude/Agama Transactions

1. Background.

According to a Limited Due Diligence Report dated June 30, 2016 and prepared for Stratitude and Agama by the national full-service accounting and advisory firm of Baker Tilly Virchow Krause, LLP in connection with the proposed Stratitude/Agama Transactions, Stratitude and Agama were formed in 2006 in Fremont, California to specialize in building and maintaining custom computer programming services. Stratitude offered specialized business process consulting to its customers, and Agama assisted clients in utilizing their current information technology assets. Agama and Stratitude worked together when their respective clients' needs required the expertise of both companies' consultants. Agama and Stratitude were separate S-corporations with common ownership and utilized the same accounting, finance and human

resource employees. Together, they had approximately 190 IT consultants as of June 2016. Their combined revenues in 2015 were approximately $18 million.

The purpose of the Stratitude/Agama Transactions appears to have been the continuation of the Criminal Defendants' prior strategy of growing Q4 through acquisitions. Stratitude was operating a staffing business similar to Q4's Staffing Business Unit, but was based in California and therefore had a West Coast customer base easier to solicit and service from a West Coast location. Agama had a minority business enterprise ("**MBE**") certification given its ownership by Messrs. Kalra, Sanan and Sankaran. Stratitude did not have an MBE certification.

The Stratitude/Agama Transactions contemplated that Agama would transfer all of its billable human resources relating to its non-MBE business ("**Non-MBE Consultants**") to Stratitude (approximately $10 million annually); retain its MBE billable human resources and customers (approximately $2 million annually); and have Stratitude provide all of the sales, general and administrative services Agama needed in exchange for which Agama would pay Stratitude a management fee. Subsequent investigation by the Debtors have shown that the calculation of Stratitude's management fees might have been set forth in an "additional agreement" whereby the management fee would be more or less equal to the profits Agama received from its MBE business. Why Agama would have been interested in operating its business on only a break-even basis is unknown.

Given the consolidated revenues of Stratitude and Agama being around $18 million, the Stratitude/Agama Transactions would leave Stratitude with some $16 million of annual revenues and Agama with only its MBE-related revenues of approximately $2 million per year. Further, Messrs. Kalra, Sanan and Sankaran would each sign a non-compete and non-solicitation agreement as a condition of the Stratitude/Agama Closing.

The agreements evidencing the Stratitude/Agama Closing have been previously set forth in this Disclosure Statement, as have the financing arrangement utilized for such transactions. Approximately $6.5 million, including the BIP Loan proceeds, were paid to the Former Stratitude Shareholders. In turn, they were to retain approximately $4 million for their Stratitude stock, and remit approximately $2.5 million to Agama for the assets being acquired by Stratitude under the Agama APA.

2. <u>Stratitude and Agama Dispute.</u>

The primary assets transferred to Stratitude under the terms of the Agama APA were Agama's approximately seventy (70) Non-MBE Consultants and the related customer contracts ("**Non-MBE Contracts**") (the Non-MBE Consultants and Non-MBE Contracts are hereinafter the "**Non-MBE Acquired Assets**"). In fact, at the Stratitude/Agama Closing, Agama only

transferred around ten (10) of its Non-MBE Consultants, and kept the remaining 60 Non-MBE Consultants as its employees along with the Non-MBE Contracts relating to such individuals and revenues generated therefrom.

It is unknown why all of the Non-MBE Acquired Assets, which were fully paid for at the Stratitude/Agama Closing, were not immediately transferred to Stratitude by Agama at closing. Following the Stratitude/Agama Closing and through the Criminal Defendants Resignations, it appears no action was taken to demand or pursue the transfer of all of the Non-MBE Acquired Assets to Stratitude.

Following the Stratitude/Agama Closing, Agama continued to conduct the business and collect the revenues generated by those Non-MBE Acquired Assets that it had failed to transfer at the Stratitude/Agama Closing. In addition to the commingling of physical operations, there was a commingling of monies and financial transactions as well. Monies from the same account were used to pay Stratitude and Agama bills. One of Stratitude's former owners, Mr. Sankaran, accepted a position with Stratitude after the closing, and remained a signatory on the Stratitude bank accounts and on the Agama accounts.

For a number of months following Mr. Steele's appointment as Q4's CEO, and despite his ongoing demands for the turnover of the Non-MBE Acquired Assets, Agama still failed to deliver all of the Non-MBE Acquired Assets to Stratitude, instead transferring only around five (5) Non-MBE Consultants and the attendant Non-MBE Contracts each month.

As a result of an "all hands on deck" meeting involving Q4's new management and Silverman Consulting held in January 2017, attempting to identify all necessary resources to help stabilize Q4 and Stratitude, the Stratitude/Agama Transactions were reviewed based on the limited information available at that time. The question was whether to attempt to unwind the entire transaction, or segregate Stratitude's business from Agama is as it should have been following the Stratitude/Agama Closing. The Former Stratitude Stockholders were reminded that their non-compete and non-solicitation agreements remained in place and were considered keys to the success of Stratitude's operations. Given the costs and delays in making any attempt to reverse the acquisitions, the decision was made to have Stratitude operate as an independent subsidiary of Q4 and attempt to unwind Stratitude and Agama as soon as practicable to allow Q4 to maximize the value of the recently closed transaction. Given his relationship to, and knowledge of, Stratitude's business, it was concluded that all of the Stratitude business operations would proceed primarily under the direction of Mr. Sankaran, one of the Former Stratitude Stockholders. At the same time, Q4's new management, including Mr. Steele, and Silverman Consulting, began to examine the failure of Agama to transfer all required Non-MBE Acquired Assets. Mr. Steele made several trips to the Stratitude and Agama offices to try and understand all of the operational issues of both companies; but these examinations were difficult. as he and all other Q4 management and professionals were largely consumed by Q4 operating

issues, Secured Lender negotiations, Q4 employee and customer fallout from the Criminal Defendants' arrests and the filing of the Criminal Action, and preparing for the Q4 Chapter 11 Case.

As Q4 operational and managerial issues began to stabilize, Mr. Steele turned his attention to the problems arising from Agama's failure to transfer all necessary assets at the Stratitude/Agama Closing, and made additional trips to the Stratitude and Agama offices to examine the continued operation of the business generated by such assets that rightfully belonged to Stratitude.

Unable to obtain satisfactory responses or actions from anyone, on or about May 15, 2017, Mr. Steele sent Mr. Dirk Heitzman, Q4's Vice President – Managed Services, to Stratitude's California offices to conduct a detailed examination of the situation and try to unravel the ongoing physical and financial commingling between Stratitude and Agama. After about ten (10) work weeks of dedicated efforts and multiple visits, Mr. Heitzman was able to determine in large part what needed to occur to undo the improper commingling and take steps to accomplish this task. It was a time-consuming, complicated and difficult task.

As of the Stratitude Petition Date, the physical separation of Stratitude and Agama personnel and operations was completed. Q4 had also completed its analysis of the financial separation, through the efforts of Silverman Consulting, and determined that the net amount which Agama owes Stratitude is approximately $840,000 at a minimum, largely representing the income net of associated expenses Agama derived from failing to transfer all Non-MBE Acquired Assets to Stratitude at the Stratitude/Agama Closing, plus to a smaller extent, some balance sheet items not delivered (collectively, the "**Stratitude Claim**"). Stratitude has demanded Agama remit such sums; however, as of the date hereof, Agama has refused to do so and contests the amount of the Stratitude Claim. There may be further violations of the non-solicitation covenants agreed to by one or more of the Former Stratitude Shareholders and/or Agama under the Stratitude SPA and Agama APA insofar as a number of the Non-MBE Consultants have left Stratitude as a direct or indirect result of possible improper third-party actions. The Liquidation Trustee will examine all of these matters and determine the appropriate actions under the operative transactional documents and the Liquidation Trust Agreement upon confirmation of the Plan.

VI. PURPOSE OF THE DISCLOSURE STATEMENT

The purpose of this Disclosure Statement is to provide each Creditor with adequate information to enable it to make an informed judgment whether to accept or reject the Plan. Each Creditors in an Impaired Class is entitled to vote on acceptance of the Plan. A copy of the Plan accompanies this Disclosure Statement. THIS DISCLOSURE STATEMENT PROVIDES A

BRIEF SUMMARY OF THE PLAN AND OTHER INFORMATION WITH RESPECT THERETO AND IS NOT INTENDED TO TAKE THE PLACE OF THE PLAN. EACH CREDITOR IS URGED TO STUDY THE PLAN IN FULL AND TO CONSULT WITH COUNSEL WITH RESPECT TO THE PLAN AND ITS EFFECT ON THEIR RIGHTS.

The Bankruptcy Court has set _____, 2018 at the hour of _____ a.m. (Central Time) for a hearing on the confirmation of the Plan. Creditors may vote on the Plan by filling out and mailing the accompanying Ballots to the Court Clerk, 219 South Dearborn Street, Room 710, Chicago, Illinois 60604.

In order to be considered by the Bankruptcy Court at the hearing on confirmation of the Plan, your Ballot must be received by the Court Clerk on or before _____, 2018. As a Creditor, your vote is important. In order for the Plan to be confirmed, at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims of Classes 1, 2, 3, 4(a)-(b), 5(a)-(b), and 7 who return a Ballot, must vote to accept the Plan.

NO REPRESENTATIONS CONCERNING THE DEBTORS ARE AUTHORIZED, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO CHAD H. GETTLEMAN OR ERICH S. BUCK, DEBTORS' COUNSEL, WHO IN TURN, SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

BY ORDER OF THE BANKRUPTCY COURT DATED _____, 2018, THIS DISCLOSURE STATEMENT WAS APPROVED AS HAVING ADEQUATE INFORMATION FOR THE PURPOSE OF ALLOWING CREDITORS TO MAKE AN INFORMED JUDGMENT TO ACCEPT OR REJECT THE PLAN.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. BECAUSE OF THE COMPLEXITY OF THE DEBTORS' FINANCIAL MATTERS AND IN PARTICULAR, THE MATTERS RESULTING IN THE FILING OF THE CRIMINAL ACTION AND SEC ACTION, THE DEBTORS CANNOT WARRANT OR REPRESENT THE INFORMATION CONTAINED HEREIN IS COMPLETE OR WITHOUT ANY INACCURACY. THE COMMITTEE HAS NO INDEPENDENT KNOWLEDGE AND CANNOT WARRANT OR REPRESENT THE INFORMATION CONTAINED HEREIN IS COMPLETE OR WITHOUT ANY INACCURACY.

VII. FINANCIAL INFORMATION REGARDING THE DEBTORS AND POST PETITION OPERATIONS

The assets and liabilities of the Debtors **as of the Petition Dates**, as disclosed by the Debtors' respective Schedules, may be summarized as follows:

Q4

Assets

Cash, cash equivalents, and financial assets	$274,289.29
Deposits and prepayments	$399,624.00
Accounts receivable	$3,378,890.00
Investments	Unknown
Inventory	Unknown
Farming and fishing-related assets	$0.00
Office furniture, fixtures, and equipment; and collectibles	Unknown
Machinery, equipment, and vehicles	Unknown
Real property	Unknown
Intangibles and intellectual property	Unknown
All other assets	Unknown
Total Assets	**$4,052,803.29 + Unknowns**

Liabilities

Secured Claims	$24,784,334.90
Priority Claims	Unknown
General Unsecured Claims	$4,068,102.47
Total Liabilities	**$28,852,437.37 + Unknowns**

STRATITUDE

Assets

Cash, cash equivalents, and financial assets	$825,548.14
Deposits and prepayments	$32,593.05
Accounts receivable	$917,050.00
Investments	$0.00

Inventory	$0.00
Farming and fishing-related assets	$0.00
Office furniture, fixtures, and equipment; and collectibles	Unknown
Machinery, equipment, and vehicles	$0.00
Real property	$0.00
Intangibles and intellectual property	Unknown
All other assets	$861,000.00
Total Assets	**$2,636,191.19 + Unknowns**

Liabilities

Secured Claims	$13,955,894.82
Priority Claims	$144,428.4(
General Unsecured Claims	$331,250.20
Total Liabilities	**$14,431,573.48 + Unknowns**

The information set forth above has not been subject to audit.

The primary assets of the Debtors consist of operating cash[39], the balances of which, **as of March 31, 2018**, are reflected on the *Summary of Cash Receipts and Cash Distributions* (as may be amended, the "**Monthly Operating Report(s)**") filed by each of the Debtors in the Chapter 11 Cases [Docket Nos. 405 & 393], are as follows (some of which is estimated and has not been verified, and none of which has been subject to audit):

Q4

Beginning Balance in All Accounts:	$1,628,419.50

Receipts

1. Receipts from Operations	$562.16
2. Other Receipts	$84,419.93
Total Receipts:	$84,982.09

[39] Q4 also owns an account receivable of $7 million in TriZetto Royalty Payments due under the TriZetto Modification Agreement. *See* Q4 Monthly Operating Report for March 2018, at 14. However, as provided in Section II.D(3) above, all rights, title and interest in and to the TriZetto Royalty Payments will be assigned to BMO, subject to certain allocations thereof from BMO to BIP and the Liquidating Trustee pursuant to the Stipulation.

Disbursements

3. Net Payroll:	
a. Officers	$30,000.00
b. Others	$25,908.04
4. Taxes:	
a. Payroll Taxes	$10,072.54
b. FICA Withholdings	$4,169.89
c. Employee's Withholdings	$0.00
d. Employer's FICA	$4,169.90
e. Federal Unemployment Taxes	$10.00
f. State Income Tax	$617.68
g. State Employee Withholdings	$216.93
h. All Other State Taxes	$0.00
5. Necessary Expenses:	
a. Rent or Mortgage Payment(s)	$5,062.65
b. Utilities	$471.26
c. Insurance	$8,822.72
d. Merchandise bought for manufacture or sale	$0.00
e. Other Necessary Expenses	
i. Bank Fees	$899.92
ii. Equipment Lease	$0.00
iii. Vendors	$30,234.45
iv. Vendor (India Vendor)	$0.00
v. Office Expense	$137.45
vi. Legal Expense- Immigration	$0.00
vii. Legal Expense- Bankruptcy	$151,429.49
viii. Expense Reimbursement	$0.00
ix. DIP Financing	$22,629.89
x. Professional Fees	$0.00
Total Disbursements:	$294,852.81[40]
Net Receipts (Disbursements) for the Current Period:	($209,870.72)
Ending Balance in All Accounts:	**$1,418,548.88**

[40] Q4 was paid $3 million (gross amount held in Debtor's counsel's IOLTA account) from TriZetto in February 2018, representing the 2018 First and Second Installments. The net amount received by Q4 from the transaction was $1.25 million. $1.15 million was disbursed from the IOLTA account to third parties, and $600,000 remained in the IOLTA account as of March 31, 2018, subject to disbursement.

STRATITUDE

Beginning Balance in All Accounts:	$981,789.16
Receipts	
1. Receipts from Operations	$0.00
2. Other Receipts	$0.00
Total Receipts:	$0.00
Disbursements	
3. Net Payroll:	
c. Officers	$11,632.29
d. Others	$0.00
4. Taxes:	
i. Payroll Taxes	$2,220.21
j. FICA Withholdings	$1,147.50
k. Employee's Withholdings	$0.00
l. Employer's FICA	$1,147.50
m. Federal Unemployment Taxes	$0.00
n. State Income Tax	$0.00
o. State Employee Withholdings	$15.00
p. All Other State Taxes	$0.00
5. Necessary Expenses:	
f. Rent or Mortgage Payment(s)	$0.00
g. Utilities	$0.00
h. Insurance	$0.00
i. Merchandise bought for manufacture or sale	$0.00
j. Other Necessary Expenses	
xi. Bank Fees	$198.73
xii. Equipment Lease	$0.00
xiii. Vendors	$245.00
xiv. Office Expense	$635.29
xv. Legal Expense- Immigration	$0.00
xvi. Legal Expense- Bankruptcy	$8,745.99
xvii. Travel and Entertainment	$0.00
xviii. Other	$48,197.75
xix. BANK LOAN	$251,802.25

Total Disbursements:	$325,987.51[41]
Net Receipts (Disbursements) for the Current Period:	($325,987.51)
Ending Balance in All Accounts:	**$655,801.65**

VIII. LIQUIDATION ANALYSIS

Pursuant to Local Rule 3016-1 of the Bankruptcy Court, a disclosure statement is required to include an exhibit setting forth a liquidation analysis as if the assets of the debtor were liquidated under Chapter 7. The liquidation analysis for purposes of this Disclosure Statement is attached hereto as **Exhibit B** and made a part hereof.

IX. CONCLUSION

The Debtors and the Committee believe that confirmation of the Plan, and the liquidation and administration of the Debtors' remaining assets and affairs pursuant to the Liquidating Trust Agreement under the direction of the Liquidating Trustee are in the best interests of the Debtors' Creditors and other interested parties in the Chapter 11 Cases.

In light of the liquidating nature of the Plan, and upon the Effective Date, both of the Debtors' corporate charters shall be deemed to have been amended so as to prohibit the issuance of any nonvoting equity securities as required by Section 1123(a)(6) of the Bankruptcy Code, without further act, notice deed or court order.

Dated: June 1, 2018

Respectfully submitted,

QUADRANT 4 SYSTEM CORPORATION
and STRATITUDE, INC.

By: /s/ Erich S. Buck
One of their attorneys

[41] Stratitude was paid $1,827,018 (which amount was held in trust by Debtor's counsel in its IOLTA account). In December 2017, Stratitude received the net amount of $512,017 from the IOLTA account, with $1,015,001 disbursed to third parties. The remaining $300,000 in sale proceeds was disbursed from the IOLTA account on March 16, 2018, as follows: $251,802.25 to BMO and $48,197.75 to JA Tech, Inc. (the purchaser of substantially all of the Stratitude Assets).

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