

QUADRANT 4 SYSTEM CORP

FORM 8-K (Current report filing)

Filed 07/05/17 for the Period Ending 06/29/17

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| Telephone | 732-798-3000 |
| CIK | 0000878802 |
| Symbol | QFOR |
| SIC Code | 3669 - Communications Equipment, Not Elsewhere Classified |
| Industry | IT Services & Consulting |
| Sector | Technology |
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 29, 2017

QUADRANT 4 SYSTEM CORPORATION
(Exact name of Registrant as Specified in its Charter)

Illinois
(State or other jurisdiction of
incorporation or organization)

33-42498
(Commission
File Number)

65-0254624
(I.R.S. Employer
Identification No.)

1501 E. Woodfield Road, Suite 205 S
Schaumburg, IL
(Address of Principal Executive Offices)

60173
(Zip Code)

(855) 995-7367
Registrant's telephone number, including area code

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2-(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.03. Bankruptcy or Receivership.

On June 29, 2017 (“Petition Date”), Quadrant 4 System Corporation (the “Company”) filed a voluntary petition for relief commencing a case under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. 101 et seq. (the “Bankruptcy Code”), designated as Case Number 17-19689 (the “Chapter 11 Case”) in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the “Bankruptcy Court”). The Company remains in possession of its assets and continues to operate its business as a debtor in possession in accordance with Sections 1107 and 1108 of the Bankruptcy Code. There is no trustee appointed in the Chapter 11 Case.

As previously reported in Company’s Current Reports on Form 8-K dated December 6, 2016, December 15, 2016, and March 22, 2017, respectively: (i) the Company’s former President and Chief Executive Officer, Nandu Thondavadi, and former Chief Financial Officer and Chairman of the Board, Dhru Desai, were arrested and charged in a federal criminal complaint with wire fraud and securities fraud (the “Criminal Action”); (ii) Messrs. Thondavadi and Desai promptly resigned from their respective positions as officers and directors of the Company and were replaced by Robert H. Steele, as Chief Executive Officer, and Shekhar Iyer, as Chief Operating Officer; (iii) the Company’s secured lenders, BMO Harris Bank, N.A. (“BMO Harris”) and BIP Lender, LLC each issued a Notice of Default with respect to the Company’s secured debt; and (iv) the Company entered into a Forbearance Agreement dated March 17, 2016 with BMO Harris, which expired by its terms as of May 17, 2017 (the “Forbearance Agreement”) and which BMO Harris has declined to extend.

As a result of the Criminal Action, continuing operating losses, the expiration of the Forbearance Agreement, the Company’s reduced operating funds and lack of alternate funding sources, the Company’s Board of Directors determined that it was in the best interests of the Company, its creditors, its shareholders and other interested parties that the Company commence the Chapter 11 Case.

Since before the Petition Date the Company has been soliciting offers to purchase certain of its business units with the assistance of the Company’s investment bankers and financial consultants. As of the Petition Date, the Company had negotiated and received five signed asset purchase agreements from two companies which are proposed to serve as stalking horse bids (opening bids) for the Company’s Staffing, Solutions and Education Platform business units. On Friday June 30, 2017, the Company filed a motion in the Chapter 11 Case seeking approval to name these five bids as the stalking horse offers for the subject business units, and further seeking to establish the sales process and bidding procedures under Section 363 of the Bankruptcy Code. The Chapter 11 sales process allows for competitive bidding with the stalking horse bids by parties that have the sophistication and financial stability to continue the Company’s business without minimal disruption to the Company’s customers, vendors and employees. The Bankruptcy Court will ultimately decide which offers represent the highest and best offers for these business units. The Company’s remaining business units will be the subject of a future sale and bidding procedures motion. The Company’s objective is to obtain the highest and best offers for each of its business units in order to maximize the value of its assets for the benefit of all of the Company’s creditors, shareholders and other interested parties. The Company is unable to predict the outcome of such sale efforts at this time, however management currently believes that there will be insufficient proceeds, after payment of secured creditors, to make distributions to its shareholders.

All filings in the Chapter 11 Case may be obtained from the Office of the Clerk of the U.S. Bankruptcy Court, 219 South Dearborn Street, Room 713, Chicago, Illinois 60604 or via its website (www.ilnb.uscourts.gov). Such information is not incorporated by reference into this Current Report on Form 8-K.

A copy of the Company’s press release announcing the filing of the Chapter 11 Case is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

Item 8.01. Other Events.

On June 28, 2017, the Company reached a partial resolution with the U.S. Securities and Exchange Commission (the “SEC”) of its previously disclosed investigation. There are no criminal charges against the Company.

Since the November 30, 2016 arrests of its former executives, the Company has been cooperating closely with both the SEC and the U.S. Department of Justice through its new management and reconstituted board of directors.

As part of its resolution with the SEC, the Company has consented to the entry of a proposed judgment on a “no-admit, no-deny” basis that would require it to refrain from violating various provisions of the federal securities laws. The draft judgment, which requires court approval, is part of a “bifurcated settlement” under which the SEC may seek disgorgement and civil penalties in future litigation.

The foregoing description of the consent and judgment referenced above is qualified in its entirety by reference to such documents, which are attached hereto as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference. A copy of the Company’s press release announcing the settlement is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

| Exhibit No. | Description of Exhibit |
|--------------------|--|
| 99.1 | <u>Consent of Defendant Quadrant 4 System Corporation, dated as of June 28, 2017</u> |
| 99.2 | <u>Judgment as to Defendant Quadrant 4 System Corporation</u> |
| 99.3 | <u>Press Release, dated as of June 29, 2017</u> |

Forward Looking Statements

This report contains “forward looking statements.” The statements contained in this report that are not purely historical are forward-looking statements. Forward-looking statements give the Company’s current expectations or forecasts of future events. Especially in light the Company’s present circumstances, such statements are subject to risks and uncertainties that are often difficult to predict and beyond the Company’s control, and could cause the Company’s results to differ materially from those described. The Company is providing this information as of the date of this report and does not undertake any obligation to update any forward looking statements contained in this report as a result of new information, future events or otherwise. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Important factors that could cause such differences include, but are not limited to, the Risk Factors and other information set forth in the Company’s filings with the Securities and Exchange Commission and in its press releases.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

QUADRANT 4 SYSTEM CORPORATION

By: /s/ Robert Steele
Robert H. Steele, Chief Executive Officer

Date: July 5, 2017

Index to Exhibits

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

Civil Action No.

v.

QUADRANT 4 SYSTEM CORP., NANDU THONDAVADI, and DHRU DESAI,

Defendants.

CONSENT OF DEFENDANT QUADRANT 4 SYSTEM CORP.

1. Defendant Quadrant 4 System Corp. (“Defendant”) waives service of a summons and the complaint in this action, enters a general appearance, and admits the Court’s jurisdiction over Defendant and over the subject matter of this action.

2. Without admitting or denying the allegations of the complaint (except as provided herein in paragraph 11 and except as to personal and subject matter jurisdiction, which Defendant admits), Defendant hereby consents to the entry of the Judgment in the form attached hereto (the “Judgment”) and incorporated by reference herein, which, among other things, permanently restrains and enjoins Defendant from violation of Section 17(a) of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. § 77q(a)] and Sections 10(b), 13(b)(2)(A), 13(b)(2)(B), and 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §§ 78j(b), 78m(b)(2)(A), 78m(b)(2)(B), and 78o(d)] and Rules 10b-5, 12b-20, 15d-1, 15d-11, and 15d-13 thereunder [17 CFR §§ 240.10b-5, 240.12b-20, 240.15d-1, 240.15d-11, and 240.15d-13].

3. Defendant agrees that, upon motion of the Commission, the Court shall determine whether it is appropriate to order disgorgement of ill-gotten gains and/or a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15

U.S.C. § 78u(d)(3)] and, if so, the amount(s) of the disgorgement and/or civil penalty. The Defendant further understands that, if disgorgement is ordered, Defendant shall pay prejudgment interest thereon, calculated from March 1, 2013, based on the rate of interest used by the Internal Revenue Service for the underpayment of federal income tax as set forth in 26 U.S.C. § 6621(a)(2). Defendant further agrees that in connection with the Commission's motion for disgorgement and/or civil penalties, and at any hearing held on such a motion: (a) Defendant will be precluded from arguing that it did not violate the federal securities laws as alleged in the Complaint; (b) Defendant may not challenge the validity of this Consent or the Judgment; (c) solely for the purposes of such motion, the allegations of the Complaint shall be accepted as and deemed true by the Court; and (d) the Court may determine the issues raised in the motion on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence, without regard to the standards for summary judgment contained in Rule 56(c) of the Federal Rules of Civil Procedure. In connection with the Commission's motion for disgorgement and/or civil penalties, the parties may take discovery, including discovery from appropriate non-parties. In the event Defendant is a debtor in any bankruptcy case ("Bankruptcy Case"), Defendant further agrees that the amount, if any, of any disgorgement, civil penalty and/or other monetary relief imposed in any additional proceedings described and agreed to herein shall be the amount of the Commission's allowed claim in its bankruptcy case, and the Defendant shall not object to any claim filed by the Commission in the Bankruptcy Case. If Defendant is a debtor in any Bankruptcy Case, for so long as the automatic stay is in effect, no action shall be taken to enforce or collect any disgorgement and/or civil penalty ordered pursuant to this paragraph except in accordance with the Bankruptcy Code, 11 U.S.C. § 101 *et seq*., and the Federal Rules of Bankruptcy Procedure.

4. Defendant waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.
5. Defendant waives the right, if any, to a jury trial and to appeal from the entry of the Judgment.

6. Defendant enters into this Consent voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the Commission or any member, officer, employee, agent, or representative of the Commission to induce Defendant to enter into this Consent.

7. Defendant agrees that this Consent shall be incorporated into the Judgment with the same force and effect as if fully set forth therein.

8. Defendant will not oppose the enforcement of the Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and hereby waives any objection based thereon.

9. Defendant waives service of the Judgment and agrees that entry of the Judgment by the Court and filing with the Clerk of the Court will constitute notice to Defendant of its terms and conditions. Defendant further agrees to provide counsel for the Commission, within thirty days after the Judgment is filed with the Clerk of the Court, with an affidavit or declaration stating that Defendant has received and read a copy of the Judgment.

10. Consistent with 17 C.F.R. 202.5(f), this Consent resolves only the claims asserted against Defendant in this civil proceeding. **Defendant acknowledges that no promise or representation has been made by the Commission** or any member, officer, employee, agent, or representative of the Commission **with regard to any criminal liability that may have arisen or may arise from the facts underlying this action or immunity from any such criminal liability.** Defendant waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty herein. Defendant further acknowledges that the Court's entry of a permanent injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. In addition, in any disciplinary proceeding before the Commission based on the entry of the

injunction in this action, Defendant understands that it shall not be permitted to contest the factual allegations of the complaint in this action.

11. Defendant understands and agrees to comply with the terms of 17 C.F.R. § 202.5(e), which provides in part that it is the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegations in the complaint or order for proceedings," and "a refusal to admit the allegations is equivalent to a denial, unless the defendant or respondent states that he neither admits nor denies the allegations." As part of Defendant's agreement to comply with the terms of Section 202.5(e), Defendant: (i) will not take any action or make or permit to be made any public statement denying, directly or indirectly, any allegation in the complaint or creating the impression that the complaint is without factual basis; (ii) will not make or permit to be made any public statement to the effect that Defendant does not admit the allegations of the complaint, or that this Consent contains no admission of the allegations, without also stating that Defendant does not deny the allegations; and (iii) upon the filing of this Consent, Defendant hereby withdraws any papers filed in this action to the extent that they deny any allegation in the complaint. If Defendant breaches this agreement, the Commission may petition the Court to vacate the Judgment and restore this action to its active docket. Nothing in this paragraph affects Defendant's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

12. Defendant hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorney's fees or other fees, expenses, or costs expended by Defendant to defend against this action. For these purposes, Defendant agrees that Defendant is not the prevailing party in this action since the parties have reached a good faith settlement.

13. In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, Defendant (i) agrees

to use its best efforts to encourage its employees, officers, or directors to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) appoints Defendant's undersigned attorney as agent to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waives the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Defendant's travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (v) consents to personal jurisdiction over Defendant in any United States District Court for purposes of enforcing any such subpoena.

14. Defendant agrees that the Commission may present the Judgment to the Court for signature and entry without further notice.
15. Defendant agrees that this Court shall retain jurisdiction over this matter for the purpose of enforcing the terms of the Judgment.

Dated: 6/28/2017

Quadrant 4 System Corp.

By: /s/ Robert Steele
Robert Steele
Chief Executive Officer
1501 E. Woodfield Road, Suite 205
Schaumburg, IL 60173

On June 28, 2017, Robert Steele, a person known to me, personally appeared before me and acknowledged executing the foregoing Consent with full authority to do so on behalf of Quadrant 4 System Corp. as its Chief Executive Officer.

/s/ Christine M. Gericke
Notary Public
Commission expires:

Approved as to form:

/s/ Michael R. MacPhail

Michael R. MacPhail

Faegre Baker Daniels, LLP

1700 Lincoln Street, Suite 3200

Denver, CO 80203

Attorney for Defendant

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

Civil Action No.

v.

QUADRANT 4 SYSTEM CORP., NANDU THONDAVADI, and DHRU DESAI,

Defendants.

JUDGMENT AS TO DEFENDANT QUADRANT 4 SYSTEM CORP.

The Securities and Exchange Commission having filed a Complaint and Defendant Quadrant 4 System Corp. having entered a general appearance; consented to the Court's jurisdiction over Defendant and the subject matter of this action; consented to entry of this Judgment without admitting or denying the allegations of the Complaint (except as to jurisdiction); waived findings of fact and conclusions of law; and waived any right to appeal from this Judgment:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of

interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

II.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

- (a) to employ any device, scheme, or artifice to defraud;
 - (b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements
-

made, in light of the circumstances under which they were made, not misleading;

or

(c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

III.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)] by failing to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating Section 13(b)(2)(B) of the Exchange Act

[15 U.S.C. § 78m(b)(2)(B)] by failing to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that:

- (a) transactions are executed in accordance with management's general or specific authorization;
- (b) transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (2) to maintain accountability for assets;
- (c) access to assets is permitted only in accordance with management's general or specific authorization; and
- (d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

V.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)] or Rules 12b-20, 15d-1, 15d-11, and 15d-13 thereunder by failing to file accurate periodic and current reports with the Commission.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

VI.

Upon motion of the Commission, the Court shall determine whether it is appropriate to order disgorgement of ill-gotten gains and/or a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and, if so, the amount(s) of the disgorgement and/or civil penalty. If disgorgement is ordered, Defendant shall pay prejudgment interest thereon, calculated from March 1, 2013, based on the rate of interest used by the Internal Revenue Service for the underpayment of federal income tax as set forth in 26 U.S.C. § 6621(a)(2). In connection with the Commission's motion for disgorgement and/or civil penalties, and at any hearing held on such a motion: (a) Defendant will be precluded from arguing that it did not violate the federal securities laws as alleged in the Complaint; (b) Defendant may not challenge the validity of the Consent or this Judgment; (c) solely for the purposes of such motion, the allegations of the Complaint shall be accepted as and deemed true by the Court; and (d) the Court may determine the issues raised in the motion on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence, without regard to the standards for summary judgment contained in Rule 56(c) of the Federal Rules of Civil Procedure. In connection with the Commission's motion for disgorgement and/or civil penalties, the parties may take discovery, including discovery from appropriate non-parties. In the event Defendant is a debtor in any

bankruptcy case ("Bankruptcy Case"), Defendant further agrees that the amount, if any, of any disgorgement, civil penalty and/or other monetary relief imposed in any additional proceedings described and agreed to herein shall be the amount of the Commission's allowed claim in its bankruptcy case, and the Defendant shall not object to any claim filed by the Commission in Bankruptcy Case. If Defendant is a debtor in any Bankruptcy Case, for so long as the automatic stay is in effect, no action shall be taken to enforce or collect any disgorgement and/or civil penalty ordered pursuant to this paragraph except in accordance with the Bankruptcy Code, 11 U.S.C. § 101 *et seq.*, and the Federal Rules of Bankruptcy Procedure.

VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply with all of the undertakings and agreements set forth therein.

VIII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Judgment.

IX.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Judgment forthwith and without further notice.

Dated: _____, _____

UNITED STATES DISTRICT JUDGE

Quadrant 4 System Corporation Reaches Partial Settlement with U.S. Securities and Exchange Commission and Files for Voluntary Chapter 11 Restructuring

Chicago, IL, June 29, 2017 - Quadrant 4 System Corporation (OTC:QFOR) (the “Company”), a provider of digital transformation, innovation and growth, technology-based solutions and staffing to the retail, manufacturing, financial services, healthcare, education and media industries announced today that it has reached partial settlement with the U.S. Securities and Exchange Commission (“SEC”) regarding its previously disclosed investigation. Separately, the Company has voluntarily filed a Chapter 11 bankruptcy reorganization case to allow the Company to continue normal operations while actively marketing and ultimately selling its business units as going concerns.

The Company is aware of additional criminal charges filed today by the U.S. Attorney’s Office for the Northern District of Illinois against its former executives, Nandu Thondavadi and Dhru Desai, charging them with wire fraud in connection with various types of misconduct while employed by the Company. No criminal charges have been, or are anticipated to be, filed against the Company. Since the November 30, 2016 arrests of Messrs. Thondavadi and Desai, the Company has been cooperating closely with both the SEC and the U.S. Department of Justice under the direction of its new executive team and reconstituted board of directors.

As part of its settlement with the SEC, the Company has consented to the entry of a proposed judgment on a “no-admit, no-deny” basis that would require it to refrain from violating various provisions of the federal securities laws. The draft judgment, which requires court approval, is part of a “bifurcated settlement” under which civil penalties, if any, may be determined in future litigation. The Company does not believe this settlement will impair its operations during the Chapter 11 process.

The Chapter 11 filing is in direct response to the actions and arrest of Messrs. Thondavadi and Desai. The Company’s senior secured lender, BMO Harris Bank, N.A. has agreed to supply additional funding to assist the Company with operating during the Chapter 11 process, and the Company expects to continue normal operations throughout the Chapter 11 case while actively marketing its business units for sale as going concerns.

The Company believes that all of its customers, suppliers and employees can continue to rely on the Company to provide them with the superior services and relationships the Company has delivered for years. “The filing was necessary to preserve the value of our businesses and to ensure continued operations and services to our customers and employees. The voluntary Chapter 11 filing will give the Company sufficient breathing room to continue working through the process. The Company has already received signed asset purchase agreements for certain of its business units from reputable and stable organizations, which will be subject to approval during the Chapter 11 process and help guarantee the continuation of the Company’s services to customers and other interested parties”, said Robert H. Steele, the Company’s Chief Executive Officer. “Marketing and sale efforts for the Company’s remaining business units will continue during the Chapter 11. We expect prompt and successful results from those efforts as well. All of our energies are focused on concluding this process in an professional and positive manner”, Steele stated.

The Company intends to work with all key constituents to maintain customer services, employee relationships, and to maximize its asset values and exit Chapter 11 in the quickest and most efficient means possible.

The Company expects that its current management team will continue to lead the Company throughout this process.

Forward Looking Statements

This press release contains “forward looking statements.” The statements contained in this press release that are not purely historical are forward-looking statements. Forward-looking statements give the Company’s current expectations or forecasts of future events. Such statements are subject to risks and uncertainties that are often difficult to predict and beyond the Company’s control, and could cause the Company’s results to differ materially from those described. The Company is providing this information as of the date of this press release and does not undertake any obligation to update any forward looking statements contained in this press release as a result of new information, future events or otherwise. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Important factors that could cause such differences include, but are not limited to, the Risk Factors and other information set forth in the Company’s filings with the Securities and Exchange Commission and in its press releases.