

In re Quality Systems, Inc. Securities Litigation

COURT: United States District Court for the Central District of California

CASE NUMBER: SACV13-01818

CASE LEADERS: Gerald H. Silk, Avi Josefson

This is a securities fraud class action on behalf of purchasers of Quality Systems, Inc. ("QSI" or the "Company") common stock during the period from May 26, 2011 through July 25, 2012, inclusive (the "Class Period"), alleging claims pursuant to Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 against QSI; the Company's founder and Chairman, Sheldon Razin; its Chief Executive Officer, Steven T. Plochocki; and its Chief Financial Officer, Paul Holt (collectively, "Defendants").

Lead Plaintiffs Have Settled the Action for \$19 Million

The Court-appointed Lead Plaintiffs, Arkansas Teacher Retirement System and City of Miami Fire Fighters' and Police Officers' Retirement Trust, have reached a settlement of this action for \$19,000,000 in cash with Defendants that resolves all claims in the action.

If you are a member of the Class, your rights will be affected and you may be eligible for a payment from the settlement. The Class consists of:

all persons or entities who purchased or otherwise acquired QSI common stock during the period from May 26, 2011 through July 25, 2012, inclusive, and were damaged thereby, except for certain persons and entities who are excluded from the Class by definition (see paragraph 18 of the Notice).

Please read the Notice to fully understand your rights. Copies of the Notice and Claim Form can be found on the Case Documents page. You may also visit the Settlement website, www.QSISecuritiesSettlement.com, for more information about the Settlement.

Following a hearing on November 19, 2018, the Court entered an Order granting Plaintiffs' motions for final approval of the Settlement and for attorneys' fees and expenses; entered a Final Judgment approving the Settlement as fair, reasonable and adequate; entered an order approving the Plan of Allocation for the proceeds of the Settlement; and entered an order awarding attorneys' fees and expenses.

On October 25, 2019, the Court authorized the initial distribution of the Net Settlement Fund to eligible Court-Approved Claimants. The initial distribution to eligible claimants occurred in December 2019. A second distribution of funds to eligible class members took place in August 2020.

Background

QSI develops and sells practice management software to medical and dental providers, including software related to scheduling and billing. Throughout the Class Period, QSI portrayed itself as a high-growth company, repeatedly touting its record growth in revenue and earnings, and robust pipeline of business that contained hundreds of millions of dollars of software sales that the Company sought to realize within the next six to eight months. QSI also repeatedly issued bullish annual guidance to investors, stating that it was confident that it would achieve annual growth rates in earnings per share ("EPS") well in excess of 20%.

Lead Plaintiffs allege that, in truth, Defendants knew and recklessly disregarded that QSI's growth was materially slowing. Lead Plaintiffs allege that, throughout the Class Period, Defendants were privy to real-time data concerning the revenues and earnings of each of QSI's operating divisions, and QSI's guidance was continuously updated based on that real-time data. Accordingly, Lead Plaintiffs contend that Defendants knew and recklessly disregarded that the fiscal 2012 guidance calling for earnings growth of as much as 33% was directly contradicted by the reality of QSI's performance.

On May 7, 2012, the Company announced that it was experiencing delays in closing sales, which raised investor concerns about the Company's fiscal 2012 performance. Following this announcement, QSI's stock price declined 17% over the next two trading days, falling from a closing price of \$36.99 on May 6 to a closing price of \$30.99 on May 8, on very high volume.

A few days later, on May 10, 2012, QSI revealed that its ability to generate earnings had materially slowed in fiscal 2012. Specifically, QSI announced that it would report EPS of between \$1.27 and \$1.30 for fiscal 2012 – or as much as 36% below its guidance. Following this announcement, QSI's stock price immediately declined 6%, falling from \$32.09 to \$30.12 on May 10, on extremely high volume.

Then, before the market opened on July 26, 2012, Defendants announced that the Company's EPS had materially declined from the year-ago quarter, and withdrew QSI's highly favorable fiscal 2013 guidance. That disclosure caused the price of QSI stock to decline from \$23.63 per share to \$15.95 per share on July 26, 2012.

On April 7, 2014, Lead Plaintiffs filed an Amended Complaint For Violations Of The Federal Securities Laws ("Amended Complaint"). In June 2014, Defendants filed a motion to dismiss the Amended Complaint, which Lead Plaintiffs opposed. In October 2014, the court granted the motion to dismiss. In January 2015, the court denied Lead Plaintiffs' motion for reconsideration. Following Lead Plaintiffs' appeal of these decisions, on July 28, 2017, the Ninth Circuit Court of Appeals reversed the district court's order and remanded for further proceedings.

Following the Court of Appeals' decision, Lead Plaintiffs and Defendants began formal discovery. After substantial document discovery and settlement negotiations, including before mediation before Gregory P. Lindstrom, Esq., of Phillips ADR, a nationally recognized mediator, the parties reached an agreement to settle all claims in the action for \$19 million.

On November 19, 2018, following a hearing, the Court approved the Settlement as fair, reasonable and adequate and approved the Plan of Allocation for the proceeds of the Settlement. The first distribution of net settlement funds occurred on December 10, 2019. A second distribution of funds to eligible class members took place in August 2020. A final distribution of funds will take place in February 2021.

Case Documents

- Notice of (I) Pendency of Class Action and Proposed Settlement; (II) Settlement Hearing; and (III) Motion for Attorneys' Fees and Expenses ("Notice")
- October 25, 2019 - Order Approving Distribution Plan
- November 19, 2018 – Order Granting Plaintiffs' Motions for Final Approval of Settlement and Attorneys' Fees, Expenses, and Lead Plaintiffs' Award
- November 19, 2018 – Final Judgment and Order of Dismissal with Prejudice

- November 19, 2018 – Order Approving Plan of Allocation
- November 19, 2018 – Order Awarding Attorneys’ Fees and Expenses and Award to Lead Plaintiffs Pursuant to 15 U.S.C. § 78u-4(a)(4)
- October 15, 2018 - Lead Plaintiffs’ Notice of Motion and Motion for Final Approval of Settlement and Approval of Plan of Allocation
- October 15, 2018 - Memorandum of Points and Authorities in Support of Lead Plaintiffs’ Motion for Final Approval of Settlement and Approval of Plan of Allocation
- October 15, 2018 - Lead Counsel’s’ Notice of Motion and Motion for an Award of Attorneys’ Fees and Expenses and Award to Lead Plaintiffs Pursuant to 15 U.S.C. §78u-4(a)(4)
- October 15, 2018 - Memorandum of Points and Authorities in Support of Lead Counsel’s Motion for an Award of Attorneys’ Fees and Expenses and Award to Lead Plaintiffs Pursuant to 15 U.S.C. §78u-4(a)(4)
- October 15, 2018 - Joint Declaration of Robert R. Henssler Jr. and Benjamin Galdston in Support of (A) Lead Plaintiffs’ Motion for Final Approval of Settlement and Approval of Plan of Allocation, and (B) Lead Counsel’s Motion for an Award of Attorneys’ Fees and Expenses and Award to Lead Plaintiffs Pursuant to 15 U.S.C. §78u-4(a)(4)
- October 15, 2018 - Declaration of Ornel N. Cotera in Support of (A) Lead Plaintiffs’ Motion for Final Approval of Settlement; and (B) Lead Counsel’s Motion for an Award of Attorneys’ Fees and Expenses
- October 15, 2018 - Declaration of Arkansas Teacher Retirement System in Support of (A) Lead Plaintiffs’ Motion for Final Approval of Settlement; (B) Lead Counsel’s Motion for an Award of Attorneys’ Fees and Reimbursement of Litigation Expenses; and (C) Lead Plaintiff Award
- October 15, 2018 - Declaration of Eric J. Miller Regarding Notice Dissemination, Publication and Report on Requests for Exclusion Received To Date
- October 15, 2018 -Declaration of Robert R. Henssler Jr. Filed on Behalf of Robbins Geller Rudman & Dowd LLP in Support of Lead Counsel’s Application for Award of Attorneys’ Fees and Expenses
- October 15, 2018 - Declaration of Benjamin Galdston Filed on Behalf of Bernstein Litowitz Berger & Grossmann LLP in Support of Application for Award of Attorneys’ Fees and Expenses
- October 15, 2018 - Declaration of Robert D. Klausner Filed on Behalf of Klausner, Kaufman, Jensen & Levinson in Support of Application for Award of Attorneys’ Fees and Expenses
- August 3, 2018 - Addendum to Order Granting Preliminarily Approval of Class Action Settlement and Lifting Stay
- July 30, 2018 - Order Granting Preliminary Approval of Class Action Settlement and Lifting Stay
- July 16, 2018 - Lead Plaintiffs’ Notice of Motion and Unopposed Motion for (I) Preliminary Approval of Class Action Settlement; (II) Certification of the Class; (III) Approval of Notice to the Class, and Incorporated Memorandum of Law
- July 16, 2018 - Stipulation of Settlement

- July 28, 2017 - Ninth Circuit Court of Appeals Decision
- April 7, 2014 - Amended Complaint for Violations of the Federal Securities Laws
- November 19, 2013 - Class Action Complaint