UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

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

Date of Report (Date of earliest event reported): **July 12, 2017**

EXELA TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-36788**	**47-1347291**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

2701 E. Grauwyler Rd. Irving, TX	**75061**
(Address of principal executive offices)	(Zip Code)

Company’s telephone number, including area code: **(214) 740-6500**

Quinpario Acquisition Corp. 2
12935 N. Forty Drive, Suite 201,
St. Louis, MO
(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 to the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

x Emerging growth company

o If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

EXPLANATORY NOTE

This Amendment No. 1 on Form 8-K/A (this “Amendment”) amends Item 9.01 of the Current Report on Form 8-K filed by Exela Technologies, Inc. (the “Company”) on July 18, 2017 (the “Original Report”), in which the Company reported, among other events, the completion of its business combination (the “Business Combination”) with SourceHOV Holdings, Inc. (“SourceHOV”) and Novitex Holdings, Inc. (“Novitex”). This Amendment amends the historical financial statements required by Item 9.01(a) in the Original Report. This Amendment does not amend any other item of the Original Report or purport to provide an update or a discussion of any developments at the Company subsequent to the filing date of the Original Report.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

The audited financial statements of SourceHOV and Novitex are incorporated by reference in this Current Report on Form 8-K from the Original Report. The unaudited interim consolidated financial statements of SourceHOV and Novitex for the three and six months ended June 30, 2017 and June 30, 2016 and as of June 30, 2017 are filed herewith as Exhibit 99.1 and Exhibit 99.3, respectively, and incorporated herein by reference.

For accounting purposes, the Business Combination is treated as a reverse acquisition and, as such, the historical financial statements of the accounting acquirer, SourceHOV, which have been audited by KPMG LLP, will become the historical financial statements of the Company. Also included herewith as Exhibit 99.2 and incorporated herein by reference is the Management Discussion and Analysis of Financial Condition and Results of Operations of SourceHOV for the period ended June 30, 2017.

(d) Exhibits

Exhibit Number	Exhibit Description
99.1	The unaudited financial statements of SourceHOV as of June 30, 2017 and for the three and six months ended June 30, 2017 and June 30, 2016
99.2	Management Discussion and Analysis of Financial Condition and Results of Operations for SourceHOV for the period ended June 30, 2017
99.3	The unaudited financial statements of Novitex as of June 30, 2017 and for the three months ended June 30, 2017 and June 30, 2016

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.

Dated: August 9, 2017

EXELA TECHNOLOGIES, INC.

By: /s/ Jim Reynolds
Name: Jim Reynolds
Title: Chief Financial Officer

Exhibit 99.1

SourceHOV Holdings, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016, Condensed Consolidated Statements of Operations and Comprehensive Loss for three and six months ended June 30, 2017 and 2016, and Stockholders' Deficit and Cash Flows for the six months ended June 30, 2017 and 2016

SourceHOV Holdings, Inc. and Subsidiaries

Index to Unaudited Condensed Consolidated Financial Statements

SourceHOV Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
As of June 30, 2017 and December 31, 2016
(in thousands of United States dollars except share and per share amounts)

	June 30, 2017 (Unaudited)	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 23,973	$ 8,361
Restricted cash	29,285	25,892
Accounts receivable, net of allowance for doubtful accounts of $3,351 and $3,219, respectively	137,618	138,421
Inventories, net	12,062	11,195
Prepaid expenses and other current assets	12,898	12,202
Total current assets	**215,836**	**196,071**
Property, plant and equipment, net	74,980	81,600
Goodwill	370,869	373,291
Intangible assets, net	277,494	298,739
Deferred income tax assets	8,495	9,654
Other noncurrent assets	9,875	10,131
Total assets	**$ 957,549**	**$ 969,486**
Liabilities and Stockholders' Deficit		
Liabilities		
Current liabilities		
Accounts payable	$ 40,479	$ 42,212
Related party payables	1,319	9,344
Income tax payable	1,652	1,031
Accrued liabilities	51,648	29,492
Accrued compensation and benefits	30,642	31,200
Customer deposits	18,322	18,729
Deferred revenue	18,798	17,235
Obligation for claim payment	29,285	25,892
Current portion of capital lease obligations	5,614	6,507
Current portion of long-term debt	73,623	55,833
Total current liabilities	**271,382**	**237,475**

Long-term debt, net of current maturities	950,879	983,502
Capital lease obligations, net of current maturities	16,732	18,439
Pension liability	29,328	28,712
Deferred income tax liabilities	26,852	26,223
Long-term income tax liability	3,063	3,063
Other long-term liabilities	11,585	11,973
Total liabilities	**1,309,821**	**1,309,387**
Commitment and Contingencies		
Stockholders' Deficit		
Common stock, par value of $0.001 per share; 331,000 shares authorized; 157,249 shares issued and outstanding at June 30, 2017 and 144,400 shares issued and outstanding December 31, 2016;		
Preferred stock, par value of $0.01 per share; 400,000 shares authorized and no shares issued or outstanding at June 30, 2017 and December 31, 2016		
Additional paid in capital	(36,843)	(57,389)
Equity-based compensation	29,559	27,342
Accumulated deficit	(329,161)	(293,968)
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	(2,524)	(3,547)
Unrealized pension actuarial losses, net of tax	(13,303)	(12,339)
Total accumulated other comprehensive loss	(15,827)	(15,886)
Total stockholders' deficit	**(352,272)**	**(339,901)**
Total liabilities and stockholders' deficit	**$ 957,549**	**$ 969,486**

The accompanying notes are an integral part of these condensed consolidated financial statements.

SourceHOV Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
For the Three and Six Months ended June 30, 2017 and 2016
(in thousands of United States dollars except share and per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenue	209,382	191,464	427,642	391,154
Cost of revenue (exclusive of depreciation and amortization)	140,418	122,577	284,126	255,920
Gross profit	**68,964**	**68,887**	**143,516**	**135,234**
Selling, general and administrative expenses	34,998	33,528	70,578	64,556
Depreciation and amortization	21,406	20,943	42,727	39,702
Related party expense	2,456	2,589	4,841	4,924
Operating income	**10,104**	**11,827**	**25,370**	**26,052**
Other expense (income), net:				
Interest expense, net	27,869	26,913	54,088	54,313
Sundry expense (income), net	(327)	1,503	2,397	(428)
Net loss before income taxes	(17,438)	(16,589)	(31,115)	(27,833)
Income tax (expense) benefit	(2,074)	3,130	(4,078)	6,212
Net loss	**$ (19,512)**	**$ (13,459)**	**$ (35,193)**	**$ (21,621)**
Net loss per share - basic and diluted	$ (124.08)	$ (93.21)	$ (223.80)	$ (149.73)
Shares used in computing basic and diluted net loss per share	157,249	144,400	157,249	144,400

The accompanying notes are an integral part of these condensed consolidated financial statements.

SourceHOV Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Loss
For the Three Months and Six Months ended June 30, 2017 and 2016
(in thousands of United States dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net loss	**$ (19,512)**	**$ (13,459)**	**$ (35,193)**	**$ (21,621)**
Other comprehensive loss, net of tax				
Foreign currency translation adjustments	(1,391)	(278)	1,023	1,733
Unrealized pension actuarial (losses) gains, net of tax	(683)	251	(964)	361
Total other comprehensive loss, net of tax	**$ (21,586)**	**$ (13,486)**	**$ (35,134)**	**$ (19,527)**

The accompanying notes are an integral part of these condensed consolidated financial statements.

SourceHOV Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Deficit
For the Six Months ended June 30, 2017 and 2016
(in thousands of United States dollars, except per share data)
(Unaudited)

	Common Stock		Additional	Equity-Based	Accumulated Other Comprehensive Loss		Accumulated	Total Stockholders'
	Shares	Amount	Paid in Capital	Compensation	Foreign Currency Translation Adjustment	Unrealized Pension Actuarial Losses, net of tax	Deficit	Deficit
Balances at December 31, 2015	**144,400**	**$ —**	**$ (57,389)**	**$ 20,256**	**$ (3,415)**	**$ (5,076)**	**$ (245,865)**	**$ (291,489)**
Net loss January 1 to June 30, 2016							(21,621)	(21,621)
Equity-based compensation				3,707				3,707
Foreign currency translation adjustment					1,733			1,733
Net realized pension actuarial gains, net of tax						361		361
Balances at June 30, 2016	**144,400**	**$ —**	**$ (57,389)**	**$ 23,963**	**$ (1,682)**	**$ (4,715)**	**$ (267,486)**	**$ (307,309)**

	Common Stock		Additional	Equity-Based	Accumulated Other Comprehensive Loss		Accumulated	Total Stockholders'
	Shares	Amount	Paid in Capital	Compensation	Foreign Currency Translation Adjustment	Unrealized Pension Actuarial Losses, net of tax	Deficit	Deficit
Balances at December 31, 2016	**144,400**	**$ —**	**$ (57,389)**	**$ 27,342**	**$ (3,547)**	**$ (12,339)**	**$ (293,968)**	**$ (339,901)**
Net loss January 1 to June 30, 2017							(35,193)	(35,193)
Equity-based compensation				2,217				2,217
Foreign currency translation adjustment					1,023			1,023
Capital infusion from Shareholders	12,849		20,546					20,546
Net realized pension actuarial gains, net of tax						(964)		(964)
Balances at June 30, 2017	**157,249**	**$ —**	**$ (36,843)**	**$ 29,559**	**$ (2,524)**	**$ (13,303)**	**$ (329,161)**	**$ (352,272)**

The accompanying notes are an integral part of these condensed consolidated financial statements.

SourceHOV Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Six Months ended June 30, 2017 and 2016
(in thousands of United States dollars)
(Unaudited)

	Six Months ended June 30, 2017	Six Months ended June 30, 2016
Cash flows from operating activities		
Net loss	$ (35,193)	$ (21,621)
Adjustments to reconcile net loss		
Depreciation and amortization	42,727	39,702
Original issue discount and debt issuance cost amortization	7,027	6,725
Provision (recovery) for doubtful accounts	192	(661)
Deferred income tax benefit (expense)	617	(7,219)
Share-based compensation expense	2,217	3,707
Foreign currency remeasurement	972	174
Gain on sale of Meridian	(251)	—
Loss on sale of property, plant and equipment	277	1,213
Change in operating assets and liabilities, net of effect from acquisitions:		
Accounts receivable	(49)	11,777
Prepaid expenses and other assets	(1,794)	(3,563)
Accounts payable and accrued liabilities	21,150	2,696
Related party payables	(8,025)	(1,496)
Net cash provided by operating activities	**29,867**	**31,434**
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,409)	(3,285)

Additions to internally developed software	(4,731)	(4,676)
Additions to outsourcing contract costs	(6,038)	(9,138)
Proceeds from sale of Meridian	4,381	—
Proceeds from sale of property, plant and equipment	11	615
Net cash used in by investing activities	**(9,786)**	**(16,484)**
Cash flows from financing activities		
Change in bank overdraft	(210)	(1,080)
Proceeds from financing obligations	3,008	4,704
Contribution from Shareholders	20,546	—
Borrowings from revolver and swing-line loan	72,600	35,000
Repayments on revolver and swing line loan	(72,500)	(37,500)
Principal payments on long-term obligations	(28,153)	(23,728)
Net cash used in financing activities	**(4,709)**	**(22,604)**
Effect of exchange rates on cash	240	(215)
Net increase (decrease) in cash and cash equivalents	**15,612**	**(7,869)**
Cash and cash equivalents		
Beginning of period	8,361	16,619
End of period	**$ 23,973**	**$ 8,750**
Supplemental cash flow data:		
Income tax payments, net of refunds received	$ 2,032	$ 1,722
Interest paid	32,566	56,091
Noncash investing and financing activities:		
Assets acquired through capital lease arrangements	187	2,484
Leasehold improvements funded by lessor	—	322
Accrued capital expenditures	$ 1,026	$ 301

The accompanying notes are an integral part of these condensed consolidated financial statements.

SourceHOV Holdings, Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
(in thousands of United States dollars unless otherwise stated)
(Unaudited)

1. Description of the Business

Organization

SourceHOV Holdings, Inc. and subsidiaries (collectively "the Company") is a holding company with no operations, which owns 100% of SourceHOV LLC and its wholly owned subsidiaries ("SourceHOV LLC"). The Company provides mission-critical information and transaction processing solutions services to clients across three major industry verticals. The Company manages information and document driven business processes and offers solutions and services to fulfill specialized knowledge-based processing and consulting requirements, enabling clients to concentrate on their core competencies.

The Company consists of the following segments:

- Information & Transaction Processing Solutions ("ITPS"). ITPS provides industry solutions for banking and financial services, including lending solutions for mortgages and auto loans, and banking solutions for clearing, anti-money laundering, sanctions, and interbankcross-border settlement; property and casualty insurance solutions for origination, enrollments, claims processing, and benefits administration communications; public sector solutions for income tax processing, benefits administration, and record management; multi-industry solutions for payment processing and reconciliation, integrated receivable and payables management, document logistics and location services, records management and electronic storage of data / documents; and software, hardware, professional services and maintenance related to information and transaction processing automation, among others.
- Healthcare Solutions ("HS"). HS offerings include revenue cycle solutions, integrated accounts payable and accounts receivable, and information management for both the healthcare payer and provider markets. Payer service offerings include claims processing, claims adjudication and auditing services, enrollment processing and policy management, and scheduling and prescription management. Provider service offerings include medical coding and insurance claim generation, underpayment audit and recovery, and medical records management.
- Legal and Loss Prevention Services ("LLPS") Solutions. LLPS solutions include processing of legal claims for class action and mass action settlement administrations, involving project management support, notification and outreach to claimants, collection, analysis and distribution of settlement funds. Additionally, LLPS provides data and analytical services in the context of litigation consulting, economic and statistical analysis, expert witness services, and revenue recovery services for delinquent accounts receivable.

The Reorganization

Prior to October 31, 2014, SourceHOV LLC was wholly owned by Solaris Holding Corporation ("Solaris"). On October 31, 2014, Solaris merged with SHC Merger Sub Inc. ("SHC"), a Delaware corporation ("First Merger"). Upon consummation of this First Merger, SHC ceased to exist and Solaris continued to be the sole surviving corporation of the First Merger. At this time, Solaris and SourceHOV Holdings, Inc. were merged, resulting in the common stock of Solaris becoming common stock of the Company. Immediately following the First Merger, the Company, BT Merger Sub Inc. ("BT") and Pangea Acquisitions, Inc. ("Pangea") merged ("Second Merger"). Upon consummation of the Second Merger, BT ceased to exist and Pangea became a wholly-owned subsidiary of the Company. As part of the transaction, the Company redeemed all preferred shares owned directly, or indirectly, by The Rohatyn Group ("TRG") for $357.5 million, of which $353.0 million was paid on October 31, 2014 and the remaining $4.5 million is payable over two years. All remaining preferred holders in the Company converted their preferred shares into common shares of the Company, resulting in a change of control from a collaborative group to one affiliated group of entities. Shareholders of Pangea received common shares of the Company in exchange for their Pangea shares. In addition, all existing debt facilities of Pangea and Solaris were refinanced as part of the reorganization (the "Reorganization"). Because Pangea was controlled by the same shareholders that now control the Company at the date of the Reorganization, the merger with Pangea was reflected at carrying value.

The TransCentra Acquisition

On September 28, 2016, SourceHOV LLC acquired TransCentra Inc. ("TransCentra"), a wholly-owned subsidiary of FTS Parent, Inc. ("FTS"), a Delaware corporation. TransCentra is an outsourced biller, outsourced payment processor, and a provider of insourced imaging and payment processing platforms and software. TransCentra's outsourced business operated through wholly-owned subsidiary Regulus Holding Inc. provides printing and payment processing to its customers. The outsourced business utilizes internally developed software to provide printing and remittance services to customers and is the predominant revenue contributor for TransCentra. TransCentra's insourced business operated through wholly-owned subsidiary J&B Software, Inc. provides imaging and payment processing software to customers who choose to process their own remittances. TransCentra was incorporated in the State of Delaware on May 12, 2011 as Columbus Acquisition Corporation, Inc. and changed its name to TransCentra, Inc. via an amended and restated certificate of incorporation in December 2011. The acquisition was accounted for as a business combination using the acquisition method of accounting.

Disposal of Meridian Consulting Group, LLC

On March 17, 2017, the Company sold certain assets and liabilities of Meridian Consulting Group, LLC ("Meridian") business, a legal entity included in the LLPS segment, for $5.0 million to J.S. Held LLC, a Delaware limited liability company. Management concluded Meridian was providing no added benefit to the LLPS segment, resulting in a reorganization disposal of Meridian. The Company received net cash proceeds of $4.4 million. The transaction was accounted for as a sale of a business for accounting purposes. The Company recognized a gain of $0.3 million (net of a goodwill adjustment of $2.7 million) reported as part of Selling, general and administrative expenses in the condensed consolidated statement of operations.

2. Basis of Presentation and Summary of Significant Accounting Policies

Unaudited Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and reflect all adjustments that, in the opinion of the Company, are necessary for a fair presentation of the results for the periods presented in accordance with accounting principles generally accepted in the United States of America (US GAAP) for interim financial reporting. No material changes have been made to the Company's accounting policies from those that were disclosed in the Company's audited financial statements for the year ended December 31, 2016.

The condensed consolidated financial statements and accompanying notes do not contain certain information included in the annual consolidated financial statements and accompanying notes of the Company. These interim consolidated financial statements should read in conjunction with the December 31, 2016 audited financial statements and related notes.

Principles of Consolidation

The accompanying consolidated financial statements and related notes to the consolidated financial statements include the accounts of the Company and subsidiaries. Newly acquired subsidiaries have been included in the consolidated financial statements from the date of acquisition. In addition, the Company evaluates its relationships with other entities to identify whether they are variable interest entities as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810-10, Consolidation and whether the Company is the primary beneficiary. Consolidation is required if both of these criteria are met. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with United States ("U.S.") generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Key estimates and judgments relied upon in preparing these consolidated financial statements include revenue recognition for multiple element arrangements, allowance for doubtful accounts, income taxes, depreciation, amortization, employee benefits, equity-based compensation, contingencies, goodwill, intangible assets, fair value of assets and liabilities acquired in acquisitions, and liability valuations. The Company regularly assesses these estimates and records changes in estimates in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions that the Company believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Revenue Recognition

The majority of the Company's revenues are comprised of: (1) ITPS, (2) HS offerings, (3) LLPS solutions, and (4) some combination thereof. Revenue is realized or realizable and earned when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is probable. Delivery does not occur until services have been provided to the client, risk of loss has transferred to the client, and either client acceptance has been obtained, client acceptance provisions have lapsed, or the Company has objective evidence that the criteria specified in the client acceptance provisions have been satisfied. The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved.

ITPS revenues are primarily generated from a transaction-based pricing model for the various types of volumes processed, licensing and maintenance fees for technology sales, and a mix of fixed management fee and transactional revenue for document logistics and location services. HS revenues are primarily generated from a transaction-based pricing model for the various types of volumes processed for healthcare payers and providers. LLPS revenues are primarily based on a time and materials pricing as well as through transactional services priced on a per item basis.

If a contract involves the provision of a single element, revenue is generally recognized when the product or service is provided and the amount earned is not contingent upon any future event. Revenue from time and materials arrangements is recognized as the services are performed.

The Company records deferred revenue when it receives payments or invoices in advance of the delivery of products or the performance of services. The deferred revenue is recognized into earnings when underlying performance obligations are achieved.

The Company includes reimbursements from clients, such as postage costs, in revenue, while the related costs are included in cost of revenue in the consolidated statement of operations.

Multiple Element Arrangements

Certain of the Company's revenue is generated from multiple element arrangements involving various combinations. The deliverables within these arrangements are evaluated at contract inception to determine whether they represent separate units of accounting, and if so, contract consideration is allocated to each deliverable based on relative selling price. The relative selling price of each deliverable within these arrangements is determined using vendor specific objective evidence ("VSOE") of fair value, third-party

evidence or best estimate of selling price. Revenue is then recognized in accordance with the appropriate revenue recognition guidance applicable to the respective elements.

If the multiple element arrangements criteria are not met, the arrangement is accounted for as one unit of accounting which would result in revenue being recognized on a straight-line basis over the period of delivery or being deferred until the earlier of when such criteria are met or when the last element is delivered.

Recently Adopted Accounting Pronouncements

Effective January 1, 2017, the Company adopted Accounting Standards Update ("ASU") no. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. This amendment replaced the method of measuring inventories at lower of cost or market with a lower of cost and net realizable value method. The adoption had no material impact on the Company's financial position, results of operations and cash flows.

Effective January 1, 2017, the Company adopted ASU no. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (ASU 2016-09)*. The ASU changes how companies account for certain aspects of equity-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The standard requires that all tax effects related to share-based payments be recorded as income tax expense or benefit in the income statement at settlement or expiration and, accordingly, excess tax benefits and tax deficiencies be presented as operating activities in the statement of cash flows. Upon adoption of this standard, the Company elected to continue its current practice of estimating expected forfeitures. The adoption had no material impact on the Company's financial position, results of operations and cash flows.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU no. 2014-09, *Revenue from Contracts with Customers (ASC 606)*. Under the update, revenue will be recognized based on a five-step model. The core principle of the model is that revenue will be recognized when the transfer of promised goods or services to customers is made in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB deferred the effective date by one year (ASU no. 2015-14). This ASU will now be effective for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2017. Early adoption is permitted, but not before the original effective date of December 15, 2016. Since the issuance of the original standard, the FASB has issued several other subsequent updates including the following: 1) clarification of the implementation guidance on principal versus agent considerations (ASU 2016-08); 2) further guidance on identifying performance obligations in a contract as well as clarifications on the licensing implementation guidance (ASU 2016-10); 3) rescission of several SEC Staff Announcements that are codified in ASC 605 (ASU 2016-11); 4) additional guidance and practical expedients in response to identified implementation issues (ASU 2016-12); and 5) technical corrections and improvements (ASU 2016-20). The new standard will be effective for us beginning January 1, 2018. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU no. 2016-02, *Leases (842)*. This ASU increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are effective for fiscal years beginning after December 31, 2018 and interim periods within those fiscal years and early application is permitted. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In June 2016, the FASB issued ASU no. 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, to replace the incurred loss impairment methodology under current U.S. GAAP with a methodology that reflects expected credit losses and requires

consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company will be required to use a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. The standard will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted beginning after December 15, 2018. Adoption of the standard will be applied using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the effective date. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In August 2016, the FASB issued ASU no. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (Topic 230)*, which adds or clarifies guidance on the presentation and classification of eight specific types of cash receipts and cash payments in the statement of cash flows such as debt prepayment or extinguishment costs, settlement of contingent consideration arising from a business combination, insurance settlement proceeds, and distributions from certain equity method investees, with the intent of reducing diversity in practice. For public entities, ASU 2016-15 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. Entities must apply the guidance retrospectively to all periods presented unless retrospective application is impracticable. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In October 2016, the FASB issued ASU no. 2016-16, *Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory (Topic 740)*, which eliminates the current prohibition on immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory, with the intent of reducing complexity and diversity in practice. Under ASU 2016-16, entities must recognize the income tax consequences when the transfer occurs rather than deferring recognition. For public entities, ASU 2016-16 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted as of the beginning of a fiscal year (i.e., early adoption is permitted only in the first interim period). Entities must apply the guidance on a modified retrospective basis though a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In November 2016, the FASB issued ASU no. 2016-18, *Statement of Cash Flows: Restricted Cash* (Topic 230). The ASU addresses diversity in practice that exists in the classification and presentation of changes in restricted cash and requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2017. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In January 2017, the FASB issued ASU no. 2017-01, *Business Combinations: Clarifying the Definition of a Business (Topic 805)*. The ASU clarifies the definition of a business and provides guidance on evaluating as to whether transactions should be accounted for as acquisitions (or disposals) of assets or business combinations. The definition clarification as outlined in this ASU affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The amendments of the ASU are effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update (“ASU”) no. 2017-04, *Intangibles Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates Step 2 of

the goodwill impairment test that had required a hypothetical purchase price allocation. Rather, entities should apply the same impairment assessment to all reporting units and recognize an impairment loss for the amount by which a reporting unit’s carrying amount exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU 2017-04 will be effective prospectively for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, or those beginning after January 1, 2017 if early adopted. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In March 2017, the FASB issued ASU no. 2017-07, *Compensation Retirement Benefits (Topic 715); Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The amendments to this ASU require the service cost component of net periodic benefit cost be reported in the same income statement line or lines as other compensation costs for employees. The other components of net periodic benefit cost are required to be reported separately from service costs and outside a subtotal of income from operations. Only the service cost component is eligible for capitalization. The guidance is effective for annual periods beginning after December 15, 2017. The amendments should be applied retrospectively for the income statement presentations and prospectively for the capitalization of service costs. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

(in thousands of United States dollars unless otherwise stated)

In May 2017, the FASB issued ASU no. 2017-09, *Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting.* The amendments in ASU 2017-09 provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The amendments in this update will be applied on a prospective basis to an award modified on or after the adoption date. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

3. Accounts Receivable

Accounts receivable, net consist of the following:

	June 30, 2017	December 31, 2016
Billed receivables	$ 117,142	$ 116,148
Unbilled receivables	20,352	20,982
Other	3,475	4,510
Less: Allowance for doubtful accounts	(3,351)	(3,219)
	$ 137,618	**$ 138,421**

Unbilled receivables represent balances recognized as revenue that have not been billed to the customer. The Company’s allowance for doubtful accounts is based on a policy developed by historical experience and management judgment. Adjustments to the allowance for doubtful accounts may occur based on market conditions or specific client circumstances.

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	June 30, 2017	December 31, 2016
Prepaids	$ 11,715	$ 10,906
Deposits	1,183	1,296
	$ 12,898	**$ 12,202**

5. Property, Plant and Equipment, Net

Property, plant, and equipment, which include assets recorded under capital leases, are stated at cost less accumulated depreciation and amortization, and consist of the following:

	Estimated Useful Lives (in Years)	June 30, 2017	December 31, 2016
Land	N/A	$ 7,743	$ 7,637
Buildings and improvements	7 - 40	16,889	16,989
Leasehold improvements	Lesser of the useful life or lease term	32,487	31,342
Vehicles	5 - 7	630	784
Machinery and equipment	5 - 15	24,258	23,297
Computer equipment and software	3 - 8	102,328	98,544
Furniture and fixtures	5 - 15	4,980	5,007
		189,315	**183,600**
Less: Accumulated depreciation and amortization		(114,335)	(102,000)
Property, plant and equipment, net		**$ 74,980**	**$ 81,600**

(in thousands of United States dollars unless otherwise stated)

6. Intangibles Assets and Goodwill

Intangibles

Intangible assets are stated at cost or acquisition-date fair value less accumulated amortization and consists of the following:

	June 30, 2017		
	Gross Carrying Amount	Accumulated Amortization	Intangible Asset, net
Customer relationships	274,643	(115,989)	$ 158,654
Outsource contract costs	34,362	(12,300)	22,062
Developed technology	89,076	(68,416)	20,660
Internally developed software	21,473	(2,792)	18,681
Trademarks	5,370	(403)	4,967
Trade names	52,470	—	52,470
	$ 477,394	**$ (199,900)**	**$ 277,494**

	December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Intangible Asset, net
Customer relationships	$ 274,643	$ (100,172)	$ 174,471
Outsource contract costs	27,619	(7,378)	20,241
Developed technology	89,076	(59,539)	29,537
Internally developed software	16,742	(858)	15,884
Trademarks	5,370	(134)	5,236
Trade names	53,370	—	53,370
	$ 466,820	**$ (168,081)**	**$ 298,739**

Goodwill

Goodwill by reporting segment consists of the following:

	Goodwill	Additions	Reductions	Currency translation adjustments	Goodwill
ITPS	$ 145,562	$ 13,558	$ —	$ 274	$ 159,394
HS	86,786	—	—	—	86,786
LLPS	127,111	—	—	—	127,111(a)
Balance as of December 31, 2016	$ 359,459	$ 13,558	$ —	$ 274	$ 373,291
ITPS	159,394			299	159,693
HS	86,786				86,786
LLPS	127,111	—	(2,721)(b)	—	124,390(a)
Balance as of June 30, 2017	$ 373,291	$ —	$ (2,721)	$ 299	$ 370,869

7. Accrued Liabilities and Other Long-Term Liabilities

Accrued liabilities consist of the following:

	June 30, 2017	December 31, 2016
Accrued taxes (exclusive of income taxes)	$ 3,285	$ 3,309
Accrued lease exit obligations	1,577	3,949
Accrued professional and legal fees	16,118	8,289
Deferred rent	1,076	989
Accrued interest	23,180	8,459
Other accruals	6,412	4,497
	$ 51,648	**$ 29,492**

Other Long-term liabilities consist of the following:

	June 30, 2017	December 31, 2016
Deferred revenue	$ 163	$ 235
Deferred rent	6,043	6,110
Accrued lease exit obligations	1,713	672

(in thousands of United States dollars unless otherwise stated)

Accrued compensation expense		2,866		3,783
Other		800		1,173
	$	**11,585**	$	**11,973**

8. Long-Term Debt and Credit Facilities

		June 30, 2017		December 31, 2016
First lien revolving credit facility (a)	$	63,837	$	63,337
First lien secured term loan (b)		673,251		687,884
Second lien secured term loan (c)		238,005		236,344
Transcentra revolving credit facility		5,000		5,000
Transcentra term loan		17,750		19,250
FTS unsecured term loan		15,911		15,911
Other (d)		10,748		11,609
Total debt		1,024,502		1,039,335
Less: Current portion of long-term debt		(73,623)		(55,833)
Long-term debt, net of current maturities	$	**950,879**	$	**983,502**

(a) Net of unamortized debt issuance costs of $1.8 million and $2.3 million as of June 30, 2017 and December 31 2016, respectively.
(b) Net of unamortized original issue discount and debt issance costs of $12.1 million and $11.8 million and $14.6 million and $14.2 million as of June 30, 2017 and December 31 2016, respectively.
(c) Net of unamortized original issue discount and debt issance costs of $6.4 million and $5.6 million and $7.3 million and $6.3 million as of June 30, 2017 and December 31 2016, respectively.
(d) Other debt represents the Company's outstanding loan balances associated with various hardware and software purchases along with loans entered into by subsidiaries of the Company.

Credit Facilities

As of both June 30, 2017 and December 31, 2016, the Company had outstanding irrevocable letters of credit totaling approximately $9.3 million under the revolving credit facility. As of June 30, 2017, these letters of credit consisted of approximately $7.1 million related to security for the Company's self-insured workers' compensation program and approximately $2.2 million for the landlord in Irving.

9. Income Taxes

The Company applies an estimated annual effective tax rate ("ETR") approach for calculating a tax provision for interim periods, as required under GAAP. The Company recorded an income tax expense of $2.1 million and an income tax benefit of $3.1 million for the three months ended June 30, 2017 and 2016, respectively. The Company recorded an income tax expense of $4.1 million and an income tax benefit of $6.2 million for the six months ended June 30, 2017 and 2016, respectively.

The Company's ETR of (11.89%) and (13.10%) for the three months and six months ended June 30, 2017, respectively, differed from the expected U.S. statutory tax rate of 35.0%, and was primarily impacted by permanent tax adjustments, Meridian goodwill impairment, foreign operations, Indian prior year tax expense true-up, and a valuation allowance against certain domestic deferred tax assets that are not more-likely-than-not to be realized.

The Company's ETR of 18.87% and 22.32% for the three months and six months ended June 30, 2016, respectively, differed from the expected U.S. statutory tax rate of 35.0%, and was impacted by permanent tax adjustments, foreign operations, FIN48 liability release due to statute of limitation expiration, and a valuation allowance against certain domestic and foreign deferred tax assets that are not more-likely-than-not to be realized.

As of June 30, 2017, there were no material changes to either the nature or the amounts of the uncertain tax positions previously determined for the year ended December 31, 2016.

10. Employee Benefit Plans

German Pension Plan

The Company's subsidiary in Germany provides pension benefits to retirees. Employees eligible for participation includes all employees who started working for the Company prior to September 30, 1987 and have finished a qualifying period of at least 10 years. The Company accrues the cost of these benefits over the service lives of the covered employees based on an actuarial calculation. The Company uses a December 31 measurement date for this plan.

(in thousands of United States dollars unless otherwise stated)

U.K. Pension Plan

The Company's subsidiary in the United Kingdom provides pension benefits to retirees and eligible dependents. Employees eligible for participation included all full-time regular employees who were more than three years from retirement prior to October 2001. A retirement pension or a lump-sum payment may be paid dependent upon length of service at the mandatory retirement age. The Company accrues the cost of these benefits over the service lives of the covered employees based on an actuarial calculation. The Company uses a December 31 measurement date for this plan.

The Germany plan is an unfunded plan and therefore has no plan assets. The expected rate of return assumptions for plan assets relate solely to the UK plan and are based mainly on historical performance achieved over a long period of time (15 to 20 years) encompassing many business and economic cycles. The Company assumed a weighted average expected long-term rate on plan assets for the overall scheme of 5.16%.

Tax Effect on Accumulated Other Comprehensive Loss

As of June 30, 2017 and December 31, 2016, the Company recorded actuarial losses of $13.3 million and $12.3 million in accumulated other comprehensive loss on the condensed consolidated balance sheets, respectively, which is net of a deferred tax benefit of $2.3 million and $2.5 million, respectively.

Pension and Post Retirement Expense

The components of the net periodic benefit cost are as follows:

	Three Months ended June 30,		Six Months ended June 30,	
	2017	2016	2017	2016
Service cost	$ 2	$ 3	$ 4	$ 6
Interest cost	571	667	1,124	1,334
Expected return on plan assets	(595)	(656)	(1,172)	(1,312)
Amortization:				
Amortization of prior service cost	(33)	(35)	(65)	(70)
Amortization of net loss	516	223	1,016	446
Net periodic benefit cost	**$ 461**	**$ 202**	**$ 907**	**$ 404**

Employer Contributions

The Company's funding is based on governmental requirements and differs from those methods used to recognize pension expense. The Company made contributions of $0.8 million and $1.1 million to its pension plans during the six months ended June 30, 2017 and 2016, respectively. The Company expects to contribute $0.9 million to the pension plans during the remainder of 2017, based on current plan provisions.

Executive Deferred Compensation Plan

The Company has individual arrangements with seven former executive in the U.S. which provide for fixed payments to be made to each individual beginning at age 65 and continuing for 20 years. This is an unfunded plan with payments to be from operating cash of the Company. Benefit payments of $0.1 million for both three months ended June 30, 2017 and 2016. Benefit payments of $0.1 million were made during both six months ended June 30, 2017 and 2016 respectively. There was no expense for both three months ended June 30, 2017 and 2016. The expense for both the six months ended June 30, 2017 and 2016 was $0.2 million. Benefit payments expected to be paid to plan participants during the remainder of 2017 are $0.1 million.

11. Fair Value Measurement

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The carrying amount of assets and liabilities including cash and cash equivalents, accounts receivable and accounts payable approximated their fair value as of June 30, 2017 and December 31, 2016 due to the relative short maturity of these instruments. Management estimates the fair values of the first and second lien debt at approximately 99.3% and 100.0% respectively, of the respective principal balance outstanding as of June 30, 2017. The carrying value approximates the fair value for the long-term debt related to TransCentra and the other debt. TransCentra's debt was recently issued in 2016 and represents the most updated rates that would be offered for similar debt maturities. Other debt represents the Company's outstanding loan balances associated with various hardware and software purchases along with loans entered into by subsidiaries of the Company and as such, the cost incurred would approximate fair value. Property and equipment, intangible assets, and goodwill, are not required to be re-measured to fair value on a recurring basis. These assets are evaluated for impairment if certain triggering events occur. If such evaluation indicates that impairment exists, the respective asset is written down to its fair value.

The Company determined the fair value of its long-term debt using Level 2 inputs including the recent issue of the debt, June 2017 trades of the Company's debt on an inactive market, the Company's credit rating, and the current risk-free rate. The Company's contingent liabilities related to prior acquisitions are re-measured each period and represent a Level 2 measurement as it is based on using an earn out method based on the agreement terms.

The following table provides the carrying amounts and estimated fair values of the Company's financial instruments as of June 30, 2017 and December 31, 2016:

(in thousands of United States dollars unless otherwise stated)

As of June 30, 2017	Carrying Amount	Fair Value	Fair Value Measurements Level 1	Level 2	Level 3
Recurring and nonrecurring assets and liabilities:					
Acquisition contingent liability	$ 721	$ 721	$ —	$ —	$ 721
Long-term debt	950,879	983,383	—	983,383	—
	$ 951,600	**$ 984,104**	**$ —**	**$ 983,383**	**$ 721**

As of December 31, 2016	Carrying Amount	Fair Value	Fair Value Measurements Level 1	Level 2	Level 3
Recurring and nonrecurring assets and liabilities:					
Acquisition contingent liability	$ 721	$ 721	$ —	$ —	$ 721
Long-term debt	983,502	$ 1,009,913	—	1,009,913	
	$ 984,223	**$ 1,010,634**	**$ —**	**$ 1,009,913**	**$ 721**

The significant unobservable inputs used in the fair value of the Company's acquisition contingent liabilities are the discount rate, growth assumptions, and revenue thresholds. Significant increases (decreases) in the discount rate would have resulted in a lower (higher) fair value measurement. Significant increases (decreases) in the forecasted financial information would have resulted in a higher (lower) fair value measurement. For all significant unobservable inputs used in the fair value measurement of the Level 3 liabilities, a change in one of the inputs would not necessarily result in a directionally similar change in the other based on the current level of billings.

The following table reconciles the beginning and ending balances of net assets and liabilities classified as Level 3 for which a reconciliation is required:

Balance as of January 1, 2016	$ 1,513
Payments/Reductions	(792)
Balance as of December 31, 2016	**$ 721**
Payments/Reductions	—
Balance as of June 30, 2017	**$ 721**

12. Equity-Based Compensation

Under the Company's 2013 Long Term Incentive Plan ("2013 Plan"), the Board of Directors may grant equity-based awards to certain employees, officers, directors, consultants and advisors of the Company. Compensation expense for equity-based awards is measured at the fair value on the grant date and recognized as compensation expense on a straight-line basis over the vesting period.

Stock Options

No stock options were granted under the 2013 Plan.

Restricted Stock Units

RSUs granted to employees contain service requirements that must be met for the shares to vest. Stock awards granted to non-employee directors as part of the compensation for service on the Board are unrestricted on the grant date. No RSUs were granted in the first six months of 2017.

The compensation expense for stock incentive plans was $1.9 million and $1.7 million for the three months ended June 30, 2017 and 2016, and $2.2 million and $3.7 million for the six months ended June 30, 2017 and 2016.

During the three and six months ended June 30, 2017 and 2016, no shares were issued.

13. Related-Party Transactions

Leasing Transactions

Certain operating companies lease their operating facilities from previous owners of the businesses who remained as employees. These leases are for various lengths and annual amounts. No rental expense was incurred for the three and six months ended June 30, 2017 and 2016 for these operating leases.

In addition, certain operating companies lease their operating facilities from HOV RE, LLC an affiliate through common interest held by certain shareholders. The rental expense for these operating leases was $0.2 million for both the three months ended June 30, 2017 and 2016, and $0.3 million for both the six months ended June 30, 2017 and 2016.

(in thousands of United States dollars unless otherwise stated)

Relationship with HandsOn Global Management

The Company incurred management fees to HGM of $1.5 million for both the three months ended June 30, 2017 and 2016, and $3.0 million for both the six months ended June 30, 2017 and 2016.

The Company incurred travel expenses to HGM of $0.3 million and $0.4 million for the three months ended June 30, 2017 and 2016, and $0.5 million and $0.6 million for the six months ended June 30, 2017 and 2016.

The Company incurred marketing fees to Rule 14 of $0.1 million for both the three months ended June 30, 2017 and 2016, and $0.1 million and $0.2 million for the six months ended June 30, 2017 and 2016, respectively.

Relationship with HOV Services, Ltd.

HOV Services, Ltd. provides the Company data capture and technology services. HOV Services, Ltd owns shareholding interests in HOV Services, LLC. The expense recognized for these services was approximately $0.5 million and $0.4 million for the three months ended June 30, 2017 and 2016, and $0.9 million and $0.8 million for the six months ended June 30, 2017 and 2016, respectively and is included in cost of revenue in the consolidated statements of operations.

The Company licenses the use of the trademark “HOV” on a nonexclusive basis from an affiliate through common interest held by certain shareholders.

Payable Balances with Affiliates

Payable balances with affiliates as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
HOV Services, Ltd	$ 505	$ 352
Rule 14	35	134
HGM	779	8,858
	$ 1,319	**$ 9,344**

14. Segment and Geographic Area Information

The Company’s operating segments are significant strategic business units that align its products and services with how it manages its business, approach the markets and interacts with its clients. The Company is organized into three segments: ITPS, HS, and LLPS.

ITPS: Our ITPS segment provides a wide range of solutions and services designed to aid businesses in information capture, processing, decisioning and distribution to customers primarily in the financial services, commercial, public sector and legal industries.

HS: Our HS segment operates and maintains a consulting and outsourcing business specializing in both the healthcare provider and payer markets.

LLPS: Our LLPS segment provides a broad and active array of legal services in connection with class action, bankruptcy labor, claims adjudication and employment and other legal matters.

The chief operating decision maker reviews operating segment revenue and gross profit. The Company does not allocate SG&A, depreciation and amortization, interest expense and sundry, net. The Company manages assets on a total company basis, not by operating segment, and therefore asset information and capital expenditures by operating segments are not presented.

	Three months ended June 30, 2017			
	ITPS	HS	LLPS	Total
Revenue	129,741	58,065	21,576	209,382
Cost of revenue	89,246	37,872	13,300	140,418
Gross profit	40,495	20,193	8,276	68,964
Selling, general and administrative expenses				34,998
Depreciation and amortization				21,406
Related party expense				2,456
Interest expense, net				27,869
Sundry expense, net				(327)
Net loss before income taxes				**$ (17,438)**

(in thousands of United States dollars unless otherwise stated)

	Three months ended June 30, 2016			
	ITPS	HS	LLPS	Total
Revenue	105,294	60,982	25,188	191,464
Cost of revenue	69,729	36,910	15,938	122,577
Gross profit	35,565	24,072	9,250	68,887
Selling, general and administrative expenses				33,528
Depreciation and amortization				20,943
Related party expense				2,589
Interest expense, net				26,913
Sundry expense, net				1,503
Net loss before income taxes				**$ (16,589)**

	Six months ended June 30, 2017			
	ITPS	HS	LLPS	Total
Revenue	265,538	117,143	44,961	427,642
Cost of revenue	180,846	75,700	27,580	284,126
Gross profit	84,692	41,443	17,381	143,516
Selling, general and administrative expenses				70,578
Depreciation and amortization				42,727
Related party expense				4,841
Interest expense, net				54,088
Sundry expense, net				2,397
Net loss before income taxes				**$ (31,115)**

	Six months ended June 30, 2016			
	ITPS	HS	LLPS	Total
Revenue	211,710	128,389	51,055	391,154
Cost of revenue	141,910	81,972	32,038	255,920
Gross profit	69,800	46,417	19,017	135,234
Selling, general and administrative expenses				64,556
Depreciation and amortization				39,702
Related party expense				4,924
Interest expense, net				54,313
Sundry expense, net				(428)
Net loss before income taxes				**$ (27,833)**

The following table presents revenues by principal geographic area where the Company's customers are located for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
United States	$ 177,215	$ 156,617	$ 366,024	$ 324,179
Europe	31,130	33,845	59,431	65,116
Other	1,037	1,002	2,187	1,859
Total Consolidated Revenue	**$ 209,382**	**$ 191,464**	**$ 427,642**	**$ 391,154**

15. Subsequent Events

On July 12, 2017, Exela Technologies, Inc. (formerly known as Quinpario Acquisition Corp. 2) completed its acquisition of the Company and Novitex Holdings, Inc. pursuant to the ("Business Combination") agreement dated February 21, 2017. The Business Combination, which was structured as a stock purchase, was approved at a special meeting of shareholders of Quinpario Acquisition Corp. 2 on July 11, 2017, and subsequently Quinpario Acquisition Corp. 2 was renamed as Exela Technologies, Inc. A new capital structure consisting of $1.35 billion in new debt was put in place at Exela along with a $100.0 million senior secured revolving facility. The proceeds of the new debt financing was used to refinance the existing debt of SourceHOV and Novitex, pay fees and expenses incurred in connection with the Business Combination, and for general corporate purposes. The new capital structure at Exela includes a $350.0 million senior secured term loan, $100.0 million senior secured revolving facility, and $1.0 billion in Senior Secured Notes.

The Business Combination was accounted for as a reverse merger for which SourceHOV was determined to be the accounting acquirer based on the following predominate factors: New SourceHOV LLC will have the largest portion of voting rights in the newly formed entity, the largest minority shareholder of the combined entity is a current SourceHOV shareholder, the Board will have more individuals coming from SourceHOV than either Quinpario or Novitex, and SourceHOV is the largest entity by revenue and by assets.

As SourceHOV was determined to be the accounting acquirer in the reverse merger with Quinpario, the accounting for the merger is similar to that of a capital infusion as the only pre-combination asset of Quinpario is cash held in the Trust Account. The assets and liabilities of Quinpario will be carried at historical cost and the Company will not record any step-up in basis or any intangible assets or goodwill as a result of the merger with Quinpario. The acquisition of Novitex will be treated as a business combination under ASC 805 and will be accounted for using the acquisition method. SourceHOV will record the fair value of assets and liabilities acquired from Novitex.

(in thousands of United States dollars unless otherwise stated)

The following pro forma results for the three and six months ended June 30, 2017 and 2016 assumes the Business Combination occurred as of the January 1, 2016 and are inclusive of preliminary estimates for purchase price adjustments. The Company is currently evaluating the purchase price allocation following the consummation of the Merger. Given the short period of time between the date of the Business Combination and the issuance of these unaudited condensed consolidated financial statements, it is not practicable to disclose the purchase price allocation.

Additionally, the following pro forma results are inclusive of the TransCentra Acquisition for the three and six month periods ended June 30, 2016. These pro forma results were based on estimates and assumptions, which the Company believe are reasonable. They are not the results that would have been realized had the Company been a combined company during the periods presented and are not necessarily indicative of the Company's consolidated results of operations in future periods.

	Three months ended June 30		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
Net Sales	$ 349,965	$ 357,745	$ 711,826	$ 731,515
Net Loss	(18,079)	(13,146)	(33,092)	(30,783)

The unaudited pro forma results have been prepared to illustrate the effect of the Business Combination and related financing transactions and have been prepared for informational purposes only and should not be relied upon.

The Company performed its subsequent event procedures through dd mm 2017, the date these consolidated financial statements were made available for issuance.

SOURCEHOV MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis together with SourceHOV's consolidated financial statements and the related notes included elsewhere in this Form 8-K. Among other things, those historical consolidated financial statements include more detailed information regarding the basis of presentation for the financial data than included in the following discussion.

Forward Looking Statements

Certain statements included in this Management's Discussion and Analysis of Financial Condition and Results of Operations are not historical facts but are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. Forward-looking statements generally are accompanied by words such as "may", "should", "would", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "seem", "seek", "continue", "future", "will", "expect", "outlook" or other similar words, phrases or expressions. These forward-looking statements include statements regarding our industry, future events, the estimated or anticipated future results and benefits of the recently consummated transaction between Exela Technologies, Inc., SourceHOV Holdings, Inc., and Novitex Holdings, Inc. (including the related transactions, the "Combination Transaction"), future opportunities for the combined company, and other statements that are not historical facts. These statements are based on the current expectations of Exela management and are not predictions of actual performance. These statements are subject to a number of risks and uncertainties regarding Exela's businesses, and actual results may differ materially. These risks and uncertainties include, but are not limited to, changes in the business environment in which Exela operates, including inflation and interest rates, and general financial, economic, regulatory and political conditions affecting the industries in which Exela operates; changes in taxes, governmental laws, and regulations; competitive product and pricing activity; difficulties of managing growth profitably; the loss of one or more members of the Exela management team; failure to realize the anticipated benefits of the Combination Transaction, including as a result of a delay or difficulty in integrating the businesses of SourceHOV and Novitex; uncertainty as to the long-term value of Exela's common stock; the inability to realize the expected amount and timing of cost savings and operating synergies of the Combination Transaction; and those factors discussed under the heading "Risk Factors" in Exela's Proxy Statement dated June 26, 2017 (the "Proxy Statement") filed with the Securities and Exchange Commission ("SEC"). There may be additional risks that Exela presently does not know or that Exela currently believes are immaterial that could also cause actual results to differ from those contained in the forward-looking statements. In addition, forward-looking statements provide Exela's expectations, plans or forecasts of future events and views as of the date of this communication. Exela anticipates that subsequent events and developments will cause Exela's assessments to change. However, while Exela may elect to update these forward-looking statements at some point in the future, Exela specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing Exela's assessments as of any date subsequent to the date of this presentation.

Overview

SourceHOV is a leading provider of platform-based enterprise information management and transaction processing solutions primarily for the healthcare, banking and financial services, commercial, public sector and legal industries. By leveraging specialized knowledge platforms that are powered by decades of expertise and customer-specific experience, SourceHOV's business model uses a strategic mix of technology and services to provide industry solutions and proprietary technology which incorporate data aggregation, exception handling, decisioning, and business process automation.

SourceHOV offers highly scalable technology platforms, hosted on-premise, within SourceHOV's data centers, and/or in a cloud hosting and computing environment, to a wide range of industries. Companies from more than 50 countries, including over 50% of the Fortune 100, choose SourceHOV as their trusted technology and operations partner. Management believes its international presence benefits its clients with a balance of proximity, service, and cost to meet their needs. SourceHOV solutions benefit leading organizations in information-intensive businesses that have frequent access and distribution requirements, and require data analytics, specialized processing, or subject matter expertise. Approximately 90% of SourceHOV's revenues are recurring in nature and supported by long-term client contracts.

SourceHOV's business philosophy goes hand in hand with building long-term, collaborative relationships and providing superior business value to SourceHOV's clients while achieving results that exceed expectations.

History

SourceHOV's transformation to a global multi-industry solution provider started in 2007 with the acquisition of Lason by HandsOn Global Management, LLC (''HGM''), forming HOV Services, LLC (''HOVS''), a leader in the transaction processing services industry. Subsequently, SourceHOV was formed in April 2011 through the combination of SourceCorp, a Delaware limited liability company owned by Apollo, and HOVS, a Nevada limited liability company owned by HGM. Pursuant to the combination, HGM and Apollo contributed their respective equity into a new entity, SCH Services, Inc. (''SCH''), a Delaware corporation, in exchange for common stock in SCH, and SCH in turn contributed its new ownership in HOVS to its newly wholly-owned subsidiary SourceCorp. Concurrently with the combination, SCH changed its name to SourceHOV Holdings, Inc., and SourceCorp changed its name to SourceHOV LLC. In 2014, SourceHOV acquired BancTec Group (''BancTec''), a provider of transaction processing solutions to many of the world's largest commercial banks, governments, insurance companies and other large organizations. The acquisition provided SourceHOV with further international diversification and expansion of services into banking and payments.

Acquisition

In 2016, SourceHOV further transformed into a multi-industry solution provider and acquired key technology through the acquisition of TransCentra, Inc. (''TransCentra''), a provider of integrated outsourced billing, remittance processing and imaging software and consulting services. The addition of TransCentra increased SourceHOV's footprint in the remittance transaction processing and presentment area, expanded its mobile banking offering and enabled significant cross-selling and up-selling opportunities. See *Note 1 — Description of the Business* for additional information.

SourceHOV's Segments

SourceHOV's three reportable segments are Information & Transaction Processing Solutions (''ITPS''), Healthcare Solutions (''HS''), and Legal & Loss Prevention Services (''LLPS''). These segments are comprised of significant strategic business units that align SourceHOV's TPS and EIM products and services with how SourceHOV manages its business, approaches its key markets and interacts with its clients based on their respective industries.

ITPS: SourceHOV's largest segment, ITPS, provides a wide range of solutions and services designed to aid businesses in information capture, processing, decisioning and distribution to customers primarily in the financial services, commercial, public sector and legal industries. SourceHOV's major customers include 9 of the top 10 U.S. banks, 7 of the top 10 U.S. insurance companies, 5 of the top U.S. telecom companies, over 40 utility companies, over 30 state and county departments, and over 80 government entities. SourceHOV's ITPS offerings enable companies to increase availability of working capital, reduce turnaround times for application processes, increase regulatory compliance and enhance consumer engagement.

HS: HS operates and maintains a consulting and outsourcing business specializing in both the healthcare provider and payer markets. SourceHOV serves the top 5 healthcare insurance payers and over 900 healthcare providers.

LLPS: SourceHOV's LLPS segment provides a broad and active array of legal services in connection with class action, bankruptcy labor, claims adjudication and employment and other legal matters. SourceHOV's client base consists of corporate counsel, government attorneys, and law firms.

Revenues

ITPS revenues are primarily generated from a transaction-based pricing model for the various types of volumes processed, licensing and maintenance fees for technology sales, and a mix of fixed management fee and transactional revenue for document logistics and location services. HS revenues are primarily generated from a transaction-based pricing model for the various types of volumes processed for healthcare payers and providers. LLPS revenues are primarily based on time and materials pricing as well as through transactional services priced on a per item basis.

People

SourceHOV draws on the business and technical expertise of its talented and diverse global workforce to provide its clients with high-quality services. SourceHOV's business leaders bring a strong diversity of experience in SourceHOV's industry and a track record of successful performance and execution.

As of June 30, 2017, SourceHOV had approximately 15,690 employees globally, with 37% located in the United States and the remainder located primarily in Europe, India, the Philippines, Mexico, and China.

Labor costs associated with SourceHOV's employees represent the most significant costs of its business. SourceHOV incurred personnel costs of $96.7 million and $88.9 million for the three months ended June 30, 2017 and 2016, respectively, and $192.3 million and $187.9 million for the six months ended June 30, 2017 and 2016, respectively. The majority of SourceHOV's personnel costs are variable and are incurred only while SourceHOV is providing its services.

Facilities

SourceHOV leases and owns numerous facilities worldwide with larger concentrations of space in Texas, Michigan, California, India, Mexico, the Philippines, and China. SourceHOV's owned and leased facilities house general offices, sales offices, service locations, and production facilities. The size of SourceHOV's active property portfolio as of June 30, 2017 was approximately 3.3 million square feet at an annual operating cost of approximately $26.5 million and comprised 110 leased properties and 7 owned properties. SourceHOV believes that its current

facilities are suitable and adequate for its current businesses. Because of the interrelation of SourceHOV's business segments, each of the segments use substantially all of these properties at least in part.

As a result of implementing SourceHOV's strategic transformation program as well as various productivity initiatives, several leased and owned properties may become surplus over the next three years. SourceHOV is obligated to maintain its leased surplus properties through required contractual lease periods and plan to dispose of or sublease these properties.

Key Performance Indicators

SourceHOV uses a variety of operational and financial measures to assess its performance. Among the measures considered by management are the following:

- Revenue by segment;
- Gross Profit by segment;
- Gross Profit Margin by segment;
- EBITDA; and
- Adjusted EBITDA.

Revenue

SourceHOV analyzes its revenue by comparing actual monthly revenue to internal projections and prior periods across its operating segments in order to assess performance, identify potential areas for improvement, and determine whether segments are meeting management's expectations.

Gross Profit and Gross Profit Margin

SourceHOV analyzes its gross profit by segment by comparing to monthly forecasts and prior periods.

EBITDA and Adjusted EBITDA

SourceHOV views EBITDA and Adjusted EBITDA as important indicators of performance. SourceHOV defines EBITDA as net income, plus taxes, interest expense, and depreciation and amortization. SourceHOV defines Adjusted EBITDA as EBITDA plus optimization and restructuring charges, including severance and retention expenses; transaction and integrations costs; other non-cash charges, including non-cash compensation, (gain) or loss from sale or disposal of assets, and impairment charges; and management fees and expenses. See ''—Other Financial Information (Non-GAAP Financial Measures)'' for more information and a reconciliation of EBITDA and Adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP.

Results of Operations

Three Months Ended June 30, 2017 compared to Three Months Ended June 30, 2016

	Three Months ended June 30, 2017	Three Months ended June 30, 2016
Revenue:		
ITPS	$ 129,741	$ 105,294
HS	58,065	60,982
LLPS	21,576	25,188
Total revenue	209,382	191,464
Cost of revenues:		
ITPS	89,246	69,729
HS	37,872	36,910
LLPS	13,300	15,938
Total cost of revenues	140,418	122,577
Gross profit	68,964	68,887
Selling, general and administrative expenses	34,998	33,528
Depreciation and amortization	21,406	20,943
Related party expenses	2,456	2,589
Operating income	10,104	11,827
Interest expense, net	27,869	26,913
Sundry expense/(income), net	(327)	1,503
Net loss before taxes	(17,438)	(16,589)
Income tax (expense) benefit	(2,074)	3,130
Net loss	(19,512)	(13,459)

Revenue

SourceHOV's revenue increased $17.9 million, or 9.3%, to $209.4 million for the three months ended June 30, 2017 compared to $191.5 million for the three months ended June 30, 2016. This increase was primarily related to an increase in the ITPS segment revenues of $24.4 million, which was primarily attributable to the acquisition of TransCentra in 2016. The increase was partially offset by a decrease in revenues in the HS segment and LLPS segment of $2.9 million and $3.6 million, respectively. For the three months ended June 30, 2017, SourceHOV's ITPS, HS, and LLPS segments constituted 62.0%, 27.7%, and 10.3% of its total revenue, respectively, compared to 55.0%, 31.8%, and 13.2%, respectively, for the three months ended June 30, 2016. The revenue changes by reporting segment were as follows:

ITPS—Revenues increased $24.4 million, or 23.2%, to $129.7 million for the three months ended June 30, 2017 compared to $105.3 million for the three months ended June 30, 2016. The increase was primarily attributable to the TransCentra acquisition that was completed in 2016, which contributed approximately $33.5 million in revenue in Q2 2017. The increase was partially offset by devaluation of British Pounds ("GBP") and Euros ("EUR") compared to USD as a result of BREXIT of approximately $2.3 million. Additionally, the increase was offset by a decrease in revenue from hardware services and transaction processing services of $0.9 million, and $4.1 million, respectively.

HS— Revenues decreased $2.9 million, or 4.8%, to $58.1 million for the three months ended June 30, 2017 compared to $61.0 million for the three months ended June 30, 2016. The decrease was primarily attributable to a surge in demand from healthcare provider clients in first half 2016 as a result of a change in regulatory coding requirements, resulting in a decline in revenue of $5.3 million. SourceHOV has since experienced a normalization of demand as healthcare provider clients have reduced outsourcing of the service. Additionally, the decrease was partially offset by an increase in revenues of $3.1 million from the Payer business during the period.

LLPS— Revenues decreased $3.6 million, or 14.3%, to $21.6 million for the three months ended June 30, 2017 compared to $25.2 million for the three months ended June 30, 2016. The decrease was primarily attributable to lower revenue from the legal claims administration services of $2.4 million, along with a lower revenues for Meridian Consulting Group, LLC of approximately $1.3 million during the three months ended June 30, 2017, compared to the three months ended June 30, 2016.

Cost of Revenue

Cost of revenue increased $17.8 million, or 14.5%, to $140.4 million for the three months ended June 30, 2017 compared to $122.6 million for the three months ended June 30, 2016. The increase was primarily attributable to an increase in the ITPS and HS segments of $19.5 million and $1.0 million, respectively, partially offset by a decrease in the LLPS segment of $2.6 million. The cost of revenue decrease by operating segment was as follows:

ITPS—Cost of revenue increased $19.5 million, or 28.0%, to $89.2 million for the three months ended June 30, 2017 compared to $69.7 million for the three months ended June 30, 2016. The increase was primarily attributable to the TransCentra acquisition, which contributed approximately $27.1 million along with a corresponding increase in revenue. The increase was partially offset by a decrease of $3.4 million due to implementation of various cost savings initiatives by SourceHOV during the three months ended June 30, 2017, as well as decreases as a result of the decline in transaction processing services revenue, and devaluation of GBP and EUR compared to USD of $2.1 million and $1.7 million, respectively.

HS—Cost of revenue increased $1.0 million, or 2.7%, to $37.9 million for the three months ended June 30, 2017 compared to $36.9 million for the three months ended June 30, 2016.

LLPS—Cost of revenue decreased $2.6 million, or 16.4%, to $13.3 million for the three months ended June 30, 2017 compared to $15.9 million for the three months ended June 30, 2016. The decrease was primarily attributable to a decrease in corresponding revenues from the legal claims administration of $1.1 million, along with a decrease of $0.6 million attributable to Meridian Consulting Group, LLC which was sold in Q1 2017.

Gross Profit

Gross profit increased $0.1 million, or 0.1%, to $69.0 million for the three months ended June 30, 2017 compared to $68.9 million for the three months ended June 30, 2016. For the three months ended June 30, 2017, gross margins for ITPS, HS, and LLPS were 31.2%, 34.8%, and 38.4%, respectively, compared to 33.8%, 39.5%, and 36.7%, respectively, for the three months ended June 30, 2016.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses increased $1.5 million, or 4.5%, to $35.0 million for the three months ended June 30, 2017 compared to $33.5 million for the three months ended June 30, 2016. The increase was primarily attributable to the acquisition of TransCentra in 2016, which contributed $2.2 million in expense for the three months ended June 30, 2017, and expenses for professional fees related to the business combination, which contributed $2.7 million to the increase. The increases were partially offset by various cost savings initiatives implemented by management including reduced medical insurance spend and administrative wages.

Depreciation & Amortization

Depreciation and amortization expense increased $0.5 million, or 2.4%, to $21.4 million for the three months ended June 30, 2017 compared to $20.9 million for the three months ended June 30, 2016.

Related Party Expenses

Related party expenses decreased $0.1 million, or 3.8%, to $2.5 million for the three months ended June 30, 2017 compared to $2.6 million for the three months ended June 30, 2016.

Interest Expense

Interest expense increased $1.0 million, or 3.7%, to $27.9 million for the three months ended June 30, 2017 compared to $26.9 million for the three months ended June 30, 2016.

Sundry Expense/(Income)

Sundry income increased $1.8 million to $0.3 million income for the three months ended June 30, 2017 compared to $1.5 million expense for the three months ended June 30, 2016. The increase was attributable to foreign currency transaction gains associated with exchange rate fluctuations.

Income Tax (Expense) Benefit

SourceHOV had income tax expense of $2.1 million for the three months ended June 30, 2017 compared to an income tax benefit of $3.1 million for the three months ended June 30, 2016. The change in the income tax expense was primarily attributable to SourceHOV's change in judgment related to the realizability of certain deferred tax assets. The change in the effective tax rate for the three months ended June 30, 2017 resulted from the establishment of valuation allowance against certain domestic deferred tax assets that are not more-likely-than-not to be realized.

Net Loss

Net loss increased $6.0 million to $19.5 million for the three months ended June 30, 2017 compared to $13.5 million for the three months ended June 30, 2016.

Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016

	Six Months ended June 30,	
	2017	2016
Revenue:		
ITPS	$ 265,538	$ 211,710

HS	117,143	128,389
LLPS	44,961	51,055
Total revenue	427,642	391,154
Cost of revenues:		
ITPS	180,846	141,910
HS	75,700	81,972
LLPS	27,580	32,038
Total cost of revenues	284,126	255,920
Gross profit	143,516	135,234
Selling, general and administrative expenses	70,578	64,556
Depreciation and amortization	42,727	39,702
Related party expenses	4,841	4,924
Operating income	25,370	26,052
Interest expense, net	54,088	54,313
Sundry expense/(income), net	2,397	(428)
Net loss before taxes	(31,115)	(27,833)
Income tax (expense) benefit	(4,078)	6,212
Net loss	(35,193)	(21,621)

Revenue

SourceHOV's revenue increased $36.4 million, or 9.3%, to $427.6 million for the six months ended June 30, 2017 compared to $391.2 million for the six months ended June 30, 2016. This increase was primarily related to an increase in the ITPS segment revenues of $53.8 million, which was partially attributable to the acquisition of TransCentra in 2016. The increase was partially offset by a decreases in the HS and LLPS segments of $11.3 million and $6.1 million, respectively. For the six months ended June 30, 2017, SourceHOV's ITPS, HS, and LLPS segments constituted 62.1%, 27.4%, and 10.5% of its total revenue, respectively, compared to 54.1%, 32.8%, and 13.1%, respectively, for the six months ended June 30, 2016. The revenue changes by reporting segment were as follows:

ITPS—Revenues increased $53.8 million, or 25.4%, to $265.5 million for the six months ended June 30, 2017 compared to $211.7 million for the six months ended June 30, 2016. The increase was primarily attributable to the acquisition of TransCentra that was completed in 2016, which contributed to the increase in revenue of $67.6 million for the six months ended June 30, 2017. The increase was partially offset by devaluation of GBP and EUR compared to USD as a result of BREXIT, resulting in a decrease of $4.9 million. Additionally, the increase was offset by decrease in revenue from hardware services and transaction processing services of $2.6 million and $4.4 million, respectively.

HS— Revenues decreased $11.3 million, or 8.8%, to $117.1 million for the six months ended June 30, 2017 compared to $128.4 million for the six months ended June 30, 2016. The decrease was primarily attributable to a surge in demand from healthcare provider clients in early 2016 as a result of a change in regulatory coding requirements beginning in Q4 2015, resulting in a decline in revenue of $13.3 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. SourceHOV has since experienced a normalization of demand as healthcare provider clients have reduced outsourcing of the service. The decrease was partially offset by an increase in revenues of $3.7 million from the Payer business during the period.

LLPS— Revenues decreased $6.1 million, or 11.9%, to $45.0 million for the six months ended June 30, 2017 compared to $51.1 million for the six months ended June 30, 2016. The decrease was primarily attributable to lower revenue from the legal claims administration services of $3.5 million, along with a lower revenues for Meridian Consulting Group, LLC of approximately $2.0 million during the six months ended June 30, 2017, compared to the six months ended June 30, 2016.

Cost of Revenue

Cost of revenue increased $28.2 million, or 11.0%, to $284.1 million for the six months ended June 30, 2017 compared to $255.9 million for the six months ended June 30, 2016. The increase was primarily attributable to an increase in the ITPS segment of $38.9 million, offset by decreases in the HS and LLPS segments of $6.3 million and $4.4 million, respectively. The cost of revenue decrease by operating segment was as follows:

ITPS—Cost of revenue increased $38.9 million, or 27.4%, to $180.8 million for the six months ended June 30, 2017 compared to $141.9 million for the six months ended June 30, 2016. The increase was primarily attributable to the TransCentra acquisition, which contributed approximately $54.1 million along with a corresponding increase in revenue. The increase was partially offset by decreases as a result of the decline in the transaction processing services revenue, and devaluation of GBP and EUR compared to USD of $2.2 million and $3.7 million, respectively. Additionally, the increase was further offset by implementation of various cost savings initiatives by SourceHOV during the six months ended June 30, 2017.

HS—Cost of revenue decreased $6.3 million, or 7.7%, to $75.7 million for the six months ended June 30, 2017 compared to $82.0 million for the six months ended June 30, 2016. The decrease was primarily attributable to normalization of demand for coding during the six months ended June 30, 2017 after the surge experienced by SourceHOV in early 2016 as a result of the increased healthcare coding requirements. This normalization in demand resulted in a decrease of $8.0 million, along with a corresponding decrease in revenue. The decrease was partially offset by an increase of $1.9 million due to an increase in revenues from the Payer business during the six months ended June 30, 2017.

LLPS—Cost of revenue decreased $4.4 million, or 13.8%, to $27.6 million for the six months ended June 30, 2017 compared to $32.0 million for the six months ended June 30, 2016. The decrease was primarily attributable to a decrease in corresponding revenues from the legal claims administration of $1.6 million, along with a decrease of $1.0 million attributable to Meridian Consulting Group, LLC.

Gross Profit

Gross profit increased $8.3 million, or 6.1%, to $143.5 million for the six months ended June 30, 2017 compared to $135.2 million for the six months ended June 30, 2016. For the six months ended June 30, 2017, gross margins for ITPS, HS, and LLPS were 31.9%, 35.4%, and 38.7%, respectively, compared to 33.0%, 36.2%, and 37.2%, respectively, for the six months ended June 30, 2016.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses increased $6.0 million, or 9.3%, to $70.6 million for the six months ended June 30, 2017 compared to $64.6 million for the six months ended June 30, 2016. The increase was primarily attributable to the acquisition of TransCentra in 2016, which contributed $4.6 million in expense for the six months ended June 30, 2017, and expenses for professional fees related to the business combination, which contributed $8.9 million in expense for the six months ended June 30, 2017. The increases were partially offset by a decrease of $1.5 million in compensation expense related to vested Restricted Stock Units ("RSUs") compared to the six months ended June 30, 2016, as well as cost saving initiatives implemented by management including reduced medical insurance spend and administrative wages.

Depreciation & Amortization

Depreciation and amortization expense increased $3.0 million, or 7.6%, to $42.7 million for the six months ended June 30, 2017 compared to $39.7 million for the six months ended June 30, 2016. The increase was primarily attributable to higher balances of developed technology and outsource contract costs, resulting in higher amortization expense for the six months ended June 30, 2017 compared to the six months ended June 30, 2016

Related Party Expenses

Related party expenses decreased $0.1 million, or 2.0%, to $4.8 million for the six months ended June 30, 2017 compared to $4.9 million for the six months ended June 30, 2016.

Interest Expense

Interest expense decreased $0.2 million, or 0.4%, to $54.1 million for the six months ended June 30, 2017 compared to $54.3 million for the six months ended June 30, 2016.

Sundry Expense/(Income)

Sundry expense increased $2.8 million to $2.4 million expense for the six months ended June 30, 2017 compared to $0.4 million income for the six months ended June 30, 2016. The increase was attributable to foreign currency transaction losses associated with exchange rate fluctuations.

Income Tax (Expense) Benefit

SourceHOV had income tax expense of $4.1 million for the six months ended June 30, 2017 compared to an income tax benefit of $6.2 million for the six months ended June 30, 2016. The change in the income tax expense was primarily attributable to SourceHOV's change in judgment related to the realizability of certain deferred tax assets. The change in the effective tax rate for the six months ended June 30, 2017 resulted from the establishment of valuation allowance against certain domestic deferred tax assets that are not more-likely-than-not to be realized. Additionally, the six months ended June 30, 2016 included a nonrecurring tax benefit related to a true-up adjustment of SourceHOV's deferred tax liabilities.

Net Loss

Net loss increased $13.6 million to $35.2 million for the six months ended June 30, 2017 compared to $21.6 million for the six months ended June 30, 2016.

Other Financial Information (Non-GAAP Financial Measures)

SourceHOV views EBITDA and Adjusted EBITDA as important indicators of performance. SourceHOV defines EBITDA as net income, plus taxes, interest expense, and depreciation and amortization. SourceHOV defines Adjusted EBITDA as EBITDA plus optimization and restructuring charges, including severance and retention expenses; transaction and integrations costs; other non-cash charges, including non-cash compensation, (gain) or loss from sale or disposal of assets, and impairment charges; and management fees and expenses.

SourceHOV presents EBITDA and Adjusted EBITDA because it believes they provide useful information regarding the factors and trends affecting its business in addition to measures calculated under GAAP. Additionally, its credit agreement requires SourceHOV to comply with certain EBITDA related metrics. Refer to "—Liquidity and Capital Resources—Credit Facility."

Note Regarding Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are not financial measures presented in accordance with GAAP. SourceHOV believes that the presentation of these non-GAAP financial measures will provide useful information to investors in assessing its financial performance and results of operations as SourceHOV's board of directors, management and investors use EBITDA and Adjusted EBITDA to assess its financial performance because it allows them to compare SourceHOV's operating performance on a consistent basis across periods by removing the effects of its capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization) and items outside the control of its management team. Net income is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. SourceHOV's non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measure. Each of these non-GAAP financial measures has important limitations as analytical tools because they exclude some but not all items that affect the most directly comparable GAAP financial measures. You should not consider EBITDA and Adjusted EBITDA in isolation or as substitutes for an analysis of SourceHOV's results as reported under GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in its industry, SourceHOV's definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The following tables present a reconciliation of EBITDA and Adjusted EBITDA to SourceHOV's net loss the most directly comparable GAAP measure for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30, 2017	Three months ended June 30, 2016
Net Loss	$ (19,512)	$ (13,459)
Taxes	2,074	(3,130)
Interest Expense	27,869	26,913
Depreciation and Amortization	21,406	20,943
EBITDA	31,837	31,267
Optimization and Restructuring expenses (1)	7,496	5,835
Transaction and integration costs (2)	4,174	734
Non-cash equity compensation (3)	1,906	1,715
Other non-cash charges (4)	75	83
Non-cash loss on sale of of assets (5)	18	1,187
Management, Board Fees and expenses (6)	2,093	1,661
Adjusted EBITDA	47,599	42,482

(1) Adjustment represents net salary and benefits associated with positions that were terminated, including severance, retention bonuses, and related fees and expenses. Additionally, the adjustment includes charges incurred by SourceHOV to terminate existing lease contracts as part of facility consolidation initiatives.
(2) Represents costs incurred related to transactions and integration for completed or contemplated transactions during the period. For the three months ended June 30, 2017, only transaction costs were incurred.
(3) Represents the non-cash charges related to restricted stock units granted by SourceHOV that vested during the year.
(4) Represents fair value adjustments to deferred revenue and deferred rent accounts established as part of purchase accounting.
(5) Represents a non-cash loss recognized on the disposal of property, plant and equipment and other assets.
(6) Amount represents management fees paid to HGM and TransCentra's prior owner, Board of Directors fees and corresponding travel, and other expenses (e.g., rating agency fees, chargebacks) which are not expected to continue on a go-forward basis.

Three months ended June 30, 2017 compared to the Three Months ended June 30, 2016

EBITDA and Adjusted EBITDA

EBITDA was $31.8 million for the three months ended June 30, 2017 compared to $31.3 million for the three months ended June 30, 2016. Adjusted EBITDA was $47.6 million for the three months ended June 30, 2017 compared to $42.5 million for the three months ended June 30, 2016. The increase in EBITDA was primarily due to the slight increase in gross profit and sundry income, offset by an increase to SG&A, as discussed above. The increase in Adjusted EBITDA was primarily due to the slight increase in EBITDA, as well as lower transaction costs incurred for the three months ended June 30, 2016.

	Six months ended June 30, 2017	Six months ended June 30, 2016
Net Loss	$ (35,193)	$ (21,621)
Taxes	4,078	(6,212)
Interest Expense	54,088	54,313
Depreciation and Amortization	42,727	39,702
EBITDA	65,700	66,182
Optimization and Restructuring expenses (1)	11,833	9,353
Transaction and integration costs (2)	9,240	1,093
Non-cash equity compensation (3)	2,217	3,707
Other non-cash charges (4)	150	218
Non-cash loss on sale of assets (5)	18	1,191
Non-cash gain on sale of Meridian (6)	(251)	—
Management, Board Fees and expenses (7)	4,153	3,351
Adjusted EBITDA	93,060	85,095

(1) Adjustment represents net salary and benefits associated with positions that were terminated, including severance, retention bonuses, and related fees and expenses. Additionally, the adjustment includes charges incurred by SourceHOV to terminate existing lease contracts as part of facility consolidation initiatives.
(2) Represents costs incurred related to transactions and integration for completed or contemplated transactions during the period. For the six months ended June 30, 2017, only transaction costs were incurred.
(3) Represents the non-cash charges related to restricted stock units granted by SourceHOV that vested during the year.
(4) Represents fair value adjustments to deferred revenue and deferred rent accounts established as part of purchase accounting.
(5) Represents a non-cash loss recognized on the disposal of property, plant and equipment and other assets.
(6) Represents a non-cash gain recognized on the disposal of Meridian Consulting Group, LLC.

(7) Amount represents management fees paid to HGM and TransCentra's prior owner, Board of Directors fees and corresponding travel, and other expenses (e.g., rating agency fees, chargebacks) which are not expected to continue on a go-forward basis.

Six months ended June 30, 2017 compared to the Six Months ended June 30, 2016

EBITDA and Adjusted EBITDA

EBITDA was $65.7 million for the six months ended June 30, 2017 compared to $66.2 million for the six months ended June 30, 2016. Adjusted EBITDA was $93.1 million for the six months ended June 30, 2017 compared to $85.1 million for the six months ended June 30, 2016. The decrease in EBITDA was primarily due to a higher net loss amount for the six months ended June 30, 2017 resulting from an increase in SG&A and sundry expense compared to the six months ended June 30, 2016. The increase in Adjusted EBITDA was primarily due to primarily due to lower transaction costs incurred during the six months ended June 30, 2016 partially offset by lower non-cash equity compensation for the six months ended June 30, 2017.

Liquidity and Capital Resources

Overview

SourceHOV's primary source of liquidity is principally cash generated from operating activities supplemented as necessary on a short-term basis by borrowings against SourceHOV's senior secured revolving credit facility. SourceHOV believes its current level of cash and short term financing capabilities along with future cash flows from operations are sufficient to meet the needs of the business.

At June 30, 2017, cash and cash equivalents totaled $24.0 million and SourceHOV was fully drawn under its credit facilities.

On July 12, 2017, Exela Technologies, Inc. (formerly known as Quinpario Acquisition Corp. 2) completed its acquisition of the Company and Novitex Holdings, Inc. ("Business Combination") pursuant to the agreement dated February 21, 2017. The Business Combination, which was structured as a stock purchase, was approved at a special meeting of shareholders of Quinpario Acquisition Corp. 2 on July 11, 2017, and in connection with the business combination, Quinpario Acquisition Corp. 2 was renamed Exela Technologies, Inc. In connection with the Business Combination, $1.4 billion in new debt financing and a $100.0 million senior secured revolving facility was used to refinance the existing debt of SourceHOV and Novitex, pay fees and expenses incurred in connection with the Business Combination, and for general corporate purposes. Exela entered in to a Credit Agreement of $350.0 million senior secured term loan, $100.0 million senior secured revolving facility, and $1.0 billion in Senior Secured Notes. The total liquidity of SourceHOV is approximately $100.0 million, including availability under the revolver.

Cash Flows

The following table summarizes SourceHOV's cash flows for the periods indicated:

	Six months ended June 30, 2017	Six months ended June 30, 2016
Cash flow from operating activities	$ 29,867	$ 31,434
Cash flow used in investing activities	(9,786)	(16,484)
Cash flows used in financing activities	(4,709)	(22,604)
Subtotal	15,372	(7,654)
Effect of exchange rates on cash	240	(215)
Net increase/(decrease) in cash	15,612	(7,869)

Analysis of Cash Flow Changes between the Six Months Ended June 30, 2017 and June 30, 2016

Operating Activities—Net cash provided by operating activities was $29.9 million for the six months ended June 30, 2017, compared to $31.4 million for the six months ended June 30, 2016. The decrease of $1.5 million in cash flow from operating activities was primarily due to decreases in operating results, and timing of payments for accounts receivable and accounts payable and accrued liabilities.

Investing Activities— Net cash used in investing activities was $9.8 million for the six months ended June 30, 2017, compared to $16.5 million for the six months ended June 30, 2016. The decrease of $6.7 million in cash used in investing activities was primarily due to proceeds received from the sale of Meridian during the six months ended June 30, 2017, as well as higher additions to intangible assets during the six months ended June 30, 2016.

Financing Activities— Net cash used in financing activities was $4.7 million for the six months ended June 30, 2017, compared to $22.6 million for the six months ended June 30, 2016. The decrease of $17.9 million in cash used in financing activities was primarily due to contributions from shareholders of $20.5 million during the six months ended June 30, 2017, which was partially offset by principal payments towards long-term obligations.

Credit Facility

In connection with the Reorganization on October 31, 2014, SourceHOV obtained new credit facilities aggregating to $1,105.0 million.

First and Second Lien Secured Term Loans

The financing obtained as part of the Reorganization included a first lien secured term loan of $780.0 million due October 2019 and a second lien secured term loan of $250.0 million due April 2020. SourceHOV has the option to choose interest rates based on 1) base rate (as defined) or 2) the euro currency rate plus an applicable margin for each rate. Interest rates were 7.75% and 11.50% for the first and second lien secured term loans, respectively, as of June 30, 2017.

Revolving Credit Facility and Swing Line Loans

As of June 30, 2017, SourceHOV had a first lien revolving credit facility of $75.0 million due October 2019, which was also obtained as part of the Reorganization. As of June 30, 2017, $65.7 million of the first lien revolving credit facility was drawn. The interest rate on the first lien revolving credit facility was 7.75% as of June 30, 2017.

SourceHOV's interest rate on the swing-line loans was 9.25% as of June 30, 2017. The swing-line loans are part of, and not in addition to, the revolving credit facility of $75.0 million. The liens are secured by the assets of SourceHOV.

As of June 30, 2017 and December 31, 2016, SourceHOV had outstanding irrevocable letters of credit totaling approximately $9.3 million for both periods, under the revolving credit facility. As June 30, 2017, these letters of

credit consisted of approximately $7.1 million related to security for SourceHOV's self-insured workers' compensation program and approximately $2.2 million for the landlord in Irving. Letter of credit commitment fees on commitments outstanding of 6.75% per annum are payable quarterly.

TransCentra Term Loan, TransCentra Revolving Credit Facility and FTS Term Loan

On September 28, 2016, SourceHOV assumed $25.0 million and $15.9 million in debt in connection with the acquisition of TransCentra and FTS, respectively. The TransCentra debt consists of a $20.0 million term loan due June 2021 and a $5.0 million revolving credit facility due June 2018. The term loan and revolving credit facility bear interest at LIBOR plus 5.56% and LIBOR plus 4.31%, respectively, per annum where LIBOR is currently 1.3%. The term loan is secured by all the assets of TransCentra. As of June 30, 2017, the TransCentra revolving credit facility was fully drawn. The FTS debt consists of a $15.9 million unsecured term loan due June 2018. The FTS debt bears interest at Base Rate plus 1.00% per annum where Base Rate is presently 3.75%. The FTS debt is guaranteed by SourceHOV.

Contractual Obligations

The table below provides estimates of the timing of future payments that SourceHOV is obligated to make based on agreements in place at June 30, 2017.

	Payments Due by Period				
	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years	Total
			(in millions)		
Credit Facilities	73.5	982.4	6.4	—	1,062.3
Interest payments (1)	93.7	139.0	0.4	—	233.1
Capital lease obligations	6.7	9.4	6.4	3.9	26.4
Operating lease obligations	27.2	33.2	14.6	5.8	80.8
Pension related obligations (2)	0.9	—	—	—	0.9
Total	202.0	1,164.0	27.8	9.7	1,403.5

(1) For the variable rate debt assumed as part of the TransCentra acquisition, the interest payment calculation above assumes a 1% variable rate, plus the base rate amount.

(2) We sponsor pension related obligations that require periodic cash distributions. In 2017, based on current actuarial calculations, we expect to make additional contributions of approximately $0.9 million to our worldwide pension related obligations. Contributions to our pension related obligations in subsequent years will depend on a number of factors, including the investment performance of plan assets and discount rates as well as potential legislative and plan changes.

Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Risk

At June 30, 2017, SourceHOV had $1,024.5 million of debt outstanding, with a weighted average interest rate of 9%. Interest is calculated under the terms of SourceHOV's credit agreement based on the greatest of certain specified base rates plus an applicable margin that varies based on certain factors. Assuming no change in the amount outstanding, the impact on interest expense of a 1% increase or decrease in the assumed weighted average interest rate would be approximately $10.3 million per year. SourceHOV does not currently have or intend to enter into any derivative arrangements to protect against fluctuations in interest rates applicable to SourceHOV's outstanding indebtedness.

Foreign Currency Risk

SourceHOV is exposed to foreign currency risks that arise from normal business operations. These risks include transaction gains and losses associated with intercompany loans with foreign subsidiaries and transactions

denominated in currencies other than a location's functional currency. Contracts are denominated in currencies of major industrial countries.

Market Risk

SourceHOV is exposed to market risks primarily from changes in interest rates and foreign currency exchange rates. SourceHOV does not use derivatives for trading purposes, to generate income or to engage in speculative activity.

Critical Accounting Policies and Estimates

The preparation of financial statements requires the use of judgments and estimates. SourceHOV's critical accounting policies are described below to provide a better understanding of how SourceHOV develops its assumptions and judgments about future events and related estimations and how they can impact its financial statements. A critical accounting estimate is one that requires subjective or complex estimates and assessments, and is fundamental to SourceHOV's results of operations. SourceHOV bases its estimates on historical experience and on various other assumptions they believe to be reasonable according to the current facts and circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. SourceHOV believes the current assumptions, judgments and estimates used to determine amounts reflected in its consolidated financial statements are appropriate, however, actual results may differ under different conditions. This discussion and analysis should be read in conjunction with SourceHOV's consolidated financial statements and related notes included in this document.

Goodwill and other intangible assets: Goodwill and other intangible assets are initially recorded at their fair values. Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net assets acquired. SourceHOV's goodwill at June 30, 2017 and December 31, 2016 was $370.9 million and $373.3 million, respectively. Goodwill and other intangible assets not subject to amortization are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Intangible assets with finite useful lives are amortized either on a straight-line basis over the asset's estimated useful life or on a basis that reflects the pattern in which the economic benefits of the intangible assets are realized.

Software capitalization: SourceHOV capitalizes certain costs incurred to develop commercial software products to be sold, leased or marketed after establishing technological feasibility. Amortization of capitalized software development costs is recorded at the greater of the amount computed using the ratio of current gross revenues for the product to total current and anticipated future gross revenues for that product or the straight-line basis over the remaining estimated economic life of the software, which SourceHOV has determined is four to eight years. SourceHOV is required to use its judgment in determining whether development costs meet the criteria for immediate expense or capitalization. Additionally, SourceHOV is required to use its judgment in the valuation of the unamortized capitalized software costs in determining whether the recorded value is recoverable based on estimated future product sales. SourceHOV considers various factors to project marketability and future revenues, including an assessment of alternative solutions or products, current and historical demand for the product, and anticipated changes in technology that may make the product obsolete.

SourceHOV also capitalizes costs to develop or purchase internal-use software. For internal-use software, the appropriate amortization period is based on estimates of SourceHOV's ability to utilize the software on an ongoing basis, which has been determined to be five years. To assess the recoverability of capitalized software costs, SourceHOV considers estimates of future revenue, costs and cash flows. A significant change in an estimate related to one or more software products could result in a material change to SourceHOV's results of operations.

Outsourced contract costs: In connection with services arrangements, SourceHOV incurs and capitalizes costs to originate long-term contracts. Certain initial direct costs of an arrangement are capitalized and amortized over the contractual service period of the arrangement to cost of services. SourceHOV regularly reviews costs to determine appropriateness for deferral in accordance with the relevant accounting guidance. Key estimates and assumptions that SourceHOV must make include projecting future cash flows in order to assess the recoverability of deferred costs. To assess recoverability, cash flows are projected over its remaining life and compared to the carrying amount of contract related assets, including the unamortized deferred cost balance. Such estimates require judgment and assumptions,

which are based upon the professional knowledge and experience of SourceHOV personnel. A significant change in an estimate or assumption on one or more contracts could have a material effect on SourceHOV's results of operations.

Impairment of goodwill, long-lived and other intangible assets: Long-lived assets, such as property and equipment and finite-lived intangible assets, are evaluated for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Recoverability is measured by a comparison of their carrying amount to the estimated undiscounted cash flows to be generated by those assets. If the undiscounted cash flows are less than the carrying amount, SourceHOV records impairment losses for the excess of the carrying value over the estimated fair value. Fair value is determined, in part, by the estimated cash flows to be generated by those assets. SourceHOV's cash flow estimates are based upon, among other things, historical results adjusted to reflect SourceHOV's best estimate of future market rates, and operating performance. Development of future cash flows also requires SourceHOV to make assumptions and to apply judgment, including timing of future expected cash flows, using the appropriate discount rates, and determining salvage values. The estimate of fair value represents SourceHOV's best estimates of these factors, and is subject to variability. Assets are generally grouped at the lowest level of identifiable cash flows, which is the reporting unit level for SourceHOV. Changes to SourceHOV's key assumptions related to future performance and other economic factors could adversely affect SourceHOV's impairment valuation.

SourceHOV tests its indefinite lived intangible assets on October 1st of each year, or more frequently if events or changes in circumstances indicate that the assets may be impaired. When performing the impairment test, SourceHOV has the option of performing a qualitative or quantitative assessment to determine if an impairment has occurred. A quantitative assessment requires comparison of fair value of the asset to its carrying value. SourceHOV utilizes the Income Approach, specifically the Relief-from-Royalty method, which has the basic tenet that a user of that intangible asset would have to make a stream of payments to the owner of the asset in return for the rights to use that asset. By acquiring the intangible asset, the user avoids these payments. Application of the indefinite lived intangible asset impairment test requires judgment, including determination of royalty rates, and projecting revenue attributable to the assets in order to determine fair value. For the three months and six ended June 30, 2017, no impairment was recorded.

SourceHOV conducts its annual goodwill impairment tests on October 1st of each year, or more frequently if indicators of impairment exist. When performing the annual impairment test, SourceHOV has the option of performing a qualitative or quantitative assessment to determine if an impairment has occurred. If a qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, SourceHOV would be required to perform a quantitative impairment test for goodwill. Goodwill is tested for impairment using a two-step process. In the first step, the fair value of each reporting unit is determined and compared to the reporting unit's carrying value, including goodwill. SourceHOV uses the Guideline Public Company Method of the Market Approach to determine the reporting unit fair value. SourceHOV estimates the fair value using a multiple of EBITDA for the reporting unit. Guideline companies are analyzed to determine the multiple to be applied. If the fair value of a reporting unit is less than its carrying value, the second step of the goodwill impairment test is performed to measure the amount of impairment, if any. In the second step, the fair value of the reporting unit is allocated to the assets and liabilities of the reporting unit as if it had been acquired in a business combination and the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. If the implied fair value of goodwill at the reporting unit level is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of goodwill at the reporting unit is less than its carrying value. For the three and six months ended June 30, 2017, no impairment was recorded.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, allocation of assets and liabilities to reporting units, and determination of fair value. The determination of reporting unit fair value is sensitive to the amount of EBITDA generated by SourceHOV, as well as the EBITDA multiple used in the calculation. Unanticipated changes, including immaterial revisions, to these assumptions could result in a provision for impairment in a future period. Given the nature of these evaluations and their application to specific assets and time frames, it is not possible to reasonably quantify the impact of changes in these assumptions.

Revenue: Application of the various accounting principles in GAAP related to the measurement and recognition of revenue requires SourceHOV's to make judgments and estimates. Complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting. Refer to *Note*

2—Basis of Presentation and Summary of Significant Accounting Policies for additional information regarding SourceHOV's revenue recognition policy.

If a contract involves the provision of a single element, revenue is generally recognized when the product or service is provided and the amount earned is not contingent upon any future event. Revenue from time and materials arrangements is recognized as the services are performed.

Multiple element arrangements

SourceHOV also enters into multiple element arrangements involving various combinations. The deliverables within these arrangements are evaluated at contract inception to determine whether they represent separate units of accounting, and if so, contract consideration is allocated to each deliverable based on relative selling price. With respect to arrangements including tangible products containing both software and non-software components that function together to deliver the product's essential functionality, the relative selling price is determined using vendor specific objective evidence ("VSOE") of fair value, third-party evidence or best estimate of selling price. For SourceHOV's multiple element arrangements that are comprised solely of software and software elements, revenue is allocated to the various elements based on VSOE of fair value and the residual method to allocate the arrangement consideration. Revenue is then recognized in accordance with the appropriate revenue recognition guidance applicable to the respective elements.

If the multiple element arrangements criteria are not met, the arrangement is accounted for as one unit of accounting which would result in revenue being recognized on a straight-line basis over the period of delivery or being deferred until the earlier of when such criteria are met or when the last element is delivered.

Equity-based compensation: SourceHOV accounts for equity-based awards by measuring the awards at the grant date and recognizing the grant-date fair value as an expense over the service period, which is usually the vesting period. Since SourceHOV is not publicly traded, SourceHOV does not have a listed price with which to calculate fair value. SourceHOV has historically and consistently calculated fair value using the Enterprise Value (''EV'') model. SourceHOV performs a comparable company analysis, and determines the enterprise multiple to apply based on guidelines public companies. The guideline public companies are selected based on revenue and/or revenue growth rates, market capitalization, profitability, industry, and other characteristics that are considered comparable to SourceHOV. SourceHOV analyzes the guideline public companies' enterprise multiples, defined as equity value to adjusted EBITDA, based on publicly available financial information. The calculated price per share is determined by dividing the enterprise value, which is the product of adjusted EBITDA and the selected enterprise multiple, less debt, by fully diluted shares.

Calculation of the enterprise value based on the EV model requires judgment in terms of determining comparable guideline public companies and enterprise multiples. SourceHOV management, using its professional judgment and experience in the industry, determines which guideline public companies have similar characteristics based on the aforementioned metrics and characteristics. Additionally, determination of the appropriate enterprise multiple to be applied requires judgment as guideline companies may have a range of enterprise multiples.

Income Taxes: SourceHOV accounts for income taxes by using the asset and liability method. SourceHOV accounts for income taxes regarding uncertain tax positions and recognizes interest and penalties related to uncertain tax positions in income tax benefit/(expense) in the consolidated statements of operations.

Deferred income taxes are recognized on the tax consequences of temporary differences by applying enacted statutory tax rates applicable in future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities, as determined under tax laws and rates. A valuation allowance is provided when it is more likely than not that all or some portion of the deferred tax assets will not be realized. Due to numerous ownership changes, SourceHOV is subject to limitations on existing net operating losses under Section 382 of the Internal Revenue Code (the Code). In the event SourceHOV determines that it would be able to realize deferred tax assets that have valuation allowances established, an adjustment to the deferred tax assets would be recognized as component of income tax expense through continuing operations.

SourceHOV engages in transactions (such as acquisitions) in which the tax consequences may be subject to uncertainty and examination by the varying taxing authorities. Significant judgment is required by SourceHOV in

assessing and estimating the tax consequences of these transactions. While SourceHOV's tax returns are prepared and based on its interpretation of tax laws and regulations, in the normal course of business the tax returns are subject to examination by the various taxing authorities. Such examinations may result in future assessments of additional tax, interest and penalties. For purposes of SourceHOV's income tax provision, a tax benefit is not recognized if the tax position is not more likely than not to be sustained based solely on its technical merits. Considerable judgment is involved in determining which tax positions are more likely than not to be sustained.

Business Combinations: SourceHOV allocates the total cost of an acquisition to the underlying assets based on their respective estimated fair values. Determination of fair values involves significant estimates and assumptions about highly subjective variables, including future cash flows, discount rates, and asset lives. SourceHOV's estimates of the fair values of assets and liabilities acquired are based upon assumptions believed to be reasonable and, when appropriate, include assistance from independent third-party valuation firms.

Because SourceHOV is primarily a services business, SourceHOV's acquisitions typically result in significant amounts of goodwill and other intangible assets. Fair value estimates and calculations for these acquisitions will affect the amount of amortization expense, or possible impairment related charges recognized in future periods. SourceHOV bases its fair value estimates on assumptions it believes are reasonable, but recognizes that the assumptions are inherently uncertain.

Recently Adopted Accounting Pronouncements

In January 2017, SourceHOV adopted Accounting Standards Update ("ASU") no. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. This amendment replaced the method of measuring inventories at lower of cost or market with a lower of cost and net realizable value method. The adoption had no material impact on SourceHOV's financial position, results of operations and cash flows.

In January 2017, SourceHOV adopted ASU no. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). The ASU changes how companies account for certain aspects of equity-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The standard requires that all tax effects related to share-based payments be recorded as income tax expense or benefit in the income statement at settlement or expiration and, accordingly, excess tax benefits and tax deficiencies be presented as operating activities in the statement of cash flows. Upon adoption of this standard, SourceHOV elected to continue its current practice of estimating expected forfeitures. The adoption had no material impact on SourceHOV's financial position, results of operations and cash flows.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standard Board (FASB) issued ASU no. 2014-09, Revenue from Contracts with Customers (Topic 606). Under the update, revenue will be recognized based on a five-step model. The core principle of the model is that revenue will be recognized when the transfer of promised goods or services to customers is made in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB deferred the effective date by one year (ASU no. 2015-14). This ASU will now be effective for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2017. Early adoption is permitted, but not before the original effective date of December 15, 2016. Since the issuance of the original standard, the FASB has issued several other subsequent updates including the following: (1) clarification of the implementation guidance on principal versus agent considerations (ASU 2016-08); (2) further guidance on identifying performance obligations in a contract as well as clarifications on the licensing implementation guidance (ASU 2016-10); (3) rescission of several SEC Staff Announcements that are codified in Topic 605 (ASU 2016-11); (4) additional guidance and practical expedients in response to identified implementation issues (ASU 2016-12); and (5) technical corrections and improvements (ASU 2016-20). The new standard will be effective for SourceHOV beginning January 1, 2018. SourceHOV is currently evaluating the impact that adopting this ASU will have on its financial position, results of operations and cash flows.

In February 2016, the FASB issued ASU no. 2016-02, *Leases (Topic 842)*. This Update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this Update are effective for fiscal years beginning after December 2015, 2018 and interim periods within those fiscal years and early application is permitted. SourceHOV is currently evaluating the impact that adopting this standard will have on its Consolidated Financial Statements.

In June 2016, the FASB issued ASU no. 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, to replace the incurred loss impairment methodology under current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company will be required to use a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. The standard will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted beginning after December 15, 2018. Adoption of the standard will be applied using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the effective date. SourceHOV is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments (Topic 230)*. The new guidance clarifies the classification of certain cash receipts and cash payments in the statement of cash flows, including debt prepayment or extinguishment costs, settlement of contingent consideration arising from a business combination, insurance settlement proceeds, and distributions from certain equity method investees. The new standard is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. SourceHOV is currently evaluating the impact that adopting this standard will have on its Consolidated Financial Statements.

In October 2016, the FASB issued ASU no. 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory (Topic 740), which eliminates the current prohibition on immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory, with the intent of reducing complexity and diversity in practice. Under ASU 2016-16, entities must recognize the income tax consequences when the transfer occurs rather than deferring recognition. For public entities, ASU 2016-16 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted as of the beginning of a fiscal year (i.e. early adoption is permitted only in the first interim period). Entities must apply the guidance on a modified retrospective basis though a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. SourceHOV is currently evaluating the impact that adopting this standard will have on its consolidated financial statements.

In November 2016, the FASB issued ASU no. 2016-18, *Statement of Cash Flows: Restricted Cash*. (ASC 230). The ASU addresses diversity in practice that exists in the classification and presentation of changes in restricted cash and require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2017. SourceHOV is currently evaluating the impact that adopting this standard will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations: Clarifying the Definition of a Business* (Topic 805). The ASU clarifies the definition of a business and provides guidance on evaluating as to whether transactions should be accounted for as acquisitions (or disposals) of assets or business combinations. The definition clarification as outlined in this ASU affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The amendments of the ASU are effective for annual periods beginning after December

15, 2017, including interim periods within those annual periods. SourceHOV is currently evaluating the impact that adopting this standard will have on its Consolidated Financial Statements.

In January 2017, the FASB issued Accounting Standards Update (“ASU”) no. 2017-04, Intangibles Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which eliminates Step 2 of the goodwill impairment test that had required a hypothetical purchase price allocation. Rather, entities should apply the same impairment assessment to all reporting units and recognize an impairment loss for the amount by which a reporting unit’s carrying amount exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU 2017-04 will be effective prospectively for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, or those beginning after January 1, 2017 if early adopted. SourceHOV is currently evaluating the impact that adopting this standard will have on its consolidated financial statements.

In March 2017, the FASB issued ASU no. 2017-07, Compensation Retirement Benefits (Topic 715); Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The amendments to this ASU require the service cost component of net periodic benefit cost be reported in the same income statement line or lines as other compensation costs for employees. The other components of net periodic benefit cost are required to be reported separately from service costs and outside a subtotal of income from operations. Only the service cost component is eligible for capitalization. The guidance is effective for annual periods beginning after December 15, 2017. The amendments should be applied retrospectively for the income statement presentations and prospectively for the capitalization of service costs. SourceHOV is currently evaluating the impact that adopting this standard will have on its consolidated financial statements.

In May 2017, the FASB issued ASU no. 2017-09, *Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting.* The amendments in ASU 2017-09 provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The amendments in this update will be applied on a prospective basis to an award modified on or after the adoption date. SourceHOV is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

Internal Controls and Procedures

SourceHOV is not currently required to comply with the SEC’s rules implementing Section 404 of the Sarbanes Oxley Act of 2002, and is therefore not required to make a formal assessment of the effectiveness of SourceHOV’s internal control over financial reporting for that purpose. Upon becoming a subsidiary of a public company, SourceHOV’s publicly traded parent company will be required to comply with the SEC’s rules implementing Section 302 of the Sarbanes-Oxley Act of 2002, which will require its management to certify financial and other information in its quarterly and annual reports and provide an annual management report on the effectiveness of SourceHOV’s internal control over financial reporting.

Off Balance Sheet Arrangements

At June 30, 2017, SourceHOV had no material off balance sheet arrangements, except for operating leases. As such, SourceHOV is not materially exposed to any financing, liquidity, market or credit risk that could arise if SourceHOV had engaged in such financing arrangements.

Exhibit 99.3

NOVITEX HOLDINGS, INC.

Condensed Consolidated Financial Statements

For the Three and Six Months Ended

June 30, 2017 and 2016

NOVITEX HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share data)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues	$ 140,584	$ 133,572	$ 284,184	$ 270,351
Operating expenses:				
Cost of revenues, exclusive of depreciation and amortization shown below	116,612	106,172	234,777	215,551
Selling, general and administrative, exclusive of depreciation and amortization shown below	14,391	13,470	30,375	27,361
Depreciation and amortization	9,722	10,659	19,441	20,303
Restructuring	(39)	57	295	148
Total operating expenses	140,686	130,358	284,888	263,363
Operating (loss) income	(102)	3,214	(704)	6,988
Interest expense, net	(12,179)	(11,631)	(24,285)	(23,191)
Gain on early extinguishment of debt	—	2,307	—	2,307
Loss before income taxes	(12,281)	(6,110)	(24,989)	(13,896)
Benefit from income taxes	3,928	1,869	6,936	4,953
Net loss	(8,353)	(4,241)	(18,053)	(8,943)
Other comprehensive income:				
Foreign currency translation	213	20	214	1,181
Comprehensive loss	$ (8,140)	$ (4,221)	$ (17,839)	$ (7,762)
Net Loss Per Share				
Basic and diluted	$ (619)	$ (314)	$ (1,337)	$ (662)
Weighted Average Shares Outstanding				
Basic and diluted	13,500	13,500	13,500	13,500

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

NOVITEX HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

		June 30, 2017 (unaudited)		December 31, 2016 (unaudited)
ASSETS				
Current assets:				
Cash and cash equivalents	$	31,842	$	37,229
Accounts receivable, less allowance for doubtful accounts of $347 and $357, respectively		87,243		87,143
Prepaid expenses and other current assets		20,425		18,958
Total current assets		139,510		143,330
Property and equipment, net		62,938		65,456
Identifiable intangible assets, net		110,634		118,664
Goodwill		144,830		144,830
Deferred charges and other assets		3,544		3,940
Total assets	$	461,456	$	476,220
LIABILITIES AND STOCKHOLDER'S EQUITY				
Current liabilities:				
Accounts payable	$	40,768	$	42,208
Accrued liabilities		48,036		41,706
Short-term borrowings and current portion of long-term debt		19,256		19,641
Advanced billings and customer deposits		19,814		11,043
Total current liabilities		127,874		114,598
Long-term debt		412,829		415,429
Deferred taxes		21,567		28,710
Other noncurrent liabilities		3,540		4,206
Total liabilities		565,810		562,943
Commitments and contingencies (Note 12)				
Preferred shares, $0.01 par value, authorized 5,000 shares; none issued		—		—
Common shares, $0.01 par value, authorized 30,000 shares; 13,500 and 13,500 issued and outstanding at June 30, 2017 and December 31, 2016, respectively		—		—
Additional paid-in capital		1,393		1,185
Accumulated deficit		(102,057)		(84,004)
Accumulated other comprehensive loss		(3,690)		(3,904)
Total stockholder's equity (deficit)		(104,354)		(86,723)
Total liabilities and stockholder's equity	$	461,456	$	476,220

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NOVITEX HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(UNAUDITED)

	Six Months Ended June 30,			
		2017		2016
Cash flows from operating activities:				
Net loss	$	(18,053)	$	(8,943)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization		19,441		20,303
Amortization of debt-related costs		2,327		2,105
Amortization of unfavorable contract liability		(481)		(791)
Gain on extinguishment of debt		—		(2,500)
Allowance for (recovery of) doubtful accounts		88		(135)
Stock-based compensation		208		393
Deferred taxes		(6,769)		(5,026)
Changes in assets and liabilities:				
Accounts receivable		(188)		15,442
Prepaid expenses and other current assets		(1,666)		502
Deferred charges and other assets		396		205

Accounts payable and accrued liabilities	4,152	2,164
Advanced billings and customer deposits	8,771	588
Other noncurrent liabilities and other	(230)	1,581
Net cash provided by operating activities	7,996	25,888
Cash flows from investing activities:		
Investment in property and equipment	(4,391)	(10,994)
Net cash used in investing activities	(4,391)	(10,994)
Cash flows from financing activities:		
Proceeds from debt financing	—	2,427
Repayments of short-term borrowings and debt	(5,133)	(5,767)
Payment of obligations under capital leases	(4,045)	(3,878)
Net cash used in financing activities	(9,178)	(7,218)
Effect of exchange rate changes on cash and cash equivalents	186	501
Increase (decrease) in cash and cash equivalents	(5,387)	8,177
Cash and cash equivalents at beginning of period	37,229	28,118
Cash and cash equivalents at end of period	$ 31,842	$ 36,295
Non-cash Investing and Financing Activities		
Investments in property and equipment financed through debt	$ 586	$ 6,449
Investments in property and equipment financed through capital leases	$ 3,633	$ 1,838
Investments in property and equipment acquired but not paid	$ 558	$ 300

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NOVITEX HOLDINGS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDER'S DEFICIT
(in thousands, except share data)
(UNAUDITED)

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholder's (Deficit)
	Shares	Amount				
Balance as of January 1, 2017	13,500	$ —	$ 1,185	$ (84,004)	$ (3,904)	$ (86,723)
Net loss	—	—	—	(18,053)	—	(18,053)
Foreign currency translation adjustment	—	—	—	—	214	214
Stock-based compensation	—	—	208	—	—	208
Balance at June 30, 2017	13,500	$ —	$ 1,393	$ (102,057)	$ (3,690)	$ (104,354)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NOVITEX HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(UNAUDITED)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business and the Acquisition

Novitex Holdings, Inc. ("Novitex" or the "Company") together with its subsidiaries, is a North American provider of document management and digital business process services, and is controlled by investment funds associated with Apollo Global Management, LLC (collectively, "Apollo"), and was formed on July 26, 2013. Through its outsourcing solutions, Novitex enables businesses to streamline their internal and external communications and workflows. On October 1, 2013 ("Acquisition Date"), Novitex Acquisition LLC ("Novitex Acquisition"), a subsidiary of Novitex, acquired Pitney Bowes Management Services, Inc. and its wholly-owned direct and indirect subsidiaries, and certain affiliates and divisions (collectively "PBMS") from Pitney Bowes Inc. ("PBI") ("2013 Acquisition").

Basis of Presentation

The condensed consolidated financial statements are presented as of June 30, 2017 and December 31, 2016, and for the three and six month periods ended June 30, 2017 and 2016 ("2017 Financial Statements"). The condensed consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). For all periods, all intercompany accounts and transactions have been eliminated.

The year-end condensed consolidated balance sheet data was derived from audited consolidated financial statements, but does not include all disclosures required by GAAP. Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with GAAP have been condensed or omitted. These 2017 Financial Statements should be read in conjunction with the Company's consolidated financial statements as of December 31, 2016 and for the year then ended. The unaudited interim condensed consolidated financial statements presented herein reflect all normal adjustments that are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented. The Company is responsible for the unaudited interim condensed consolidated financial statements included in this report. The results of any interim period are not necessarily indicative of the results for the full year.

On February 22, 2017, Quinpario Acquisition Corp. 2 (Nasdaq: QPAC), a publicly traded special purpose acquisition company, Novitex Holdings and SourceHOV, LLC entered into a definitive business combination agreement whereby the three entities will combine to create a global solutions provider for financial technology and business services. This transaction closed July 12, 2017. In connection with the business combination, Quinpario Acquisition Corp. 2 was renamed Exela Technologies, Inc. ("Exela"). See Note 15 for further information regarding this transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and accompanying disclosures, including the disclosure of loss contingencies. These estimates and assumptions are based on management's best knowledge of current events, historical experience and other information available when the financial statements are prepared. These estimates include, but are not limited to, allowance for doubtful accounts, goodwill and identifiable intangible asset impairment review, useful lives of long-lived assets, including identifiable intangible assets, stock-based compensation, restructuring charges, accrued

workers' compensation costs, deferred tax asset valuation allowances, uncertain tax positions, and contingent liabilities. Actual results may differ from those estimates and assumptions.

Cash and Cash Equivalents

Cash equivalents include short-term, liquid investments with maturities of three months or less at the date of purchase.

Accounts Receivable and Allowance for Doubtful Accounts

Collectability of accounts receivable is evaluated and an allowance for doubtful accounts is established accordingly. The adequacy of the allowance is evaluated based on historical loss experience, aging of receivables, adverse situations that may affect a customer's ability to pay and prevailing economic conditions and adjustments are made to the allowance as necessary. This evaluation is inherently subjective and actual results may differ significantly from estimated reserves. Accounts deemed uncollectible are written off against the allowance after all collection efforts have been exhausted and management deems the account to be uncollectible. Management believes the accounts receivable credit risk is limited because of the Company's large number of customers and diversification of those customers in various industries and across a wide geography.

Property and Equipment

Property and equipment are stated at cost and depreciated principally using the straight-line method over their estimated useful lives, which are three to ten years for mailing, copier, duplicator, office equipment and furniture and fixtures; and three years for computer equipment and capitalized software. Major improvements which add to the productive capacity or extend the life of an asset are capitalized while repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining lease term. Equipment acquired under capital leases is depreciated over the shorter of the estimated useful life or the underlying lease term or the term of the customer contract.

Fully depreciated assets are retained in fixed assets and accumulated depreciation until they are removed from service. In the case of disposals, assets and related accumulated depreciation are removed from the accounts and the net amounts, less proceeds from disposal, are included in earnings.

Business Combinations, Goodwill and Identifiable Intangible Assets

Business combinations are accounted for using the acquisition method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The fair value of intangible assets is estimated using a cost, market or income approach, as appropriate. Goodwill represents the excess of the purchase price over the estimated fair values of net tangible and identifiable intangible assets acquired.

Impairment of Long-lived Assets

Long-lived assets, including identifiable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the lowest level asset grouping may not be fully recoverable. The estimated future undiscounted cash flows are compared to the carrying amount. If the sum of the expected cash flows is less than the carrying amount, an impairment charge will be recorded for the amount by which the carrying amount exceeds the fair value of the asset.

The fair value of the asset will be determined using probability weighted expected cash flow estimates, quoted market prices, when available, and appraisals, as appropriate. Cash flow estimates are derived from short-term and long-term business plans and historical experience.

Goodwill

Goodwill is tested annually for impairment, during the fourth quarter, or sooner when circumstances indicate an impairment may exist at the reporting unit level, using a two-step approach. In the first step, the fair value of the reporting unit is determined and compared to the reporting unit's carrying amount, including goodwill. If the fair value of the reporting unit is less than its carrying amount, the second step of the goodwill impairment test is performed to measure the amount of impairment, if any. In the second step, the fair value of the reporting unit is allocated to the assets and liabilities of the reporting unit as if it had been acquired in a business combination and the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. The implied fair value of the reporting unit's goodwill is then compared to the actual carrying amount of goodwill. If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment loss is recognized for the difference.

Revenue Recognition

The Company evaluates whether it is appropriate to record revenue on a gross basis when it is acting as a principal in the transaction or net of costs of revenues when the Company is acting as an agent between a client and a vendor. The Company considers a number of factors in determining whether it is acting as principal or agent, such as whether the Company is the primary obligor to the client, has control over the pricing and maintains credit risk.

Service arrangements are typically one to five year contracts that contain monthly service fees that are recognized as earned. Service revenues billed in advance are deferred and recognized on a straight-line basis over the service period. The Company recognizes variable rate revenues, including fees derived from the utilization of document management-related equipment and production of print services, when such services are rendered. Reimbursable expenses are recognized as earned when incurred. Sales commissions determined to be incremental direct costs incurred related to the successful acquisition of new client revenues are deferred and amortized over the length of the initial contract period. Customer incentive payments are deferred and recognized over the longer of the initial contract period or the period the customer is expected to benefit from payment of these up-front fees.

Clients typically pay face value for postage purchased for use in the Company's delivery of its services. Funds are either remitted to the United States Postal Service ("USPS") or pre-funded by the Company and reimbursed by clients. The Company does not recognize revenue for this postage, as it has concluded that it is acting as an agent on behalf of the USPS.

The Company performs mail management services on behalf of certain clients, where the Company is the primary obligor and assumes the risk associated with the cost of postage. In such instances, the Company recognizes the cost of postage reimbursed by clients as revenues.

Income Taxes

The Company accounts for income taxes in accordance with the ASC No. 740, "*Accounting for Income Taxes*". Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, applying enacted tax rates in effect for the year in which the Company expects the differences will reverse. Based on the evaluation of available evidence, the Company recognizes future tax benefits, such as net operating loss carry-forwards, to the extent that it believes it is more likely than not it will realize these benefits. The Company regularly assesses the likelihood that it will be able to recover its deferred tax assets and reflect any changes to its estimate of the amount it is more likely than not to realize in the valuation allowance, with a corresponding adjustment to earnings.

Earnings (Loss) Per Share

Basic net earnings (loss) per common share is computed by dividing net earnings (loss) applicable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net earnings (loss) per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common share equivalents, consisting of shares that might be issued upon exercise of common share options. In periods where losses are reported, the weighted-average number of common shares outstanding excludes common share equivalents, because their inclusion would be anti-dilutive.

Translation of Non-U.S. Currency Amounts

The functional currency of the Company's foreign operations is the local currency, primarily the Canadian dollar. Assets and liabilities of subsidiaries operating outside the U.S. are translated at rates in effect at the end of the period and revenue and expenses are translated at average monthly rates during the period.

Accumulated deficit is translated at historical rates. Net deferred translation gains and losses are included as a component of accumulated other comprehensive loss. For each of the three and six month periods ended June 30, 2017 and 2016, foreign currency transaction gains and losses, net were included in Selling, general and administrative, exclusive of depreciation and amortization, and were less than $0.1 million

Leases

The Company leases print production facilities, mailroom space, copy centers, office space, copier and duplication equipment, mailing equipment and computer equipment. Certain of the lease agreements include scheduled rent escalations during the initial lease term and/or during succeeding optional renewal periods. For the Company's leases classified as operating leases, scheduled increases in rent expense are recognized on a straight-line basis over the lease term and those renewal periods that are reasonably assured. Certain of these lease agreements qualify for capital lease treatment which are classified within the appropriate categories of property and equipment, net with the corresponding liabilities reflected in long-term debt and current portion of long-term debt. The Company accounts for these leases in accordance with ASC No. 840, *"Leases"*. (See Note 4)

Capitalization of Labor

The Company invests in the development and implementation of solutions designed to produce and increase revenues, and to create efficiency and productivity, such as software development and the establishment of

digital document outsourcing centers. The Company accounts for the internal labor associated with the development, testing, and implementation for these associated projects in accordance with the applicable accounting standards relating to capitalizing labor and depreciates capitalized labor costs over the estimated useful life of the associated asset.

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2017-04, *Intangibles—Goodwill and Other (Topic 350)*, which simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual, or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. A public business entity that is a U.S. Securities and Exchange Commission (SEC) filer should adopt the amendments in this ASU for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. A public business entity that is not an SEC filer should adopt the amendments in this ASU for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2020. All other entities, including not-for-profit entities that are adopting the amendments in this ASU should do so for their annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is unable to assess the impact, if any, that ASU 2017-04 will have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU No. 2016-15 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company has not yet determined the impact, if any, that ASU No. 2016-15 will have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments*, which requires that entities use a current expected credit loss model which is a new impairment model based on expected losses rather than incurred losses. Under this model, an entity would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect from financial assets measured at amortized cost. The entity's estimate would consider relevant information about past events, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. For public business entities that

are SEC filers, the amendments in ASU No. 2016-13 are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other public business entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. For all other entities, the amendments in ASU No. 2016-13 are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. All entities may adopt the amendments in this ASU earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company has not yet determined the impact, if any, that ASU No. 2016-13 will have on its consolidated financial statements and related disclosures.

In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, which amends narrow aspects of Topic 606, including guidance on assessing collectability, non-cash consideration, contract modifications and completed contracts at transition, and the presentation of sales and other similar taxes collected from customers. The amendments in ASU 2016-12 affect the guidance in ASU No. 2014-19, *Revenue from Contracts with Customers* (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in this ASU are the same as the effective date and transition requirements for Topic 606 (and any other Topic amended by ASU 2014-09). ASU No. 2015-14, *Revenue from Contracts with Customers* (Topic 606): Deferral of the Effective Date, defers the effective date of ASU No. 2014-09 by one year. The Company is currently assessing the method of adoption and the expected impact that ASU No. 2016-12 will have its consolidated financial statements and related disclosures.

In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. The amendments in this ASU clarify the following two aspects: identifying performance obligations and clarifying the licensing implementation guidance. The amendments in ASU No. 2016-10 affect the guidance in ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which is not yet effective.

The effective date and transition requirements for the amendments in ASU No. 2016-10 are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by ASU No. 2014-09). ASU No. 2015-14, *Revenue from Contracts with Customers* (Topic 606): Deferral of the Effective Date, defers the effective date of ASU 2014-09 by one year. The Company is currently assessing the impact that ASU 2016-10 will have on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. ASU No. 2016-09 simplifies several aspects of the accounting for employee share-based payment transactions for entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of tax benefits in the statement of cash flows. For public business entities, the amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. On January 1, 2017

the Company adopted ASU No. 2016-09. There has been no material impact on the Company's condensed consolidated financial statements for the three and six month periods ended June 30, 2017.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)*. ASU No. 2016-08 is intended to improve the implementation guidance on principal versus agent considerations. ASU No. 2016-08 affects the guidance in ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is not yet effective. The effective date and transition requirements for ASU 2016-08 are the same as the effective date and transition requirements of ASU No. 2014-09. ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, defers the effective date of ASU No. 2014-09 by one year. The Company is currently assessing the impact, if any, that ASU No. 2016-09 will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires all lessees to recognize a right-of-use asset and a lease liability for substantially all leases, other than leases that meet the definition of a short-term lease. For public business entities, ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other business entities, ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application of the amendments in this ASU is permitted for all entities. The Company is currently assessing the impact that ASU No. 2016-02 will have on its consolidated financial statements and disclosures.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires companies to recognize revenue for the transfer of goods and services to customers in amounts that reflect the consideration the company expects to receive in exchange for those goods and services. ASU No. 2014-09, as subsequently amended, will also result in enhanced disclosures about revenue. For public business entities, ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is permitted for fiscal periods beginning after December 15, 2016. For all other entities, ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019.

A nonpublic entity may elect to apply this guidance earlier, however, only as of the following: (1) an annual reporting period beginning after December 15, 2016, including interim periods within that reporting period (public entity effective date), (2) an annual reporting period beginning after December 15, 2016, and interim periods within annual periods beginning after December 15, 2017, (3) an annual reporting period beginning after December 15, 2017, including interim periods within that reporting period. The Company is assessing the impact the adoption of ASU No. 2014-09 will have on its consolidated financial statements and related disclosures.

3. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of June 30, 2017 and December 31, 2016, prepaid expenses and other current assets consisted of the following (in thousands):

	June 30, 2017	December 31, 2016

Prepaid postage	$ 3,361	$ 4,791
Prepaid insurance	935	2,128
Income taxes receivable	992	1,111
Prepaid equipment maintenance	747	425
Supplies, toner and paper inventory	1,520	1,447
Prepaid medical premiums	565	414
Prepaid equipment and facilities rentals	660	792
Receivable from parent	510	510
Prepaid compensation	4,913	620
Other prepaid and current assets	6,222	6,720
Total prepaid expenses and other current assets	$ 20,425	$ 18,958

4. PROPERTY AND EQUIPMENT, NET

As of June 30, 2017 and December 31, 2016, property and equipment, net consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Copier and duplicator equipment	$ 30,344	$ 33,646
Mailing equipment	31,692	29,290
Computer equipment and software	23,227	21,986
Leasehold improvements	22,265	21,468
Plant equipment	9,750	9,589
Office equipment, furniture and fixtures	7,350	6,204
	124,628	122,183
Accumulated depreciation and amortization	(61,690)	(56,727)
Total property and equipment, net	$ 62,938	$ 65,456

As of June 30, 2017 and December 31, 2016, property and equipment, net acquired under capital leases consisted of the following (in thousands):

Capital leases

	June 30, 2017	December 31, 2016
Copier and duplicator equipment	$ 25,475	$ 26,034
Mailing equipment	5,401	4,761
Office equipment, furniture, fixtures, and other	2,757	2,796
	33,633	33,591
Accumulated depreciation and amortization	(17,031)	(15,245)
Property and equipment, net acquired under capital leases	$ 16,602	$ 18,346

For the three and six months ended June 30, 2017, depreciation and amortization expense related to property and equipment was $5.6 million and $11.2 million, respectively.

For the three and six months ended June 30, 2016, depreciation and amortization expense related to property and equipment was $6.5 million and $12.1 million, respectively.

5. IDENTIFIABLE INTANGIBLE ASSETS, NET

As of June 30, 2017 and December 31, 2016, identifiable intangible assets, net consisted of the following (in thousands):

	June 30, 2017			
	Useful Life (in years)	Gross Value	Accumulated Amortization	Net Carrying Amount
Customer Relationships	11	$ 158,339	$ (50,205)	$ 108,134
Non-compete agreement	5	10,000	(7,500)	2,500
		$ 168,339	$ (57,705)	$ 110,634

	December 31, 2016			
	Useful Life (in years)	Gross Value	Accumulated Amortization	Net Carrying Amount
Customer Relationships	11	$ 158,093	$ (42,929)	$ 115,164
Non-compete agreement	5	10,000	(6,500)	3,500
		$ 168,093	$ (49,429)	$ 118,664

For the three and six months ended June 30, 2017, amortization expense related to identifiable intangible assets was $4.1 million and $8.2 million, respectively.

For the three and six months ended June 30, 2016, amortization expense related to identifiable intangible assets was $4.1 and $8.2 million, respectively.

As of June 30, 2017, future amortization expense related to these intangible assets are as follows (in thousands):

Years ending December 31,		
2017 (Six months)	$	8,186
2018		15,872
2019		14,372
2020		14,372
2021		14,372
Thereafter		43,460
	$	110,634

6. ACCRUED LIABILITIES

As of June 30, 2017 and December 31, 2016, accrued liabilities consisted of the following (in thousands):

		June 30, 2017		December 31, 2016
Accrued payroll and benefits	$	14,958	$	15,629
Accrued interest		10,293		10,441
Equipment rental and maintenance accruals		6,340		7,113
Accrued transaction related professional fees		7,836		—
Non-income taxes payable		4,893		4,432
Other		3,688		4,091
Restructuring reserve		28		—
Total accrued liabilities	$	48,036	$	41,706

7. INCOME TAXES

The Company’s quarterly benefit from income taxes is measured using an estimated annual effective tax rate, adjusted for discrete items within the period presented. The comparison of the Company’s effective tax rate between periods can be impacted by the level and mix of earnings and losses by tax jurisdiction and the amount of permanent book-to-tax differences.

Effective Tax Rate

The income tax benefit for the three months ended June 30, 2017 and 2016 was $3.9 million, or 32%, and $1.9 million, or 30.6%, respectively, and for the six months ended June 30, 2017 and 2016 was $6.9 million, or 27.8% and $5.0 million, or 35.6%, respectively. The difference between the statutory income tax rate and the effective income tax rate is primarily attributable to non-deductible transaction costs (related to professional fees) in the three and six months ended June 30, 2017 and a change in the level and mix of earnings and losses in the Company’s taxable jurisdictions.

Uncertain Tax Positions

The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. As of June 30, 2017 and December 31, 2016, the Company has no liability recorded for uncertain tax positions. For U.S., federal, state and Canadian income tax purposes, the 2013 through 2015 income tax years remain subject to examination. No significant state or other foreign income tax examinations are in process.

8. LONG-TERM DEBT

As of June 30, 2017 and December 31, 2016, Long-term debt consisted of the following (in thousands):

	June 30, 2017							
		Gross Carrying Amount		Original Issue Discount		Deferred Financing Costs		Net Carrying Amount
First lien amended term loan	$	287,463	$	(6,655)	$	(2,029)	$	278,781
Second lien amended term loan		133,000		(6,035)		(975)		125,990

Obligations under capital leases	19,386	—	—	19,386
Notes payable for capital asset acquisitions	7,704	—	(22)	7,682
Notes payable for financing of insurance coverage	246	—	—	246
	$ 447,799	$ (12,690)	$ (3,026)	432,085
	Less: Current portion of long-term debt			(19,256)
	Total Long term debt			$ 412,829

	December 31, 2016			
	Gross Carrying Amount	Original Issue Discount	Deferred Financing Costs	Net Carrying Amount
First lien amended term loan	$ 291,275	$ (7,764)	$ (2,367)	$ 281,144
Second lien amended term loan	133,000	(6,790)	(1,097)	125,113
Obligations under capital leases	20,152	—	—	20,152
Notes payable for capital asset acquisitions	7,895	—	(25)	7,870
Notes payable for financing of insurance coverage	791	—	—	791
	$ 453,113	$ (14,554)	$ (3,489)	435,070
	Less: Current portion of long-term debt			(19,641)
	Total Long term debt			$ 415,429

Amended First and Second Lien Credit Agreements

Novitex Acquisition, LLC ("Novitex Acquisition"), a subsidiary of the Company, Credit Suisse AG, Cayman Islands Branch, as a lender and administrative and collateral agent, and certain other agents, lenders, and financial institutions were parties to a credit agreement (the "2013 Credit Agreement") that was amended on July 7, 2014. The 2013 Credit Agreement provided for aggregate credit facilities of $365.0 million that consisted of (i) a $215.0 million Tranche A term loan facility with a final maturity of October 1, 2019 ("First Lien Credit Agreement"), (ii) a $100.0 million Tranche B term loan facility with a final maturity of October 1, 2020 ("Second Lien Credit Agreement") and (iii) a $50.0 million revolving credit facility (including a sub-facility for letters of credit of up to $15.0 million) (the "Revolving Credit Facility") maturing October 1, 2018. Proceeds of these term loans ($301.4 million, net of $13.6 million of original issue discount costs) together with equity funding of $135.0 million were used to finance the 2013 Acquisition and other acquisition-related and financing requirements.

On July 7, 2014, Novitex Acquisition completed a refinancing of its 2013 Credit Agreement ("Amended 2013 Credit Agreement"). Upon conclusion of the refinancing, the Amended 2013 Credit Agreement provides for aggregate credit facilities of $495.0 million that consists of (i) a $305.0 million Tranche A term loan facility with a final maturity of July 7, 2020 ("Amended First Lien Credit Agreement"), (ii) a $140.0 million Tranche B term loan facility with a final maturity of July 7, 2021 ("Amended Second Lien Credit Agreement") and (iii) a $50.0 million revolving credit facility (including a sub-facility for letters of credit of up to $15.0 million) maturing October 1, 2018. Interest rates were unchanged. Net proceeds from the refinancing, comprised of $114.0 million, net of $17.6 million of original issue discount costs, plus cash on hand, were used to repay the then outstanding borrowings under the 2013 Credit Agreement, and to distribute $140.6 million to the stockholder of the Company.

On May 22, 2015, Novitex Acquisition repurchased $7.0 million of debt (par value) outstanding under its Amended Second Lien Credit Agreement at a discount, which resulted in a purchase price of $6.5 million. As a result of this repurchase, the Company recognized a gain on early extinguishment of debt of $0.1 million, net of a proportionate write-off of unamortized original issue discount and debt issuance costs for the year ended December 31, 2015.

Second Amendment to First and Second Lien Credit Agreements

On July 26, 2016, Novitex Acquisition entered into a Second Amendment to its 2013 Amended Credit Agreements ("Second Amendment"). As a result of the Second Amendment, certain financial terms and conditions were modified, including a 0.50% increase to the applicable margins on Novitex Acquisition's outstanding borrowings under the 2013 Amended Credit Agreements, and revisions to certain financial maintenance covenants and to permitted indebtedness (as defined in the 2013 Amended Credit Agreements). Gross borrowings outstanding under the Second Amendment remained unchanged. In conjunction with the Second Amendment, Novitex Acquisition incurred $3.7 million in financing fees, of which $3.6 million was reflected as a reduction of the associated debt, and $0.1 million is included in Selling, general and administrative, exclusive of depreciation and amortization for the year ended December 31, 2016.

The original issue discount is being amortized over the respective terms of the Amended First Lien Credit Agreement and Amended Second Lien Credit Agreement.

The floating rates of interest on borrowings under the Amended 2013 Credit Agreement are a function of a margin plus LIBOR or the Alternative Borrowing Rate, subject to certain definitions and floors. The Company can elect various tenors of each respective rate upon each successive renewal event. With respect to the Revolving Credit Facility, the margin is adjustable based upon the Company's senior secured leverage ratio (as defined in the Amended 2013 Credit Agreement); the margin is fixed with respect to the Amended First Lien Credit Agreement and the Amended Second Lien Credit Agreement. Interest payments are payable on the first day of each quarter during the term of the agreement. As of June 30, 2017 the interest rates on the Amended First Lien and Amended Second Lien borrowings were 8.07% and 12.32%, respectively. As of December 31, 2016 the interest rates on the Amended First Lien and Amended Second Lien borrowings were 8.00% and 12.25%, respectively.

As of June 30, 2017 and December 31, 2016, Novitex Acquisition had no cash borrowings outstanding under its Revolving Credit Facility. As of June 30, 2017 and December 31, 2016 Novitex Acquisition had $12.8 million of letters of credit outstanding, under its sub-facility, which reduced available capacity under the Revolving Credit Facility to $37.2 million. As of both June 30, 2017 and December 31, 2016, the interest rates on the committed and uncommitted borrowings under the Revolving Credit Facility were 6.75% and 0.50%, respectively.

Guarantee and Covenants under Amended First Lien and Amended Second Lien Agreements are as follows:

Novitex Acquisition, including its wholly-owned domestic subsidiaries, subject to certain exceptions, are guarantors under the Amended 2013 Credit Agreement and Second Amendment. The obligations of Novitex Holdings, along with the obligations of these guarantors are also collateralized by a pledge of substantially all assets of the aforementioned parties.

Novitex Acquisition and its wholly-owned domestic subsidiaries are subject to covenants in the Amended 2013 Credit Agreement and the Second Amendment, including those restricting the incurrence of additional indebtedness (including guarantees of indebtedness), additional liens, mergers and consolidations, the disposition or acquisition of property, the payment of dividends, transactions with affiliates and the making of certain investments, in each case subject to numerous conditions, exceptions and thresholds. The financial covenants are limited to maintaining a senior secured leverage ratio for both the Amended First Lien and Amended Second Lien Agreements (5.25 to 1:00) with which Novitex Acquisition was in compliance at June 30, 2017.

On July 12, 2017, Exela Technologies, Inc. completed its acquisition of Novitex Holdings, Inc. and SourceHOV, LLC ("Business Combination") pursuant to the agreement dated February 22, 2017 resulting in the repayment of all amounts outstanding under the Amended First Lien and Amended Second Lien Agreements, and the termination of the Revolving Credit Agreement.

Note Payable for 2015 Acquisition of Capital Assets

During the year ended December 31, 2015, the Company financed the acquisition of certain equipment for use in its MegaCenter in Windsor, CT through a $1.6 million note payable to a financial services company ("2015 Capital Asset Acquisition Note Payable"). The note was due to mature on July 1, 2016, bears interest at a rate of 5.25% per annum, and was payable in equal monthly installments, with a balloon payment of $1.5 million due upon maturity. The note was collateralized by a pledge of the equipment financed. On March 9, 2016, this note was extinguished as part of a $5.8 million equipment financing arrangement

entered into with a commercial bank. The extinguishment of this note did not result in a gain or loss on extinguishment of debt as the early repayment amount was equal to the carrying amount of the debt refinanced. (See Notes Payable for Capital Asset Acquisitions below)

Notes Payable for Capital Asset Acquisitions

On February 11, 2016, the Company entered into a $3.0 million equipment financing arrangement with a commercial bank for the payment for certain acquired equipment for use at its MegaCenters in Windsor, CT and Austin, TX, which had been purchased during the year ended December 31, 2015. The note matures on February 12, 2021, bears interest at a rate of 5.24% per annum, and is payable in equal monthly installments. The financing arrangement is collateralized by a pledge of the equipment financed.

On March 9, 2016, the Company entered into a $5.8 million equipment financing arrangement with a commercial bank for the refinancing of the 2015 Capital Asset Acquisition Note Payable and for the 2016 acquisition of certain capital assets for use in its MegaCenters in Windsor, CT and Austin, TX. This financing arrangement, executed with a financial services company, matures in March 2021, bears interest at a rate of 5.22% per annum, and is payable in equal monthly installments, with a balloon payment due at maturity of $1.9 million. The financing arrangement is collateralized by a pledge of the equipment financed.

In connection with an agreement between the Company and a client for print and mail services, the Company agreed to purchase equipment previously used by the client at its print and mailing services facilities for use at the Company's MegaCenters in Windsor, CT and Austin, TX, under two separate asset transfer agreements. The purchase price of the equipment shall be paid in equal monthly interest free installments commencing June 30, 2017 and each month thereafter over sixty months.

As of June 30, 2017, the Company completed the asset transfer under one of the asset transfer agreements. At March 31, 2017, the Company recorded a note payable for the appraised value of the equipment transferred in the amount of $0.6 million with an imputed interest rate of 5.25% per annum. The note matures on May 31, 2022.

The transfer of assets under the second asset transfer agreement is expected to be completed prior to December 31, 2017.

Sale Leaseback Transaction

During August 2016, the Company sold, and subsequently, leased back certain capital assets in service at its MegaCenter in Austin, TX. The sale consisted primarily of plant and computer equipment, furniture and fixtures. The Company received net proceeds of $1.2 million in connection with the sale. The carrying amount of the property sold was $1.0 million, which resulted in a deferred gain of $0.2 million, which will be amortized over the thirty six month lease term, commencing January 1, 2017. As of June 30, 2017 and December 31, 2016, the deferred gain is presented in Property and Equipment, net in the consolidated balance sheet.

Financing of Commercial Insurance Policy

During November 2016, the Company financed the acquisition of a commercial insurance policy through a $0.9 million note payable to a financial services company. The note matures July 2017, bears interest at

a rate of 3.74% per annum, and is payable in equal monthly installments. As of June 30, 2017 and December 31, 2016 this note is included in Short-term borrowings and current portion of long-term debt.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. An entity is required to classify certain assets and liabilities measured at fair value based on the following fair value hierarchy that prioritizes the inputs used to measure fair value:

> *Level 1*—Unadjusted quoted prices in active markets for identical assets and liabilities.
>
> *Level 2*—Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
>
> *Level 3*—Unobservable inputs that are supported by little or no market activity, may be derived from internally developed methodologies based on the Company's best estimate of fair value and that are significant to the fair value of the asset or liability.

Certain financial instruments are carried at cost in the consolidated balance sheets, which approximates fair value due to their short-term, highly liquid nature. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximate fair value because of the short-term nature of such instruments.

The Second Amended First lien term loan, Second Amended Second lien term loan, Connecticut State Assistance Loan, and the notes payable for capital asset acquisitions (collectively "Level 2 Debt") are classified within Level 2 as their valuation requires quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and/or model-based valuation techniques for which all significant inputs are observable in the market or can be corroborated by observable market data. A third-party service provider assists the Company with compiling market prices that are used to value the Level 2 Debt.

On July 12, 2017 the Second Amended First and Second Amended Second lien term loans were repaid by Exela at its gross carrying amount. Therefore, management believes that the fair value of these amended lien term loans approximates the gross carrying amounts at June 30, 2017. See Note 15 for further information regarding this transaction.

At least annually, management determines if the current valuation techniques used in the fair value measurements are still appropriate. Other than as explained in the preceding paragraph, there were no changes in the valuation techniques during the six months period ended June 30, 2017 or for the year ended December 31, 2016.

Financial Instruments Not Recorded at Fair Value

The following table presents the carrying amount and fair values of long-term debt not recorded at fair value in the consolidated balance sheets as of June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017		December 31, 2016	
	Fair Value Level 2	Carrying Amount	Fair Value Level 2	Carrying Amount
First Amended lien term loan	$ 287,463	$ 278,781	$ 289,933	$ 281,144
Second Amended lien term loan	133,000	125,990	127,015	125,113
Note Payable for capital asset acquisition	7,647	7,682	7,613	7,870
Note payable for financing of insurance coverage	246	246	791	791

10. RESTRUCTURING CHARGES

The Company recorded restructuring charges during the six months ended June 30, 2017 related to programs that commenced in 2017 and aimed at lowering its costs and accelerating efforts to improve operational efficiencies.

The following table sets forth the changes in the restructuring reserve for the six month periods ending June 30, 2017 and 2016 (in thousands):

Balance at January 1, 2017	$	—	Balance at January 1, 2016	$	760
Provision		295	Provision		148
Cash payments and other usage		(267)	Cash payments and other usage		(894)
Balance at June 30, 2017	$	28	Balance at June 30, 2016	$	14

As of June 30, 2017, the restructuring reserve consisted of $0.03 million in estimated severance and benefit costs. Accrued restructuring costs as of June 30, 2017 are expected to be paid during the year ending December 31, 2017.

11. SEGMENT INFORMATION

The Company has determined that it conducts operations in one business segment, Document Outsourcing Services, which offers its clients an integrated suite of services organized across document logistics and digital services. A significant portion of its operations, assets and customers are located in the United States. For both the three and six month periods ended June 30, 2017, one customer accounted for 15% of the Company's revenue.

For both the three and six month periods ended June 30, 2016, no single customer generated in excess of 10% of the Company's revenues.

Revenues earned outside of the United States, primarily in Canada, for the three and six months ended June 30, 2017 were approximately 3.9% and 3.9% of total revenues, respectively. Revenues earned outside of the United States, primarily in Canada, for the three and six months ended June 30, 2016 were approximately 4.6% and 4.4% of total revenues, respectively. Long-lived assets outside the United States, primarily in Canada, were $5.4 and $5.7 million as of June 30, 2017 and December 31, 2016, respectively.

12. COMMITMENTS AND CONTINGENCIES

The Company is involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of its business, including actions with respect to contracts, intellectual property, taxation, employment, benefits, personal injuries and other matters. The results of these proceedings in the ordinary course of business are not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company records provisions for estimated losses in circumstances where a loss is probable and the amount or range of possible amounts of the loss may be estimated.

13. RELATED PARTY TRANSACTIONS

Management Fees

On October 1, 2013, the Company entered into a management fee agreement with Apollo under which Apollo and its affiliates provide certain management consulting services to the Company on an ongoing basis. The Company is required to pay Apollo an annual management fee for these services amounting to the greater of $750,000 or 1% of earnings before income taxes, depreciation and amortization, plus out-of-pocket costs payable annually.

In connection with this agreement, included in selling, general and administrative expenses, exclusive of depreciation and amortization, for the three and six months ended June 30, 2017, was $0.3 million and $0.5 million, respectively.

In connection with this agreement, included in selling, general and administrative expenses, exclusive of depreciation and amortization, for the three and six months ended June 30, 2016, was $0.2 million and $0.4 million, respectively.

This agreement was terminated upon the completion of the Business Combination with Exela on July 12, 2017.

Affiliated Party Transactions

For the three and six months ended June 30, 2017 there were related party revenues of $0.5 million and $0.9 million, respectively, for services rendered to Apollo affiliated companies. For the three and six months ended June 30, 2017 there were $0.6 million and $0.6 million, respectively, in payments received from Apollo affiliated companies. For the three and six months ended June 30, 2016 there were related party revenues of $0.2 million and $0.3 million, respectively, for services rendered to Apollo affiliated companies. For the three and six months ended June 30, 2016 there were $0.2 million and $0.4 million, respectively, in payments received from Apollo affiliated companies.

For the three and six months ended June 30, 2017 there were related party expenses of $0.2 million and $0.3 million, respectively, for services provided by an Apollo affiliated company. For the three and six months ended June 30, 2016 there were related party expenses of $0.1 million and $0.1 million, respectively, for services provided by an Apollo affiliated company.

As of June 30, 2017 and December 31, 2016, the Company had $0.3 million and $0.1 million, respectively, in outstanding accounts receivable from Apollo affiliated companies. As of June 30, 2017 and December 31, 2016, the Company had $0.3 million and $0 million, respectively, of outstanding accounts payable owed to these Apollo affiliated companies.

Receivable from Novitex Parent

During the year ended December 31, 2015, the Company advanced $0.5 million to Novitex Parent, the parent company of Novitex, for the purchase of certain capital units and vested Profit Interest Units ("PIUs") of Novitex Parent from former executives of the Company. The Company has the intent and the ability to collect this receivable from Novitex Parent. As of June 30, 2017 and December 31, 2016, the aggregate consideration advanced to Novitex Parent that are due on demand is included in prepaid expenses and other current assets in the unaudited condensed consolidated balance sheets.

14. STOCKHOLDER'S EQUITY

Common Shares

The Company is authorized to issue 30,000 Common Shares, par value $0.01 per share. The holders of the Common Shares have no conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the Common Shares.

Preferred Stock

The Company is authorized to issue 5,000 preferred shares with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors. There are no issued and outstanding preferred shares as of June 30, 2017 and December 31, 2016.

15. SUBSEQUENT EVENTS

On July 12, 2017, Exela Technologies, Inc., a publicly held U.S. Securities and Exchange Commission (SEC) registrant (formerly known as Quinpario Acquisition Corp. 2) completed its acquisition of Novitex Holdings, Inc. and SourceHOV, LLC pursuant to the agreement dated February 22, 2017. The Business Combination was approved at a special meeting of shareholders of Quinpario Acquisition Corp. 2 on July 11, 2017, and in connection with the business combination, Quinpario Acquisition Corp. 2 was renamed Exela Technologies, Inc. In connection with the Business Combination, the net assets of Novitex, other than $7.7 million of cash and $0.5 million receivable from Novitex Parent, L.P., were transferred and new debt raised by Exela was used to repay all of the amounts outstanding under Novitex's existing Amended First Lien and Amended Second Lien Agreements. As a result of the transaction, Novitex became a wholly owned subsidiary of Exela. A complete description of the Business Combination and the Business Combination Agreement and the transactions contemplated thereby is contained in Exela Technologies, Inc.'s definitive proxy statement, filed with the SEC on June 26, 2017.

The Company performed its subsequent event procedures up through August 7, 2017, the date these condensed consolidated financial statements were made available for issuance.