

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2020**

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from            to**

**Commission file number: 001-36788**

**EXELA TECHNOLOGIES, INC.**

(Exact Name of Registrant as Specified in its Charter)

<p style="text-align: center;"><b>Delaware</b> (State of or other Jurisdiction Incorporation or Organization)</p> <p style="text-align: center;"><b>2701 E. Grauwlyer Rd.</b> <b>Irving, TX</b> (Address of Principal Executive Offices)</p>	<p><b>47-1347291</b> (I.R.S. Employer Identification No.)</p> <p><b>75061</b> (Zip Code)</p>
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Registrant's Telephone Number, Including Area Code: **(844) 935-2832**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, Par Value \$0.0001 per share	XELA	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input checked="" type="checkbox"/>
Non-Accelerated Filer <input type="checkbox"/>	Smaller Reporting Company <input checked="" type="checkbox"/>
	Emerging Growth Company <input type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 7, 2020 the registrant had 147,511,430 shares of Common Stock outstanding.

**Exela Technologies, Inc.**

**Form 10-Q**

**For the quarterly period ended June 30, 2020**

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**Exela Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
**As of June 30, 2020 and December 31, 2019**  
*(in thousands of United States dollars except share and per share amounts)*

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 86,470	\$ 6,198
Restricted cash	5,457	7,901
Accounts receivable, net of allowance for doubtful accounts of \$5,362 and \$4,975, respectively	219,433	261,400
Related party receivables	906	716
Inventories, net	17,268	19,047
Prepaid expenses and other current assets	33,695	23,663
<b>Total current assets</b>	<b>363,229</b>	<b>318,925</b>
Property, plant and equipment, net of accumulated depreciation of \$187,260 and \$176,995, respectively	100,878	113,637
Operating lease right-of-use assets, net	90,067	93,627
Goodwill	359,009	359,771
Intangible assets, net	317,630	342,443
Deferred income tax assets	11,769	12,032
Other noncurrent assets	25,961	17,889
<b>Total assets</b>	<b>\$ 1,268,543</b>	<b>\$ 1,258,324</b>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
<b>Liabilities</b>		
Current liabilities		
Accounts payables	\$ 67,385	\$ 86,167
Related party payables	2	1,740
Income tax payable	2,333	352
Accrued liabilities	116,376	121,553
Accrued compensation and benefits	52,636	48,574
Accrued interest	48,127	48,769
Customer deposits	27,301	27,765
Deferred revenue	19,179	16,282
Obligation for claim payment	34,801	39,156
Current portion of finance lease liabilities	12,831	13,788
Current portion of operating lease liabilities	24,271	25,345
Current portion of long-term debts	36,101	36,490
<b>Total current liabilities</b>	<b>441,343</b>	<b>465,981</b>
Long-term debt, net of current maturities	1,493,775	1,398,385
Finance lease liabilities, net of current portion	14,437	20,272
Pension liabilities	23,881	25,681
Deferred income tax liabilities	7,685	7,996
Long-term income tax liabilities	2,808	2,806
Operating lease liabilities, net of current portion	71,661	73,282
Other long-term liabilities	12,807	6,962
<b>Total liabilities</b>	<b>2,068,397</b>	<b>2,001,365</b>
Commitments and Contingencies (Note 8)		
<b>Stockholders' equity (deficit)</b>		
Common stock, par value of \$0.0001 per share; 1,600,000,000 shares authorized; 154,866,550 shares issued and 147,511,430 shares outstanding at June 30, 2020 and 153,638,836 shares issued and 150,851,689 shares outstanding at December 31, 2019	15	15
Preferred stock, par value of \$0.0001 per share; 20,000,000 shares authorized; 3,290,050 shares issued and outstanding at June 30, 2020 and 4,294,233 shares issued and outstanding at December 31, 2019	1	1
Additional paid in capital	446,739	445,452
Less: Common Stock held in treasury, at cost; 7,355,120 shares at June 30, 2020 and 2,787,147 shares at December 31, 2019	(10,949)	(10,949)
Equity-based compensation	51,118	49,336
Accumulated deficit	(1,272,869)	(1,211,508)
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	(6,387)	(7,329)
Unrealized pension actuarial losses, net of tax	(7,522)	(8,059)
Total accumulated other comprehensive loss	(13,909)	(15,388)
<b>Total stockholders' deficit</b>	<b>(799,854)</b>	<b>(743,041)</b>
<b>Total liabilities and stockholders' deficit</b>	<b>\$ 1,268,543</b>	<b>\$ 1,258,324</b>

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

**Exela Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**  
**For the Three and Six Months Ended June 30, 2020 and 2019**  
*(in thousands of United States dollars except share and per share amounts)*  
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2020	2019 (Restated)	2020	2019 (Restated)
Revenue	\$ 307,722	\$ 390,849	\$ 673,173	\$ 795,206
Cost of revenue (exclusive of depreciation and amortization)	241,788	303,831	534,326	614,432
Selling, general and administrative expenses (exclusive of depreciation and amortization)	47,014	51,162	97,387	100,839
Depreciation and amortization	22,847	24,779	46,032	51,403
Related party expense	1,146	5,331	2,698	6,329
<b>Operating income (loss)</b>	<b>(5,073)</b>	<b>5,746</b>	<b>(7,270)</b>	<b>22,203</b>
<b>Other expense (income), net:</b>				
Interest expense, net	44,440	39,959	86,028	79,660
Debt modification and extinguishment costs	—	1,404	—	1,404
Sundry expense (income), net	(899)	(1,311)	183	1,404
Other expense (income), net	(584)	2,527	(35,241)	4,020
<b>Net loss before income taxes</b>	<b>(48,030)</b>	<b>(36,833)</b>	<b>(58,240)</b>	<b>(64,285)</b>
Income tax expense	(661)	(4,738)	(3,120)	(9,458)
<b>Net loss</b>	<b>\$ (48,691)</b>	<b>\$ (41,571)</b>	<b>\$ (61,360)</b>	<b>\$ (73,743)</b>
Cumulative dividends for Series A Preferred Stock	(858)	(914)	582	(1,828)
<b>Net loss attributable to common stockholders</b>	<b>\$ (49,549)</b>	<b>\$ (42,485)</b>	<b>\$ (60,778)</b>	<b>\$ (75,571)</b>
<b>Loss per share:</b>				
Basic and diluted	\$ (0.34)	\$ (0.29)	\$ (0.41)	\$ (0.52)

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

**Exela Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Comprehensive Loss**  
**For the Three and Six Months Ended June 30, 2020 and 2019**  
*(in thousands of United States dollars except share and per share amounts)*  
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u> <u>(Restated)</u>	<u>2020</u>	<u>2019</u> <u>(Restated)</u>
<b>Net loss</b>	\$ (48,691)	\$ (41,571)	\$ (61,360)	\$ (73,743)
<b>Other comprehensive income (loss), net of tax</b>				
Foreign currency translation adjustments	22	(2,288)	942	1,104
Unrealized pension actuarial gains (losses), net of tax	33	256	537	32
<b>Total other comprehensive loss, net of tax</b>	<u>\$ (48,636)</u>	<u>\$ (43,603)</u>	<u>\$ (59,881)</u>	<u>\$ (72,607)</u>

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

**Exela Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Stockholders' Deficit**  
**For the Three and Six Months Ended June 30, 2020 and 2019**  
*(in thousands of United States dollars except share and per share amounts)*  
(Unaudited)

	Common Stock		Preferred Stock		Treasury Stock		Additional Paid in Capital	Equity-Based Compensation	Accumulated Other Comprehensive Loss		Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount			Foreign Currency Translation Adjustment	Unrealized Pension Actuarial Losses, net of tax		
<b>Balances at January 1, 2019, as restated</b>	<b>150,142,955</b>	<b>\$ 15</b>	<b>4,569,233</b>	<b>\$ 1</b>	<b>2,549,185</b>	<b>\$(10,342)</b>	<b>\$ 445,452</b>	<b>\$ 41,731</b>	<b>\$ (6,423)</b>	<b>\$ (9,301)</b>	<b>\$ (702,391)</b>	<b>\$ (241,258)</b>
Net loss January 1, 2019 to March 31, 2019, as restated	—	—	—	—	—	—	—	—	—	—	(32,172)	(32,172)
Equity-based compensation	—	—	—	—	—	—	—	2,798	—	—	—	2,798
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	3,392	—	—	3,392
Net realized pension actuarial gains, net of tax	—	—	—	—	—	—	—	—	—	(224)	—	(224)
<b>Balances at March 31, 2019, as restated</b>	<b>150,142,955</b>	<b>\$ 15</b>	<b>4,569,233</b>	<b>1</b>	<b>2,549,185</b>	<b>\$(10,342)</b>	<b>\$ 445,452</b>	<b>\$ 44,529</b>	<b>\$ (3,031)</b>	<b>\$ (9,525)</b>	<b>\$ (734,563)</b>	<b>\$ (267,464)</b>
Net loss April 1, 2019 to June 30, 2019, as restated	—	—	—	—	—	—	—	—	—	—	(41,571)	(41,571)
Equity-based compensation	—	—	—	—	—	—	—	2,661	—	—	—	2,661
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(2,288)	—	—	(2,288)
Net realized pension actuarial gains, net of tax	—	—	—	—	—	—	—	—	—	256	—	256
RSUs Vested Shares repurchased	102,092 (237,962)	—	—	—	237,962	(607)	—	—	—	—	—	(607)
<b>Balances at June 30, 2019, as restated</b>	<b>150,007,085</b>	<b>\$ 15</b>	<b>4,569,233</b>	<b>1</b>	<b>2,787,147</b>	<b>\$(10,949)</b>	<b>\$ 445,452</b>	<b>\$ 47,190</b>	<b>\$ (5,319)</b>	<b>\$ (9,269)</b>	<b>\$ (776,134)</b>	<b>\$ (309,013)</b>

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	Common Stock		Preferred Stock		Treasury Stock		Additional Paid in Capital	Equity-Based Compensation	Accumulated Other Comprehensive Loss		Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount			Foreign Currency Translation Adjustment	Unrealized Pension Actuarial Losses, net of tax		
<b>Balances at January 1, 2020</b>	<b>150,851,689</b>	<b>\$ 15</b>	<b>4,294,233</b>	<b>\$ 1</b>	<b>2,787,147</b>	<b>\$(10,949)</b>	<b>\$ 445,452</b>	<b>\$ 49,336</b>	<b>\$ (7,329)</b>	<b>\$ (8,059)</b>	<b>\$ (1,211,508)</b>	<b>\$ (743,041)</b>
Net loss January 1, 2020 to March 31, 2020	—	—	—	—	—	—	—	—	—	—	(12,670)	(12,670)
Equity-based compensation	—	—	—	—	—	—	—	861	—	—	—	861
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	920	—	—	920
Net realized pension actuarial gains, net of tax	—	—	—	—	—	—	—	—	—	504	—	504
Shares returned in connection with the Appraisal Action following repayment of Margin Loan	(4,570,734)	—	—	—	4,570,734	—	—	—	—	—	—	—
Preferred shares converted to common shares	1,227,714	—	(1,004,183)	—	—	—	—	—	—	—	—	—
<b>Balances at March 31, 2020</b>	<b>147,508,669</b>	<b>\$ 15</b>	<b>3,290,050</b>	<b>\$ 1</b>	<b>7,357,881</b>	<b>\$(10,949)</b>	<b>\$ 445,452</b>	<b>\$ 50,197</b>	<b>\$ (6,409)</b>	<b>\$ (7,555)</b>	<b>\$ (1,224,178)</b>	<b>\$ (753,426)</b>
Net loss April 1, 2020 to June 30, 2020	—	—	—	—	—	—	—	—	—	—	(48,691)	(48,691)
Equity-based compensation	—	—	—	—	—	—	—	921	—	—	—	921
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	22	—	—	22
Net realized pension actuarial gains, net of tax	—	—	—	—	—	—	—	—	—	33	—	33
Settlement gain on related party payable to Ex-Sigma 2	—	—	—	—	—	—	1,287	—	—	—	—	1,287
Adjustment to number of shares withheld in lieu of tax obligation of RSU holders in the year 2018	2,761	—	—	—	(2,761)	—	—	—	—	—	—	—
<b>Balances at June 30, 2020</b>	<b>147,511,430</b>	<b>\$ 15</b>	<b>3,290,050</b>	<b>\$ 1</b>	<b>7,355,120</b>	<b>\$(10,949)</b>	<b>\$ 446,739</b>	<b>\$ 51,118</b>	<b>\$ (6,387)</b>	<b>\$ (7,522)</b>	<b>\$ (1,272,869)</b>	<b>\$ (799,854)</b>

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

**Exela Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statement of Cash Flows**  
**For the Six Months Ended June 30, 2020 and 2019**  
*(in thousands of United States dollars except share and per share amounts)*  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019 (Restated)</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (61,360)	\$ (73,743)
Adjustments to reconcile net loss		
Depreciation and amortization	46,032	51,403
Original issue discount and debt issuance cost amortization	6,857	5,749
Debt modification and extinguishment costs	—	1,049
Provision for doubtful accounts	(110)	3,334
Deferred income tax provision	(338)	4,623
Share-based compensation expense	1,782	5,459
Foreign currency remeasurement	(980)	288
Loss (gain) on sale of assets	(34,791)	85
Fair value adjustment for interest rate swap	440	4,385
Change in operating assets and liabilities, net effect from acquisitions:		
Accounts receivable	38,260	624
Prepaid expenses and other assets	(9,157)	1,260
Accounts payable and accrued liabilities	(8,812)	(12,595)
Related party balances	(642)	(3,899)
Additions to outsource contract costs	(297)	(2,860)
<b>Net cash used in operating activities</b>	<b>(23,116)</b>	<b>(14,838)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant, and equipment	(5,766)	(9,072)
Additions to internally developed software	(2,216)	(4,007)
Cash paid in acquisition, net of cash received	(3,500)	(5,000)
Proceeds from sale of assets	38,222	20
<b>Net cash provided by (used in) investing activities</b>	<b>26,740</b>	<b>(18,059)</b>
<b>Cash flows from financing activities</b>		
Repurchases of Common Stock	—	(3,480)
Borrowings from other loans	23,248	14,092
Borrowings under factoring arrangement and A/R Facility	149,951	34,050
Principal repayment on borrowings under factoring arrangement and A/R Facility	(66,114)	(31,624)
Proceeds from senior secured term loans	—	29,850
Lease terminations	(331)	(95)
Cash paid for debt issuance costs	(12,708)	(7)
Borrowings from senior secured revolving facility	29,750	68,000
Repayments on senior secured revolving facility	(14,200)	(68,000)
Principal payments on finance lease obligations	(6,353)	(9,180)
Principal repayments on senior secured term loans and other loans	(29,040)	(21,248)
<b>Net cash provided by financing activities</b>	<b>74,203</b>	<b>12,358</b>
Effect of exchange rates on cash	1	111
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>77,828</b>	<b>(20,428)</b>
Cash, restricted cash, and cash equivalents		
Beginning of period	14,099	43,854
End of period	<u>\$ 91,927</u>	<u>\$ 23,426</u>
<b>Supplemental cash flow data:</b>		
Income tax payments, net of refunds received	\$ 1,339	\$ 5,181
Interest paid	76,781	71,211
<b>Noncash investing and financing activities:</b>		
Assets acquired through right-of-use arrangements	772	6,778
Settlement gain on related party payable to Ex-Sigma 2	1,287	—
Accrued capital expenditures	1,088	1,083

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

**Exela Technologies, Inc. and Subsidiaries**  
**Notes to the Condensed Consolidated Financial Statements**  
*(in thousands of United States dollars except share and per share amounts or unless otherwise noted)*  
(Unaudited)

**1. General**

These condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements as of and for the year ended December 31, 2019 included in the Exela Technologies, Inc. (the "Company," "Exela," "we," "our" or "us") annual report on Form 10-K for such period (the "2019 Form 10-K").

The accompanying condensed consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America ("GAAP") and with the instructions to Form 10-Q and Rule 10-01 of Securities and Exchange Commission ("SEC") Regulation S-X as they apply to interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. These accounting principles require us to use estimates and assumptions that impact the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from our estimates.

The condensed consolidated financial statements are unaudited, but in our opinion include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the results for the interim period. The interim financial results are not necessarily indicative of results that may be expected for any other interim period or the fiscal year.

Certain amounts in condensed consolidated statements of cash flows have been reclassified for comparability purposes.

**Restatement**

As described in additional detail in the Explanatory Note to its 2019 Form 10-K, the Company restated its audited consolidated financial statements in the 2019 Form 10-K for the years ended December 31, 2018 and 2017 and its unaudited quarterly results for the first three fiscal quarters in the fiscal year ended December 31, 2019 and each fiscal quarter in the fiscal year ended December 31, 2018. Previously filed annual reports on Form 10-K and quarterly reports on Form 10-Q for the periods affected by the restatement have not been amended. See Note 20, *Unaudited Quarterly Financial Data*, of the Notes to the consolidated financial statements in the 2019 Form 10-K for the impact of these adjustments on each of the quarterly periods in fiscal 2018 and for the first three quarters of fiscal 2019. These condensed consolidated financial statements include restated results for the corresponding interim periods of fiscal 2019.

**Going Concern**

Under ASC Subtopic 205-40, *Presentation of Financial Statements—Going Concern* ("ASC 205-40"), the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. As required under ASC 205-40, management's evaluation should initially not take into consideration the potential mitigating effects of management's plans that have not been fully implemented as of the date the financial statements are issued. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

*Substantial Doubt Raised*

In performing the first step of the evaluation, we concluded that the following conditions raised substantial doubt about our ability to continue as a going concern:

- history of net losses of \$48.7 million and \$61.4 million for the three and six months ended June 30, 2020, respectively, and \$509.1 million and \$169.8 million for the years ended December 31, 2019 and December 31, 2018, respectively. This is after considering a gain of \$35.3 million on the sale of SourceHOV Tax, LLC recognized during the six months ended June 30, 2020, and including goodwill and other intangible asset impairment of \$349.6 million, for the year ended December 31, 2019 and \$48.1 million for the year ended December 31, 2018;
- net operating cash outflow of \$23.1 million for the six months ended June 30, 2020, \$63.9 million in 2019 and inflow of \$23.6 million in 2018;
- working capital deficits of \$78.1 million as of June 30, 2020, \$147.1 million as of December 31, 2019 and \$123.5 million as of December 31, 2018;
- significant cash payments for interest on our long-term debt of \$144.5 million in 2019 and a similar amount expected in 2020;
- a liability incurred of \$58.5 million for the Appraisal Action (as described further in Note 8);
- a requirement that the Company maintain a minimum of \$40.0 million and \$35.0 million in liquidity, at all times, to not be in default of the A/R Facility and the Credit Agreement (as defined below), respectively; and
- an accumulated deficit of \$1,272.9 million.

Furthermore, under the terms of each of the First Lien Credit Agreement, dated as of July 12, 2017, as amended and restated as of July 13, 2018 and as further amended and restated as of April 16, 2019 (the “Prior Credit Agreement” and as further amended and restated as of May 18, 2020, the “Credit Agreement”), and the Indenture and First Supplemental Indenture (collectively, the “Indenture”), dated July 12, 2017, the Company was required to deliver to its lenders and bondholders the December 31, 2019 audited financial statements by April 14, 2020, which the Company failed to do. Such failure was an event of default under the Prior Credit Agreement if not cured within 30 days of receiving a notice of default. The Company received such notice on April 15, 2020. Additionally, under the terms of the A/R Facility (as described in Note 5), the Company was required to furnish to each lender the December 31, 2019 audited financial statements by May 11, 2020, which the Company failed to do. During the second quarter of 2020, both the Prior Credit Agreement and the A/R Facility were amended. Refer to Consideration of Management’s Plans section below.

#### *Consideration of Management’s Plans*

In performing the second step of this assessment, we are required to evaluate whether it is probable that our plans will be effectively implemented within one year after the financial statements are issued and whether it is probable those plans will alleviate the substantial doubt about our ability to continue as a going concern.

As of August 7, 2020, the Company had approximately \$42.0 million in available cash and an additional source of liquidity of approximately \$35.8 million from the borrowing facilities.

The Company has undertaken the following plans to improve our available cash balances, liquidity and cash generated flows from operations, over the twelve month period from the date the financial statements are issued, as follows:

- On January 10, 2020, certain subsidiaries of the Company entered into a \$160.0 million A/R Facility with a five-year term. The Company used the proceeds of the initial borrowings to repay outstanding revolving borrowings under the Company’s senior credit facility and to provide additional liquidity and funding for the ongoing business needs of the Company and its subsidiaries. As of August 7, 2020, the Company has fully drawn on the remaining availability under the A/R Facility. Additionally, the A/R Facility agreement includes a requirement that the Company maintain a minimum of \$40.0 million in liquidity, at all times, to not be considered in default.
- On March 16, 2020, the Company and its indirect wholly owned subsidiaries, Merco Holdings, LLC and SourceHOV Tax, LLC entered into a Membership Interest Purchase Agreement with Gainline Source

Intermediate Holdings LLC at which time Gainline Source Intermediate Holdings LLC acquired all of the outstanding membership interests of SourceHov Tax for \$40.0 million, subject to adjustment as set forth in the purchase agreement of approximately \$2.0 million.

- On March 23, 2020, in response to the potential impact of the COVID-19 pandemic, the Company implemented a temporary freeze on increases to base salaries and wages unless contractually mandated. Additionally, in connection with the incentive program administered by the Company for hourly, non-exempt employees, a new maximum was put in place to limit the amount of incentives that could be earned in any given two (2) week pay period. Although the Company expects these to be short-term actions, it expects these actions will result in a cash savings to the Company of approximately \$23.4 million on an annual basis.
- On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The refundable payroll tax credits and deferment of employer side social security payments provisions of the CARES Act will benefit Company's liquidity by approximately \$29.0 million.
- On May 18, 2020, the Company amended the Prior Credit Agreement to, among other things, extend the time for delivery of its audited financial statements for the year ended December 31, 2019 and its financial statements for the quarter ended March 31, 2020. Further, pursuant to the amendment, the borrower under the Credit Agreement is also required to maintain a minimum liquidity of \$35.0 million. On May 21, 2020, the Company also amended the A/R Facility to, among other things, extend the time for delivery of its audited financial statements for the year ended December 31, 2019 and its financial statements for the quarter ended March 31, 2020. The Company has satisfied its delivery requirements with respect to its audited financial statements for the year ended December 31, 2019 on June 9, 2020 and its quarterly financial statement for the quarter ended March 31, 2020 on June 29, 2020.
- On July 22, 2020 the Company completed the sale of its physical records storage and logistics business for a purchase price of \$12.3 million.

#### *Substantial Doubt Alleviated*

The Company has a history of negative trends in its financial condition and operating results as well as recent noncompliance with covenants with its respective lenders. However, despite these conditions, the Company believes management's plans, as described fully above, will provide sufficient liquidity to meet its financial obligations and further, maintain levels of liquidity as specifically required under the Credit Agreement and the A/R Facility. Therefore, management concluded these plans alleviate the substantial doubt that was raised about our ability to continue as a going concern for at least twelve months from the date that the financial statements were issued.

#### *Future Plans and Considerations*

Our plans to further enhance liquidity, which were not considered for the purposes of our assessment of whether substantial doubt is alleviated, include the potential sale of certain non-core assets that are not central to the Company's long-term strategic vision, and any potential action with respect to these operations would be intended to allow the Company to better focus on its core businesses. The Company has retained financial advisors to assist with the sale of select assets. The Company expects to use the potential net proceeds from this initiative for the paydown of debt.

Our plans are subject to inherent risks and uncertainties, which become significantly magnified when the effects of the current pandemic and related financial crisis are included in the assessment. Accordingly, there can be no assurance that our future plans can be effectively implemented and, therefore, that the conditions can be effectively mitigated.

**Net Loss per Share**

Earnings per share (“EPS”) is computed by dividing net loss available to holders of the Company’s common stock, par value \$0.0001 per share (“Common Stock”) by the weighted average number of shares of Common Stock outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to the potential dilution that could occur if securities or other contracts to issue Common Stock were exercised or converted into Common Stock, using the more dilutive of the two-class method or if-converted method in periods of earnings. The two class method is an earnings allocation method that determines earnings per share for Common Stock and participating securities. Diluted EPS excludes all dilutive potential of shares of Common Stock if their effect is anti-dilutive.

As the Company experienced net losses for the periods presented, the impact of the Company’s Series A Convertible Preferred Stock (“Series A Preferred Stock”) was calculated based on the if-converted method. As of June 30, 2020 outstanding shares of the Company’s Series A Preferred Stock, if converted would have resulted in an additional 4,022,415 shares of Common Stock outstanding, but were not included in the computation of diluted loss per share as their effects were anti-dilutive.

The Company was originally incorporated as a special purpose acquisition company under the name Quinpario Acquisition Corp 2 (“Quinpario”), which changed its name to Exela Technologies, Inc. in July 2017. The Company has not included the effect of 35,000,000 warrants sold in the Quinpario Initial Public Offering (“IPO”) or the effect of the aggregate number of shares issuable pursuant to outstanding restricted stock units and options of 5,002,747 and 3,997,787 as of June 30, 2020 and 2019, respectively, in the calculation of diluted loss per share for the three and six months ended June 30, 2020 and 2019 as their effects were anti-dilutive.

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019 (Restated)</u>	<u>2020</u>	<u>2019 (Restated)</u>
Net loss attributable to common stockholders (A)	\$ (49,549)	\$ (42,485)	\$ (60,778)	\$ (75,571)
Weighted average common shares outstanding - basic and diluted (B)	147,508,669	145,466,193	147,351,917	145,518,914
<b>Loss Per Share:</b>				
Basic and diluted (A/B)	\$ (0.34)	\$ (0.29)	\$ (0.41)	\$ (0.52)

The weighted average common shares outstanding - basic and diluted, in the table above, exclude in each case the 4,570,734 shares returned to the Company in the first quarter of 2020 in connection with the Appraisal Action (as defined and described further in Note 8 below, such shares, the “Appraisal Shares”), even though the Appraisal Shares were outstanding as of June 30, 2019.

**Sale of Non-Core Assets**

On March 16, 2020, the Company and its indirect wholly owned subsidiaries, Merco Holdings, LLC and SourceHOV Tax, LLC entered into a Membership Interest Purchase Agreement with Gainline Source Intermediate Holdings LLC at which time Gainline Source Intermediate Holdings LLC acquired all of the outstanding membership interests of SourceHov Tax, LLC for \$40.0 million subject to adjustment as set forth in the purchase agreement. The Company recognized a gain of \$35.3 million on the sale of SourceHOV Tax, LLC during the first quarter of 2020, which takes into account approximately \$2.0 million downwards adjustments to the purchase price in accordance with the purchase agreement. The gain on sale of SourceHOV Tax, LLC is included in Other expense (income), net in the condensed consolidated statements of operations for the six months ended June 30, 2020.

On July 22, 2020, the Company completed the sale of its physical records storage and logistics business for a purchase price of \$12.3 million.

## Impact of COVID-19

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China, which has and is continuing to spread throughout other parts of the world, including the United States. On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus disease ("COVID-19") a "Public Health Emergency of International Concern," and on March 11, 2020, the World Health Organization characterized the outbreak as a "pandemic".

The Company is dependent on its workforce to deliver its solutions and services. Developments such as social distancing and stay-at-home orders from various jurisdictions may impact the Company's ability to deploy its workforce effectively.

Additionally, COVID-19 has spread to most of the countries in the world and throughout the United States, creating a serious impact on customers, workforces, suppliers, disrupting economies and financial markets, and potentially leading to a world-wide economic downturn. While expected to be temporary, prolonged workforce disruptions may negatively impact sales in fiscal year 2020 and the Company's overall liquidity.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the global situation and its impact on the Company's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate adverse effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

## 2. New Accounting Pronouncements

### Recently Adopted Accounting Pronouncements

Effective March 12, 2020, the Company adopted Accounting Standards Update ("ASU") no. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional expedients and exceptions to the guidance in GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate ("SOFR"). Entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls reference rate reform, if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. The guidance is effective upon issuance and generally can be applied through December 31, 2022. The adoption had no impact on the Company's consolidated results of operations, cash flows, financial position or disclosures.

Effective March 9, 2020, the Company adopted ASU no. 2020-03, *Codification Improvements to Financial Instruments*. This ASU represents changes to clarify or improve the Codification. The amendments make the Codification easier to understand and apply by eliminating inconsistencies and providing clarifications in relation to financial instruments. This guidance was effective immediately upon issuance. The additional elements of the ASU did not have a material impact on the Company's consolidated results of operations, cash flows, financial position or disclosures.

Effective January 1, 2020, the Company adopted ASU no. 2018-13, *Fair Value Measurement (Topic 820)*; which changes the fair value measurement disclosure requirements of Accounting Standards Codification ("ASC 820"). The amendments in this ASU are the result of a broader disclosure project called FASB Concepts Statement, Conceptual Framework for Financial Reporting. The FASB used the guidance in the Concepts Statement to improve the effectiveness of ASC 820's disclosure requirements. The objective of the disclosure requirements in this subtopic is to provide users of financial statements with information about assets and liabilities measured at fair value in the statement of financial position or disclosed in the notes to financial statements. The ASU includes but is not limited to the valuation techniques and inputs that a reporting entity uses to arrive at its measures of fair value, including judgments and assumptions that the entity makes, the uncertainty in the fair value measurements as of the reporting date,

and how changes in fair value measurements affect an entity's performance and cash flows. The adoption had no material impact on the Company's consolidated results of operations, cash flows, financial position or disclosures.

Effective January 1, 2020, the Company adopted ASU no. 2018-15, *Intangibles, Goodwill, and Other - Internal Use Software (Subtopic 350-40): Customer's accounting for implementation costs incurred in a Cloud Computing Arrangement that is a service contract*. The amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). Accordingly, the amendments require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The amendments also require the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, which includes reasonably certain renewals. The adoption had no material impact on the Company's consolidated results of operations, cash flows, financial position or disclosures.

Effective January 1, 2020, the Company adopted ASU no. 2019-08, *Codification Improvements — Share-Based Consideration Payable to a Customer*. This ASU clarifies the accounting for share-based payments issued as consideration payable to a customer in accordance with ASC 606. Under the ASU, entities apply the guidance in ASC 718 to measure and classify share-based payments issued to a customer that are not in exchange for a distinct good or service (i.e., share-based sales incentives). Accordingly, entities use a fair-value-based measure to calculate such incentives on the grant date, which is the date on which the grantor (the entity) and the grantee (the customer) reach a mutual understanding of the key terms and conditions of the share-based consideration. The result is reflected as a reduction of revenue in accordance with the guidance in ASC 606 on consideration payable to a customer. After initial recognition, the measurement and classification of the share-based sales incentives continue to be subject to ASC 718 unless (1) the award is subsequently modified when vested and (2) the grantee is no longer a customer. The adoption had no impact on the Company's consolidated results of operations, cash flows, financial position or disclosures.

In July 2019, the FASB issued ASU 2019-07, *Codification Updates to SEC Sections*. This ASU amends various SEC paragraphs pursuant to the issuance of SEC Final Rule Releases No. 33-10532, *Disclosure Update and Simplification*, and Nos. 33-10231 and 33-10442, *Investment Company Reporting Modernization*. The S-X Rule 3-04 requires the presentation of changes in stockholders' equity in the form of a reconciliation of the beginning balance to the ending balance for each period for which a statement of income is required to be filed with all significant reconciling items. The Company presented changes in stockholders' equity as separate financial statements for the current and comparative year-to-date interim periods beginning on January 1, 2019. This guidance was effective immediately upon issuance. The additional elements of the ASU did not have a material impact on the Company's consolidated results of operations, cash flows, financial position or disclosures.

Effective January 1, 2019, the Company adopted ASU no. 2016-02, *Leases (ASC 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 Company adopted this guidance effective January 1, 2019, under the modified retrospective transition method provided by ASU 2018-11 with the following practical expedients below:

- Not to record leases with an initial term of 12 months or less on the balance sheet; and
- Not to reassess the (1) definition of a lease, (2) lease classification, and (3) initial direct costs for existing leases during transition.

The adoption had a material impact on the Company's unaudited consolidated balance sheets, but did not have a material impact on the Company's unaudited consolidated statements of operations and unaudited consolidated statements of cash flows. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases, while the Company's accounting for finance leases remained substantially unchanged.

### Recently Issued Accounting Pronouncements

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 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. This ASU along with related additional clarificatory guidance in the ASU No. 2019-05, “*Financial Instruments—Credit Losses (Topic 326)*” and ASU No. 2019-11, “*Codification Improvements to Topic 326, Financial Instruments—Credit Losses*”, are effective for the Company for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. 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 in the early stages of evaluating the impact that adopting this standard will have on the consolidated financial statements.

In December 2019, the FASB issued ASU no. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU simplifies the accounting for income taxes by eliminating some exceptions to the general approach in ASC 740, *Income Taxes*, for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. The ASU adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. It also clarifies certain aspects of the existing guidance to promote more consistent application, among other things. The ASU is effective for the Company for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption is permitted. The Company is currently in the early stages of evaluating the impact that adopting this standard will have on the consolidated financial statements.

### 3. Significant Accounting Policies

The information presented below supplements the Significant Accounting Policies information presented in our 2019 Form 10-K, including Revenue Recognition for the adoption of ASC 606 (ASU 2014-09: Revenue from Contracts with Customers), which became effective January 1, 2018. See our 2019 Form 10-K for a description of our significant accounting policies in effect prior to the adoption of the new accounting standard.

#### Revenue Recognition

We account for revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. All of our material sources of revenue are derived from contracts with customers, primarily relating to the provision of business and transaction processing services within each of our segments. We do not have any significant extended payment terms, as payment is received shortly after goods are delivered or services are provided.

##### *Nature of Services*

Our primary performance obligations are to stand ready to provide various forms of business processing services, consisting of a series of distinct services that are substantially the same and have the same pattern of transfer over time, and accordingly are combined into a single performance obligation. Our promise to our customers is typically to perform an unknown or unspecified quantity of tasks and the consideration received is contingent upon the customers’ use (i.e., number of transactions processed, requests fulfilled, etc.); as such, the total transaction price is variable. We allocate the variable fees to the single performance obligation charged to the distinct service period in which we have the contractual right to bill under the contract.

### Disaggregation of Revenues

The following tables disaggregate revenue from contracts by geographic region and by segment for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30,							
	2020				2019 (Restated)			
	ITPS	HS	LLPS	Total	ITPS	HS	LLPS	Total
U.S.A.	\$ 190,775	\$ 49,166	\$ 15,527	\$ 255,468	\$ 239,226	\$ 63,440	\$ 17,569	\$ 320,235
EMEA	47,084	—	—	47,084	63,823	—	—	63,823
Other	5,170	—	—	5,170	6,791	—	—	6,791
Total	<u>\$ 243,029</u>	<u>\$ 49,166</u>	<u>\$ 15,527</u>	<u>\$ 307,722</u>	<u>\$ 309,840</u>	<u>\$ 63,440</u>	<u>\$ 17,569</u>	<u>\$ 390,849</u>

	Six Months Ended June 30,							
	2020				2019 (Restated)			
	ITPS	HS	LLPS	Total	ITPS	HS	LLPS	Total
U.S.A.	\$ 414,163	\$ 113,216	\$ 32,817	\$ 560,196	\$ 490,726	\$ 124,783	\$ 35,411	\$ 650,920
EMEA	100,990	—	—	100,990	130,501	—	—	130,501
Other	11,987	—	—	11,987	13,785	—	—	13,785
Total	<u>\$ 527,140</u>	<u>\$ 113,216</u>	<u>\$ 32,817</u>	<u>\$ 673,173</u>	<u>\$ 635,012</u>	<u>\$ 124,783</u>	<u>\$ 35,411</u>	<u>\$ 795,206</u>

### Contract Balances

The following table presents contract assets, contract liabilities and contract costs recognized at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Accounts receivable, net	\$ 219,433	\$ 261,400
Deferred revenues	19,675	16,621
Customer deposits	27,301	27,765
Costs to obtain and fulfill a contract	4,130	4,977

Accounts receivable, net includes \$21.8 million and \$34.1 million as of June 30, 2020 and December 31, 2019, respectively, representing amounts not billed to customers. We have accrued the unbilled receivables for work performed in accordance with the terms of contracts with customers.

Deferred revenues relate to payments received in advance of performance under a contract. A significant portion of this balance relates to maintenance contracts or other service contracts where we received payments for upfront conversions or implementation activities which do not transfer a service to the customer but rather are used in fulfilling the related performance obligations that transfer over time. The advance consideration received from customers is deferred over the contract term. We recognized revenue of \$11.1 million during the six months ended June 30, 2020 that had been deferred as of December 31, 2019.

Costs incurred to obtain and fulfill contracts are deferred and expensed on a straight-line basis over the estimated benefit period. We recognized \$1.3 million of amortization for these costs in the first six months of 2020 within depreciation and amortization expense. These costs represent incremental external costs or certain specific internal costs that are directly related to the contract acquisition or fulfillment and can be separated into two principal categories: contract commissions and fulfillment costs. Applying the practical expedient in ASC 340-40-25-4, we recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period would have been one year or less. These costs are included in Selling, general and administrative expenses. The effect of applying this practical expedient was not material.

Customer deposits consist primarily of amounts received from customers in advance for postage. The amounts recorded as of December 31, 2019 were used to pay for postage with the corresponding postage revenue being recognized during the six months ended June 30, 2020. Any residual balances may be retained and used in future periods.

### ***Performance Obligations***

At the inception of each contract, we assess the goods and services promised in our contracts and identify each distinct performance obligation. The majority of our contracts have a single performance obligation, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts. For the majority of our business and transaction processing service contracts, revenues are recognized as services are provided based on an appropriate input or output method, typically based on the related labor or transactional volumes.

Certain of our contracts have multiple performance obligations, including contracts that combine software implementation services with post-implementation customer support. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which we estimate our expected costs of satisfying a performance obligation and add an appropriate margin for that distinct good or service. We also use the adjusted market approach whereby we estimate the price that customers in the market would be willing to pay. In assessing whether to allocate variable consideration to a specific part of the contract, we consider the nature of the variable payment and whether it relates specifically to its efforts to satisfy a specific part of the contract. Certain of our software implementation performance obligations are satisfied at a point in time, typically when customer acceptance is obtained.

When evaluating the transaction price, we analyze, on a contract-by-contract basis, all applicable variable consideration. The nature of our contracts give rise to variable consideration, including volume discounts, contract penalties, and other similar items that generally decrease the transaction price. We estimate these amounts based on the expected amount to be provided to customers and reduce revenues recognized. We do not anticipate significant changes to our estimates of variable consideration.

We include reimbursements from customers, such as postage costs, in revenue, while the related costs are included in cost of revenue.

### ***Transaction Price Allocated to the Remaining Performance Obligations***

In accordance with optional exemptions available under ASC 606, we did not disclose the value of unsatisfied performance obligations for (a) contracts with an original expected length of one year or less, and (b) contracts for which variable consideration relates entirely to an unsatisfied performance obligation, which comprise the majority of our contracts. We have certain non-cancellable contracts where we receive a fixed monthly fee in exchange for a series of distinct services that are substantially the same and have the same pattern of transfer over time, with the corresponding remaining performance obligations as of June 30, 2020 in each of the future periods below:

#### **Estimated Remaining Fixed Consideration for Unsatisfied Performance Obligations**

Remainder of 2020	\$ 23,696
2021	38,801
2022	33,082
2023	28,014
2024	26,814
2025 and thereafter	27,144
Total	\$ 177,551

#### 4. Intangibles Assets and Goodwill

##### Intangible Assets

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

	June 30, 2020		
	Gross Carrying Amount (a)	Amortization	Intangible Asset, net
Customer relationships	\$ 507,839	\$ (257,591)	\$ 250,248
Developed technology	88,553	(86,860)	1,693
Trade names (b)	8,400	(3,100)	5,300
Outsource contract costs	16,080	(11,950)	4,130
Internally developed software	45,300	(15,920)	29,380
Trademarks	23,378	(23,370)	8
Assembled workforce	4,473	(1,677)	2,796
Purchased software	26,750	(2,675)	24,075
Intangibles, net	<u>\$ 720,773</u>	<u>\$ (403,143)</u>	<u>\$ 317,630</u>

  

	December 31, 2019		
	Gross Carrying Amount (a)	Amortization	Intangible Asset, net
Customer relationships	\$ 508,074	\$ (237,313)	\$ 270,761
Developed technology	89,053	(87,109)	1,944
Trade names (b)	8,400	(3,100)	5,300
Outsource contract costs	16,726	(11,749)	4,977
Internally developed software	43,261	(12,129)	31,132
Trademarks	23,378	(23,370)	8
Assembled workforce	4,473	(1,118)	3,355
Purchased software	26,749	(1,783)	24,966
Intangibles, net	<u>\$ 720,114</u>	<u>\$ (377,671)</u>	<u>\$ 342,443</u>

(a) Amounts include intangible assets acquired in business combinations and asset acquisitions.

(b) The carrying amount of trade names for 2020 and 2019 is net of accumulated impairment losses of \$44.1 million, of which \$1.0 million was recognized in 2019. Carrying amount of \$5.3 million as at June 30, 2020 represents indefinite-lived intangible asset.

##### Goodwill

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 (See Note 13).

Goodwill by reporting segment consists of the following:

	Beginning of Year Balance (a)	Additions	Impairments	Currency Translation Adjustments	End of Year Balance (a)
ITPS	\$ 571,575	\$ —	\$ (317,525)	\$ 70	\$ 254,120
HS	86,786	—	—	—	86,786
LLPS	49,897	—	(31,032)	—	18,865
<b>Balance as of December 31, 2019</b>	<b>\$ 708,258</b>	<b>\$ —</b>	<b>\$ (348,557)</b>	<b>\$ 70</b>	<b>\$ 359,771</b>
ITPS	254,120	—	—	(762)	253,358
HS	86,786	—	—	—	86,786
LLPS	18,865	—	—	—	18,865
<b>Balance as of June 30, 2020</b>	<b>\$ 359,771</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (762)</b>	<b>\$ 359,009</b>

- (a) The goodwill amount for all periods presented is net of accumulated impairment amount as at December 31, 2018. Accumulated impairment is \$212.3 million and \$560.9 million as at December 31, 2018 and June 30, 2020, respectively.

## 5. Long-Term Debt and Credit Facilities

### Senior Secured Notes

On July 12, 2017, the Company issued \$1.0 billion in aggregate principal amount of 10.0% First Priority Senior Secured Notes due 2023 (the “Notes”). The Notes are guaranteed by certain subsidiaries of the Company. The Notes bear interest at a rate of 10.0% per year. The Company pays interest on the Notes on January 15 and July 15 of each year, commencing on January 15, 2018. The Notes will mature on July 15, 2023.

### Senior Credit Facilities

On July 12, 2017, the Company entered into a First Lien Credit Agreement with Royal Bank of Canada, Credit Suisse AG, Cayman Islands Branch, Natixis, New York Branch and KKR Corporate Lending LLC providing Exela Intermediate LLC, a wholly owned subsidiary of the Company, upon the terms and subject to the conditions set forth in the Credit Agreement, (i) a \$350.0 million senior secured term loan maturing July 12, 2023 with an original issue discount (“OID”) of \$7.0 million, and (ii) a \$100.0 million senior secured revolving facility maturing July 12, 2022. As of June 30, 2020 and December 31, 2019 the Company had outstanding irrevocable letters of credit totaling approximately \$19.4 million and \$20.6 million, respectively, under the senior secured revolving facility.

The Credit Agreement provided for the following interest rates for borrowings under the senior secured term facility and senior secured revolving facility: at the Company’s option, either (1) an adjusted LIBOR, subject to a 1.0% floor in the case of term loans, or (2) a base rate, in each case plus an applicable margin. The initial applicable margin for the senior secured term facility was 7.5% with respect to LIBOR borrowings and 6.5% with respect to base rate borrowings. The initial applicable margin for the senior secured revolving facility was 7.0% with respect to LIBOR borrowings and 6.0% with respect to base rate borrowings. The applicable margin for borrowings under the senior secured revolving facility is subject to step-downs based on leverage ratios. The senior secured term loan is subject to amortization payments, commencing on the last day of the first full fiscal quarter of the Company following the closing date, of 0.6% of the aggregate principal amount for each of the first eight payments and 1.3% of the aggregate principal amount for payments thereafter, with any balance due at maturity.

### Term Loan Repricing

On July 13, 2018, Exela successfully repriced the \$343.4 million of term loans outstanding under its senior secured credit facilities (the “Repricing”). The Repricing was accomplished pursuant to a First Amendment to the First Lien Credit Agreement (the “First Amendment”), dated as of July 13, 2018, by and among the Company’s subsidiaries Exela Intermediate Holdings LLC, Exela Intermediate, LLC, each “Subsidiary Loan Party” listed on the signature pages thereto, Royal Bank of Canada, as administrative agent, and each of the lenders party thereto, whereby the

Company borrowed \$343.4 million of refinancing term loans (the “Repricing Term Loans”) to refinance the Company’s existing senior secured term loans.

In accordance with ASC 470 – *Debt – Modifications and Extinguishments*, as a result of certain lenders that participated in Exela’s debt structure prior to the Repricing and the Company’s debt structure after the Repricing, it was determined that a portion of the refinancing of Exela’s senior secured credit facilities would be accounted for as a debt modification, and the remaining would be accounted for as an extinguishment. The Company incurred \$1.0 million in new debt issuance costs related to the refinancing, of which \$1.0 million was expensed pursuant to modification accounting. The proportion of debt that was extinguished resulted in a write off of previously recognized debt issue costs of \$0.1 million. Additionally, for the new lenders who exceeded the 10% test, less than \$0.1 million was recorded as additional debt issue costs. All unamortized costs and discounts will be amortized over the life of the new term loan using the effective interest rate of the term loan.

The Repricing Term Loans will bear interest at a rate per annum of, at the Company’s option, either (a) a LIBOR rate determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, subject to a 1.0% floor, or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.5%, (ii) the prime rate and (iii) the one-month adjusted LIBOR plus 1.0%, in each case plus an applicable margin of 6.5% for LIBOR loans and 5.5% for base rate loans. The interest rates applicable to the Repricing Term Loans are 100 basis points lower than the interest rates applicable to the existing senior secured term loans that were incurred on July 12, 2017 pursuant to the Credit Agreement. The Repricing Term Loans will mature on July 12, 2023, the same maturity date as the prior senior secured term loans.

#### *2018 Incremental Term Loans*

On July 13, 2018, the Company successfully borrowed an additional \$30.0 million pursuant to incremental term loans (the “Incremental Term Loans”) under the First Amendment. The proceeds of the Incremental Term Loans may be used by the Company for general corporate purposes and to pay fees and expenses in connection with the First Amendment. The interest rates applicable to the Incremental Term Loans are the same as those for the Repricing Term Loans.

The Company may voluntarily repay the Repricing Term Loans and the Incremental Term Loans (collectively, the “Term Loans”) at any time, without prepayment premium or penalty, subject to customary “breakage” costs with respect to LIBOR rate loans.

Other than as described above, the terms, conditions and covenants applicable to the Repricing Term Loans and the Incremental Term Loans are consistent with the terms, conditions and covenants that were applicable to the existing senior secured loans under the Credit Agreement. The Repricing and issuance of the Incremental Term Loans resulted in a partial debt extinguishment, for which Exela recognized \$1.1 million in debt extinguishment costs in the third quarter of 2018.

#### *2019 Incremental Term Loan*

On April 16, 2019, the Company successfully borrowed an additional \$30.0 million pursuant to incremental term loans (the “2019 Incremental Term Loans”) under the Second Amendment to First Lien Credit Agreement (the “Second Amendment”). The proceeds of the 2019 Incremental Term Loans were used to replace the cash spent for acquisitions, pay related fees, expenses and related borrowings and for general corporate purposes.

The 2019 Incremental Term Loans will bear interest at a rate per annum that is the same as the Company’s Repricing Term Loans under the senior credit facility. The 2019 Incremental Term Loans will mature on July 12, 2023, the same maturity date as the Term Loans. The Company may voluntarily repay the 2019 Incremental Term Loans at any time, without prepayment premium or penalty, subject to customary “breakage” costs with respect to LIBOR rate loans.

Other than as described above, the terms, conditions and covenants applicable to the 2019 Incremental Term Loans are consistent with the terms, conditions and covenants that are applicable to the Repricing Term Loans and 2018 Incremental Term Loans under the Credit Agreement. The Repricing and issuance of the 2018 and 2019 Incremental Term Loans resulted in a partial debt extinguishment, for which Exela recognized \$1.4 million in debt extinguishment costs in the second quarter of 2019.

#### *Third Amendment*

On May 18, 2020, the Company amended the Prior Credit Agreement to, among other things, extend the time for delivery of its audited financial statements for the year ended December 31, 2019 and its financial statements for the quarter ended March 31, 2020. Upon the Company's delivery of the annual and quarterly financial statements described above within the time frames stated therein (which the Company satisfied during the month of June 2020), the Company became in compliance with the Credit Agreement, with respect to the financial statement delivery requirements set forth therein. Pursuant to the amendment, the Company also amended the Prior Credit Agreement to, among other things: restrict the borrower and its subsidiaries' ability to designate or invest in unrestricted subsidiaries; incur certain debt; create certain liens; make certain investments; pay certain dividends or other distributions on account of its equity interests; make certain asset sales or other dispositions (or utilize the proceeds of certain asset sales to reinvest in the business); or enter into certain affiliate transactions pursuant to the negative covenants under the Credit Agreement. Further, pursuant to the amendment, the borrower under the Credit Agreement is also required to maintain a minimum Liquidity (as defined in the amendment) of \$35.0 million. In connection with this amendment, the Company paid a forbearance fee of \$5 million to the consenting lenders. The Company concluded that the amendment represents modification of debt under ASC 470-50. Accordingly, the forbearance fee paid was added to unamortized debt issuance cost which shall be amortized using updated effective interest rate based on modified cash flows.

#### **Receivables Securitization**

On January 10, 2020, certain subsidiaries of the Company entered into a \$160.0 million accounts receivable securitization facility (the "A/R Facility") with a five year term. In the A/R Facility, (i) Exela Receivables 1, LLC (the "A/R Borrower"), a wholly-owned indirect subsidiary of the Company, entered into a Loan and Security Agreement (the "A/R Loan Agreement"), dated as of January 10, 2020, with TPG Specialty Lending, Inc., as administrative agent (the "A/R Administrative Agent"), PNC Bank National Association, as LC Bank (the "LC Bank"), the lenders (each, an "A/R Lender" and collectively the "A/R Lenders") and the Company, as initial servicer, pursuant to which the A/R Lenders will make loans (the "Loan") to the A/R Borrower to be used to purchase certain receivables and related assets from its sole member, Exela Receivables Holdco, LLC (the "Parent SPE"), a wholly-owned indirect subsidiary of the Company, (ii) sixteen other indirect, wholly-owned U.S. subsidiaries of the Company (collectively, the "Originators") sold or contributed and will sell or contribute to the Parent SPE certain receivables and related assets in consideration for a combination of cash, equity in the Parent SPE and/or letters of credit issued by the LC Bank to the Originators; and (iii) the Parent SPE has sold or contributed and will sell or contribute to the Borrower certain receivables and related assets in consideration for a combination of cash, equity in the A/R Borrower and/or letters of credit issued by the LC Bank to the beneficiaries elected by Parent SPE.

The Company, the Parent SPE, the A/R Borrower and the Originators provide customary representations and covenants pursuant to the agreements entered into in connection with the A/R Facility. The A/R Loan Agreement provides for certain events of default upon the occurrence of which the A/R Administrative Agent may declare the A/R Facility's termination date to have occurred and declare the outstanding Loan and all other obligations of the A/R Borrower to be immediately due and payable. The Company used the proceeds of the initial borrowings to repay outstanding revolving borrowings under the Company's senior credit facility and to provide additional liquidity and funding for the ongoing business needs of the Company and its subsidiaries.

Pursuant to the A/R Loan Agreement, each of Company, the A/R Borrower, the Parent SPE and the Originators (the "Exela Parties") is prohibited from amending or modifying any Existing Secured Debt Documents (as defined in the A/R Loan Agreement) if such amendment or modification could: (i) by its terms cause any Exela Party to be unable to perform its obligations under Transaction Documents (as defined in the A/R Loan Agreement), (ii) cause any inaccuracy or breach of any representation, warranty, or covenant of any Exela Party, (iii) could subject any existing or

subsequently arising Collateral to an Adverse Claim (each as defined in the A/R Loan Agreement), or (iv) adversely affect any rights or remedies of the Lenders, the LC Bank and the A/R Administrative Agent under the A/R Facility. The A/R Borrower and Parent SPE were formed in December 2019, and are consolidated into the Company's financial statements even though they had no material assets or operations during the year end December 31, 2019. The A/R Borrower and Parent SPE are bankruptcy remote entities and as such their assets are not available to creditors of the Company or any of its subsidiaries. Since January 10, 2020, the parties have amended and waived the A/R Facility several times to address contractually, the occurrence of certain events, including among other things, the delay in delivery of annual financial statements for the fiscal year ended 2019, financial statements for the quarter ended March 31, 2020, and the Initial Servicer's Liquidity (as defined in the A/R Facility) falling below \$60.0 million. In connection with these amendments a forbearance fee of \$4.8 million was due and added to the outstanding principal balance of the loans. The Company concluded that the amendment represents modification of debt under ASC 470-50. Accordingly, the forbearance fee paid was added to unamortized debt issuance cost which shall be amortized ratably over the remaining term of the A/R facility.

Each loan under the A/R Facility originally bore interest on the unpaid principal amount as follows: (1) if a Base Rate Loan, at 3.75% plus a rate equal to the greater of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50%, (c) the Adjusted LIBOR Rate (which rate shall be calculated based upon an Interest Period of one month and determined on a daily basis) plus 1.00%, and (d) 4.50% per annum and (2) if a LIBOR Rate Loan, 4.75% plus a floating LIBOR Rate with a 1.00% LIBOR floor. In connection with the above described amendments to the A/R Facility, the applicable margin of the Base Rate Loans was increased to 5.75% and the LIBOR Rate Loans was increased to 6.75%. As of June 30, 2020, there were \$86.0 million borrowings under the Receivables Securitization Facility.

### Long-Term Debt Outstanding

As of June 30, 2020 and December 31, 2019, the following long-term debt instruments were outstanding:

	June 30, 2020	December 31, 2019
Other (a)	\$ 31,953	\$ 30,232
First lien credit agreement (b)	349,819	360,583
Senior secured notes (c)	981,554	979,060
Secured borrowings under A/R Facility Revolver	86,000	—
Total debt	1,529,876	1,434,875
Less: Current portion of long-term debt	(36,101)	(36,490)
Long-term debt, net of current maturities	\$ 1,493,775	\$ 1,398,385

- (a) 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.
- (b) Net of unamortized original issue discount and debt issuance costs of \$5.7 million and \$20.2 million as of June 30, 2020 and \$6.5 million and \$18.9 million as of December 31, 2019.
- (c) Net of unamortized debt discount and debt issuance costs of \$13.2 million and \$5.3 million as of June 30, 2020 and \$14.9 million and \$6.0 million as of December 31, 2019.

### 6. 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 \$0.7 million and \$4.7 million for the three months ended June 30, 2020 and 2019, respectively. The Company recorded an income tax expense of \$3.1 million and \$9.5 million for the six months ended June 30, 2020 and 2019, respectively.

The Company's ETR of (1.4%) and (5.4%) for the three and six months ended June 30, 2020 differed from the expected U.S. statutory tax rate of 21.0% and was primarily impacted by permanent tax adjustments, state and local

current expense, foreign operations, and valuation allowances, including valuation allowances on a portion of the Company's deferred tax assets on U.S. disallowed interest expense carryforwards created by the provisions of The Tax Cuts and Jobs Act ("TCJA").

For the three and six months ended June 30, 2019, the Company's ETR of (12.8%) and (14.7%) differed from the expected U.S. statutory tax rate of 21.0%, and was primarily impacted by permanent tax adjustments, state and local current expense, foreign operations, and valuation allowances, including valuation allowances on a portion of the Company's U.S. disallowed interest expense carryforwards created by the provisions of the TCJA.

As of June 30, 2020, 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, 2019. The Company's valuation allowances have increased by approximately \$18.3 million from December 31, 2019 to June 30, 2020 due largely to effects of TCJA relating to interest expense.

## **7. Employee Benefit Plans**

### **German Pension Plan**

The Company's subsidiary in Germany provides pension benefits to certain retirees. Employees eligible for participation include all employees who started working for the Company or its predecessors 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. The German pension plan is an unfunded plan and therefore has no plan assets. No new employees are registered under this plan and the participants who are already eligible to receive benefits under this plan are no longer employees of the Company.

### **U.K. Pension Plan**

The Company's subsidiary in the United Kingdom provides pension benefits to certain 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. No new employees are registered under this plan and the pension obligation for the existing participants of the plan is calculated based on actual salary of the participants as at the earlier of two dates, the participants leaving the Company or December 31, 2015.

### **Norway Pension Plan**

The Company's subsidiary in Norway provides pension benefits to eligible retirees and eligible dependents. Employees eligible for participation include all employees who were more than three years from retirement prior to March 2018. 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. No new employees are registered under this plan and the pension obligation for the existing participants of the plan is calculated based on actual salary of the participants as at the earlier of two dates, the participants leaving the Company or April 30, 2018.

### **Asterion Pension Plan**

In April 2018 through its acquisition of Asterion International Group the Company became obligated to provide pension benefits to eligible retirees and eligible dependents of Asterion. Employees eligible for participation included all full-time regular employees who were more than three years from retirement prior to July 2003. 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. No new employees are

registered under this plan and the pension obligation for the existing participants of the plan is calculated based on actual salary of the participants as at the earlier of two dates, the participants leaving the Company or April 10, 2018.

#### Tax Effect on Accumulated Other Comprehensive Loss

As of June 30, 2020 and December 31, 2019 the Company recorded actuarial losses of \$7.5 million and \$8.1 million in accumulated other comprehensive loss on the condensed consolidated balance sheets, respectively, which are net of a deferred tax benefit of \$2.0 million.

#### Pension Expense

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019 (Restated)	2020	2019 (Restated)
Service cost	\$ 19	\$ 23	\$ 38	\$ 46
Interest cost	490	602	980	1,203
Expected return on plan assets	(634)	(622)	(1,268)	(1,244)
Amortization:				
Amortization of prior service cost	25	26	50	52
Amortization of net (gain) loss	426	413	852	826
Net periodic benefit cost	<u>\$ 326</u>	<u>\$ 442</u>	<u>\$ 652</u>	<u>\$ 883</u>

The Company records pension interest cost within Interest expense, net. Expected return on plan assets, amortization of prior service costs, and amortization of net losses are recorded within Other income, net. Service cost is recorded within Cost of revenue.

#### Employer Contributions

The Company's funding of employer contributions is based on governmental requirements and differs from those methods used to recognize pension expense. The Company made contributions of \$1.2 million to its pension plans during each of the six months ended June 30, 2020 and 2019 (as restated). The Company has funded the pension plans with the required contributions for 2020 based on current plan provisions.

### 8. Commitments and Contingencies

#### Appraisal Action

On September 21, 2017, former stockholders of SourceHOV Holdings, Inc. ("SourceHOV"), who owned 10,304 shares of SourceHOV common stock, filed a petition for appraisal pursuant to 8 Del. C. § 262 in the Delaware Court of Chancery, captioned Manichaeian Capital, LLC, et al. v. SourceHOV Holdings, Inc., C.A. No. 2017 0673 JRS (the "Appraisal Action"). The Appraisal Action arose out of a preliminary transaction in connection with the acquisition of SourceHOV and Novitex Holdings, Inc., by Quinpario in July 2017 ("Novitex Business Combination"), and the petitioners sought, among other things, a determination of the fair value of their SourceHOV shares at the time of the Novitex Business Combination; an order that SourceHOV pay that value to the petitioners, together with interest at the statutory rate; and an award of costs, attorneys' fees, and other expenses. During the trial the parties and their experts offered competing valuations of the SourceHOV shares as of the date of the Novitex Business Combination. SourceHOV argued the value was no more than \$1,633.85 per share and the petitioners argued the value was at least \$5,079.28 per share. On January 30, 2020, the Court issued its post-trial Memorandum Opinion in the Appraisal Action, in which it found that the fair value of SourceHOV as of the date of the Novitex Business Combination was \$4,591 per share, and on March 26, 2020, the Court issued its final order awarding the petitioners \$57,698,426 inclusive of costs and interest. Per the Court's opinion, the legal rate of interest, compounded quarterly, accrues on the per share value from the July 2017 closing date of the Novitex Business Combination until the date of payment to petitioners.

On May 7, 2020, SourceHOV filed a motion for new trial in relation to share count. On June 11, 2020 the Court denied SourceHOV's motion for new trial. SourceHOV filed a notice of appeal in relation to the Appraisal Action with the Supreme Court of the State of Delaware on June 30, 2020. The appeal brief is due on August 26, 2020. At this time, we cannot determine whether the appeal will be successful. At present, SourceHOV has not posted a bond to stay the judgment in the Appraisal Action, and to date, the petitioners have not been successful in their attempts to collect on the judgment against SourceHOV.

The petitioners have filed additional actions to recognize the judgment against SourceHOV and an action alleging unjust enrichment and seeking restitution and to pierce the corporate veil and seek alter ego liability against Exela Technologies, Inc. and over 50 alleged subsidiaries and/or affiliates in an attempt to collect the award in the Appraisal Action from entities other than SourceHOV. Although the Company believes that it has valid defenses to these ancillary proceedings, the ancillary proceedings are in the preliminary stages and there can be no assurance that the Company will be successful.

As a result of the Appraisal Action and following repayment of the Margin Loan by Ex-Sigma 2 LLC ("Ex-Sigma 2"), 4,570,734 shares of our Common Stock issued to Ex-Sigma 2, our largest shareholder following the Novitex Business Combination, were returned to the Company during the first quarter of 2020.

As of June 30, 2020, the Company accrued a liability of \$58.5 million for the Appraisal Action based on management's best estimate of total payment obligation including accrued interest.

### **Contract-Related Contingencies**

The Company has certain contingent obligations that arise in the ordinary course of providing services to its customers. These contingencies are generally the result of contracts that require the Company to comply with certain performance measurements or the delivery of certain services to customers by a specified deadline. The Company believes the adjustments to the transaction price, if any, under these contract provisions will not result in a significant revenue reversal or have a material adverse effect on the Company's consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

On February 20, 2014, the Company's subsidiary, Pangea Acquisitions, Inc. ("Pangea") acquired BancTec, Inc. ("BancTec") through a merger of BancTec and a Pangea subsidiary. The merger agreement for that transaction provided that contingent, or "earnout," consideration would be paid to former BancTec shareholders in the event Pangea's controlling shareholder realizes certain returns on its post-merger Pangea stock. A liability of \$0.7 million was recognized for the fair value of the contingent consideration on the acquisition date. The liability for the contingent consideration is adjusted to fair value at each reporting date. (Refer to Note 9, *Fair Value Measurements*). The liability for the fair value of the contingent consideration was \$0.7 million as of June 30, 2020 and December 31, 2019.

On April 13, 2018, Western Standard, LLC, in its capacity as representative of the former BancTec shareholders filed suit in the Delaware Court of Chancery alleging that the above described earnout was triggered by the Novitex Business Combination and seeks payment of approximately \$8.1 million in respect of the earnout. While the Company moved to dismiss the complaint because the earnout was moot or had not been triggered, on July 24, 2019, the Company was denied its motion to dismiss. The case is scheduled for trial in November 2020 in Wilmington, Delaware, and discovery is ongoing.

## **9. Fair Value Measurement**

### **Assets and Liabilities Measured at Fair Value**

The carrying amount of assets and liabilities including cash and cash equivalents, accounts receivable, accounts payable and current portion of long-term debt approximated their fair value as of June 30, 2020, and December 31, 2019, due to the relative short maturity of these instruments. Management estimates the fair values of the secured term loan and secured notes at approximately 28.0% and 24.5% respectively, of the respective principal balance outstanding as of June 30, 2020. The fair value is substantially less than the carrying value for the long-term debt. Other debt represents

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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, capital lease obligations, 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, 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 Company determined the fair value of the interest rate swap using Level 2 inputs. The Company uses closing prices as provided by a third party institution.

The following table provides the carrying amounts and estimated fair values of the Company's financial instruments as of June 30, 2020, and December 31, 2019:

As of June 30, 2020	Carrying Amount	Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
<b>Recurring assets and liabilities:</b>					
Long-term debt	\$ 1,493,775	\$ 512,602	\$ —	\$ 512,602	\$ —
Interest rate swap liability	941	941	—	941	—
Acquisition contingent liability	\$ 721	\$ 721	\$ —	\$ —	\$ 721
<b>Nonrecurring assets and liabilities:</b>					
Goodwill	359,009	359,009	—	—	359,009
<b>As of December 31, 2019</b>					
	Carrying Amount	Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
<b>Recurring assets and liabilities:</b>					
Long-term debt	\$ 1,398,385	\$ 632,796	\$ —	\$ 632,796	\$ —
Interest rate swap liability	501	501	—	501	—
Acquisition contingent liability	\$ 721	\$ 721	\$ —	\$ —	\$ 721
<b>Nonrecurring assets and liabilities:</b>					
Goodwill	359,771	359,771	—	—	359,771

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:

	June 30, 2020	December 31, 2019
Balance as of Beginning of Period	\$ 721	\$ 721
Payments/Reductions	—	—
Balance as of End of Period	<u>\$ 721</u>	<u>\$ 721</u>

## 10. Stock-Based Compensation

SourceHOV had 24,535 restricted stock units (“RSUs”) outstanding under its 2013 Long Term Incentive Plan (“2013 Plan”) at the closing of the Novitex Business Combination. Simultaneous with the closing, the 2013 Plan, as well as all vested and unvested RSUs under the 2013 Plan, were assumed by Ex-Sigma LLC (“Ex-Sigma”), the sole equityholder of Ex-Sigma 2, an entity formed by the former SourceHOV equity holders. In accordance with GAAP, the Company incurred compensation expenses related to the 9,880 unvested RSUs as of July 12, 2017 on a straight-line basis until fully vested, as the recipients of the RSUs under the 2013 Plan were employees of the Company. All unvested RSUs under the 2013 Plan were vested by April 2019. As of June 30, 2020, there were no outstanding obligations under the 2013 Plan.

### Exela 2018 Stock Incentive Plan

On January 17, 2018, Exela’s 2018 Stock Incentive Plan (the “2018 Plan”) became effective. The 2018 Plan provides for the grant of incentive and nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights, performance awards, and other stock-based compensation to eligible participants. The Company is authorized to issue up to 8,323,764 shares of Common Stock under the 2018 Plan.

### Restricted Stock Unit Grants

Restricted stock unit awards generally vest ratably over a one to two year period. Restricted stock units are subject to forfeiture if employment terminates prior to vesting and are expensed ratably over the vesting period.

A summary of the status of restricted stock units related to the 2018 Plan as of June 30, 2020 is presented as follows:

	Number of Shares	Weighted Average Grant Date Fair Value	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance as of December 31, 2019	309,305	\$ 1.99	1.19	\$ 616
Granted	—	—		
Forfeited	—	—		
Vested	(165,258)	2.50		
Balance as of June 30, 2020	144,047	\$ 1.40	1.59	\$ 202

### Options

Under the 2018 Plan, stock options are granted at a price per share not less than 100% of the fair market value per share of the underlying stock at the grant date. The vesting period for each option award is established on the grant date, and the options generally expire 10 years from the grant date. Options granted under the 2018 Plan generally require no less than a two or four year ratable vesting period. Stock option activity in the first six months of 2020 is summarized in the following table:

	Outstanding	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Average Remaining Vesting Period (Years)	Aggregate Intrinsic Value (2)
Balance as of December 31, 2019	4,937,700	\$ 1.97	\$ 4.14	2.27	\$ —
Granted	—	—			
Exercised	—	—			
Forfeited	(79,000)	2.69			
Expired	—	—			
Balance as of June 30, 2020 (1)	4,858,700	\$ 1.96	\$ 4.11	1.78	\$ —

(1) None of the outstanding options are exercisable as of June 30, 2020.

(2) Exercise prices of all of the outstanding options are higher than the market price of the shares of the Company. Therefore, aggregate intrinsic value is zero.

As of June 30, 2020, there was approximately \$4.2 million of total unrecognized compensation expense related to non-vested awards for the 2018 Plan, which will be recognized over the respective service period. Stock-based compensation expense is recorded within Selling, general, and administrative expenses. The Company incurred total compensation expense of \$0.9 million and \$1.8 million related to plan awards for the three and six months ended June 30, 2020, respectively, and \$2.6 million and \$5.5 million related to plan awards for the three and six months ended June 30, 2019, respectively.

## **11. Stockholders' Equity**

The following description summarizes the material terms and provisions of the securities that the Company has authorized.

### **Common Stock**

The Company is authorized to issue 1,600,000,000 shares of Common Stock. Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock or as provided for in the Director Nomination Agreements, the holders of our Common Stock possess all voting power for the election of our board of directors and all other matters requiring stockholder action and will at all times vote together as one class on all matters submitted to a vote of Exela stockholders. Holders of our Common Stock are entitled to one vote per share on matters to be voted on by stockholders. Holders of our Common Stock will be entitled to receive such dividends and other distributions, if any, as may be declared from time to time by the board of directors in its discretion out of funds legally available therefor and shall share equally on a per share basis in such dividends and distributions. The holders of the Common Stock have no conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the common stock. In first quarter of 2020, 1,004,183 shares of Series A Preferred Stock were converted into 1,227,714 shares of Common Stock. As of June 30, 2020 and December 31, 2019, there were 147,511,430 and 150,851,689 shares outstanding, respectively (the outstanding shares of Common Stock as of December 31, 2019 includes the 4,570,734 shares returned to the Company in the first quarter of 2020 in connection with the Appraisal Action which became treasury stock).

### **Preferred Stock**

The Company is authorized to issue 20,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the board of directors. At June 30, 2020 and December 31, 2019, the Company had 3,290,050 shares and 4,294,233 shares of Series A Preferred Stock outstanding, respectively. The par value of the Series A Preferred Stock is \$0.0001 per share. Each share of Series A Preferred Stock will be convertible at the holder's option, at any time after the six month anniversary and prior to the third anniversary of the issue date, initially into 1.2226 shares of Exela Common Stock.

Holders of the Series A Preferred Stock are be entitled to receive cumulative dividends at a rate per annum of 10% of the Liquidation Preference per share of Series A Preferred Stock, paid or accrued quarterly in arrears. From the issue date until the third anniversary of the issue date, the amount of all accrued but unpaid dividends on the Series A Preferred Stock will be added to the Liquidation Preference without any action by the Company's board of directors. However, the Company is not required to make any payment or allowance for unpaid dividends, whether or not in arrears, on converted shares of Series A Preferred Stock or for dividends on the shares of Common Stock issued upon conversion. The dividend accumulation for the three months ended June 30, 2020 was \$0.9 million, as reflected on the Consolidated Statement of Operations, however, as a result of 1,004,183 shares of Series A Preferred Stock being converted into 1,227,714 shares of Common Stock during the first quarter of 2020, accumulated dividend of \$2.3 million was reversed, resulting in a net reduction of dividend accumulation of \$0.6 million for the six months ended June 30, 2020. The dividend accumulation for the three and six months ended June 30, 2019 was \$0.9 million and \$1.8 million, respectively. As of June 30, 2020, the total accumulated but unpaid dividends on the Series A Preferred Stock since inception on July 12, 2017 is \$8.9 million. The per share average of cumulative preferred dividends for the three and six months ended June 30, 2020 is \$0.3 and \$(0.2), respectively. The per share average of cumulative preferred dividends for the three and six months ended June 30, 2019 is \$0.2.

Following the third anniversary of the issue date, dividends on the Series A Preferred Stock will be accrued by adding to the Liquidation Preference or paid in cash, or a combination thereof. In addition, holders of the Series A Preferred Stock will participate in any dividend or distribution of cash or other property paid in respect of the Common Stock pro rata with the holders of the Common Stock (other than certain dividends or distributions that trigger an adjustment to the conversion rate, as described in the Certificate of Designations), as if all shares of Series A Preferred Stock had been converted into Common Stock immediately prior to the date on which such holders of the Common Stock became entitled to such dividend or distribution.

### **Treasury Stock**

On November 8, 2017, the Company's board of directors authorized a share buyback program (the "Share Buyback Program"), pursuant to which the Company was permitted to purchase up to 5,000,000 shares of its Common Stock. The Share Buyback Program has expired. As of June 30, 2020, 2,787,147 shares had been repurchased under the Share Buyback Program and they are held in treasury stock. The Company records treasury stock using the cost method.

During the first quarter of 2020, 4,570,734 shares of Common stock were returned to the Company by Ex-Sigma 2 in connection with the Appraisal Action. These shares are also included in treasury stock.

### **Warrants**

At June 30, 2020, there were a total of 34,988,302 warrants outstanding. As part of its IPO, Quinpario had issued 35,000,000 units including one share of Common Stock and one warrant of which 34,988,302 have been separated from the original unit and 11,698 warrants remain an unseparated part of the originally issued units which are included in the number of shares of common stock outstanding referred to above. The warrants are traded on the OTC bulletin board as of June 30, 2020.

Each warrant entitles the holder to purchase one-half of one share of Common Stock at a price of \$5.75 per half share (\$11.50 per whole share). Warrants may be exercised only for a whole number of shares of Common Stock. No fractional shares will be issued upon exercise of the warrants. Each warrant is currently exercisable and will expire July 12, 2022 (five years after the completion of the Novitex Business Combination), or earlier upon redemption.

The Company may call the warrants for redemption at a price of \$0.01 per warrant upon a minimum of 30 days' prior written notice of redemption, if, and only if, the last sales price of the shares of Common Stock equals or exceeds \$24.00 per share for any 20 trading days within a 30 trading day period (the "30-day trading period") ending three business days before the Company sends the notice of redemption, and if, and only if, there is a current registration statement in effect with respect to the shares of Common Stock underlying such warrants commencing five business days prior to the 30-day trading period and continuing each day thereafter until the date of redemption.

## **12. Related-Party Transactions**

### **Relationship with HandsOn Global Management**

The Company incurred reimbursable travel expenses to HOVS LLC and HandsOn Fund 4 I, LLC (collectively, "HGM") of less than \$0.1 million and \$0.2 million for the three months ended June 30, 2020 and 2019, respectively and less than \$0.1 million and \$0.3 million for the six months ended June 30, 2020 and 2019, respectively. As of June 30, 2020, and following a distribution of all the shares held by Ex-Sigma 2, HGM beneficially owned approximately 50% of the Company's common stock, including shares controlled, pursuant to a voting agreement.

Pursuant to a master agreement dated January 1, 2015 between Rule 14, LLC and a subsidiary of the Company, the Company incurs marketing fees to Rule 14, LLC, a portfolio company of HGM. Similarly, the Company is party to ten master agreements with entities affiliated with HGM's managed funds, each of which were entered into during 2015 and 2016. Each master agreement provides the Company with use of certain technology and includes a reseller arrangement pursuant to which the Company is entitled to sell these services to third parties. Any revenue earned by the Company in such third-party sale is shared 75%/25% with each of HGM's venture affiliates in favor of the Company.

The brands Zuma, Athena, Peri, BancMate, Spring, Jet, Teletype, CourtQ and Rewardio are part of the HGM managed funds. The Company has the license to use and resell such brands, as described therein. The Company incurred fees relating to these agreements of \$0.4 million and less than \$0.1 million for the three months ended June 30, 2020 and 2019, respectively. The Company incurred fees relating to these agreements of \$0.8 million and \$0.1 million for the six months ended June 30, 2020 and 2019, respectively.

Certain operating companies lease their operating facilities from HOV RE, LLC and HOV Services Limited, which are affiliates under common control with HGM. The rental expense for these operating leases was less than \$0.1 million and \$0.1 million for the three months ended June 30, 2020 and 2019, respectively, and \$0.1 million and \$0.3 million for the six months ended June 30, 2020 and 2019, respectively. In addition, HOV Services, Ltd. provides the Company data capture and technology services. The expense recognized for these services was approximately \$0.4 million for each of the three months ended June 30, 2020 and 2019, and \$0.8 million for each of the six months ended June 30, 2020 and 2019. These expenses are included in cost of revenue in the consolidated statements of operations.

The Company determined it is obligated to reimburse certain reimbursable expenses incurred by Ex-Sigma 2 under the terms of the Consent, Waiver and Amendment dated June 15, 2017, by and among the Company, Quinpario Merger Sub I, Inc., Quinpario Merger Sub II, Inc., SourceHOV, Novitex, Novitex Parent, L.P., Ex Sigma LLC, HOVS LLC and HandsOn Fund 4 I, LLC, amending the Novitex Business Combination agreement (the “Consent, Waiver and Amendment”). The Company recorded related party expenses of less than \$0.1 million and \$0.5 million for the three months ended June 30, 2020 and 2019, respectively, and \$0.2 million and \$0.5 million for the six months ended June 30, 2020 and 2019, respectively, for reimbursable legal expenses of Ex-Sigma 2. The Company recorded related party expenses of \$1.7 million for the three and six months ended June 30, 2019 related to the Company’s obligation to reimburse Ex-Sigma 2 for premium payments on the Margin Loan. The Company recorded related party expenses of \$2.1 million for the three and six months ended June 30, 2019 for reimbursable expenses related to secondary offerings of shares by Ex-Sigma 2, the proceeds of which were used to repay the Margin Loan. “Margin Loan” means the additional PIPE financing in the form of a \$55.8 million loan obtained by Ex-Sigma 2 as borrower (and secured by shares of the Company held by Ex-Sigma 2) that was used by Ex-Sigma 2 to purchase additional common and preferred shares from the Company to help meet the minimum cash requirements needed to close the Novitex Business Combination.

Separately, the Company determined it was obligated to reimburse premium payments of \$6.9 million made by Ex-Sigma 2 on the Margin Loan under the terms of the Consent, Waiver and Amendment. Pursuant to a written settlement agreement entered into in June 2020, Ex-Sigma, SourceHOV and the Company agreed that the \$5.6 million of payments made during the fourth quarter of 2019 would be accepted to fully discharge the Company’s obligation to reimburse Ex-Sigma 2 for the \$6.9 million of premium payments. The Company recorded the difference of \$1.3 million between the obligation amount and the settlement amount as an increase to additional paid in capital in the condensed consolidated statements of stockholders’ deficit for the three months ended June 30, 2020.

#### **Consulting Agreement**

The Company receives services from Oakana Holdings, Inc. The Company and Oakana Holdings, Inc. are related through a family relationship between certain shareholders and the president of Oakana Holdings, Inc. The expense recognized for these services was less than \$0.1 million for each of the three months ended June 30, 2020 and 2019, respectively, and \$0.1 million for each of the six months ended June 30, 2020 and 2019, respectively.

#### **Relationship with Apollo Global Management, LLC**

The Company provides services to and receives services from certain Apollo Global Management, Inc. (“Apollo”) affiliated companies. Funds managed by Apollo held the second largest position in our Common Stock following the Novitex Business Combination and had the right to designate two of the Company’s directors pursuant to a director nomination agreement. Apollo has announced that its affiliated funds ceased being shareholders on March 11, 2020. The Company excluded disclosure of transactions related to Apollo after March 31, 2020 as the related party relationship with Apollo ceased during the first quarter of 2020.

On November 18, 2014, one of the Company's subsidiaries entered into a master services agreement with an indirect wholly owned subsidiary of Apollo. Pursuant to this master services agreement, the Company provides printer supplies and maintenance services, including toner maintenance, training, quarterly business review and printer procurement. The Company recognized revenue of \$0.2 million and \$0.3 million under this agreement for the three months and six months ended June 30, 2019, respectively, in its consolidated statements of operations. The Company recognized revenue of less than \$0.1 million for the six months ended June 30, 2020.

On January 18, 2017, one of the Company's subsidiaries entered into a master purchase and professional services agreement with Caesars Enterprise Services, LLC ("Caesars"). Caesars is controlled by investment funds affiliated with Apollo. Pursuant to this master purchase and professional services agreement, the Company provides managed print services to Caesars, including general equipment operation, supply management, support services and technical support. The Company recognized revenue of \$1.1 million and \$2.2 million for the three months and six months ended June 30, 2019, respectively, in its consolidated statements of operations. The Company recognized revenue of \$0.9 million for the six months ended June 30, 2020.

On May 5, 2017, one of the Company's subsidiaries entered into a master services agreement with ADT LLC. ADT LLC is controlled by investment funds affiliated with Apollo. Pursuant to this master services agreement, the Company provides ADT LLC with mailroom and onsite mail delivery services at an ADT LLC office location and managed print services, including supply management, equipment maintenance and technical support services. The Company recognized revenue of \$0.3 million and \$0.6 million for the three months and six months ended June 30, 2019, from ADT LLC under this master services agreement in its consolidated statements of operations. The Company recognized revenue of \$0.3 million for the six months ended June 30, 2020.

On July 20, 2017, one of the Company's subsidiaries entered into a master services agreement with Diamond Resorts Centralized Services Company. Diamond Resorts Centralized Services Company is controlled by investment funds affiliated with Apollo. Pursuant to this master services agreement, the Company provides commercial print and promotional product procurement services to Diamond Resorts Centralized Services Company, including sourcing, inventory management and fulfillment services. The Company recognized revenue of \$0.9 million and \$2.6 million for the three months and six months ended June 30, 2019, respectively, and cost of revenue of \$0.1 million for the six months ended June 30, 2019 from Diamond Resorts Centralized Services Company under this master services agreement. The Company recognized revenue of \$0.9 million and cost of revenue of less than \$0.1 million for the six months ended June 30, 2020.

In April 2016, one of the Company's subsidiaries entered into a master services agreement with Presidio Networked Solutions Group, LLC ("Presidio Group"), a wholly owned subsidiary of Presidio, Inc., a portion of which is owned by affiliates of Apollo. Pursuant to this master services agreement, Presidio Group provides the Company with employees, subcontractors, and/or goods and services. For the three months and six months ended June 30, 2019 there were related party expenses of \$0.2 million and \$0.4 million for this service. For the six months ended June 30, 2020 there were related party expenses of \$0.2 million.

In June 2002, one of the Company's subsidiaries entered into a systems purchase and license agreement with Evertec Group LLC ("Evertec"). Evertec is controlled by investment funds affiliated with Apollo. Pursuant to the agreement, the Company provided system and ongoing maintenance services as detailed in the agreement. In August, 2016, another subsidiary of the Company entered into an equipment maintenance agreement with Evertec. Pursuant to the equipment maintenance agreement, the Company provides preventive and corrective maintenance service to selected equipment listed in the agreement. The Company recognized revenue of less than \$0.1 million and \$0.1 million under these agreements for the three months and six months ended June 30, 2019, respectively, in its consolidated statements of operations. The Company recognized revenue of less than \$0.1 million for the six months ended June 30, 2020.

**Payable and Receivable Balances with Affiliates**

Payable and receivable balances with affiliates as of June 30, 2020 and December 31, 2019 are as follows below.

	June 30, 2020		December 31, 2019	
	Receivable	Payable	Receivable	Payable
HOV Services, Ltd	\$ 672	\$ —	\$ 601	\$ —
Rule 14	172	—	—	250
HGM	62	—	115	—
Apollo affiliated company	—	—	—	202
Oakana	—	2	—	1
Ex-Sigma 2	—	—	—	1,287
	<u>\$ 906</u>	<u>\$ 2</u>	<u>\$ 716</u>	<u>\$ 1,740</u>

**13. 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, approaches the markets and interacts with its clients. The Company is organized into three segments: ITPS, HS, and LLPS.

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

**LLPS:** The 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 segment profit to evaluate operating segment performance and determine how to allocate resources to operating segments. "Segment profit" is defined as revenue less cost of revenue (exclusive of depreciation and amortization). The Company does not allocate Selling, general, and administrative expenses, 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. A reconciliation of segment profit to net loss before income taxes is presented below.

	Three months ended June 30, 2020			
	ITPS	HS	LLPS	Total
Revenue	\$ 243,029	\$ 49,166	\$ 15,527	\$ 307,722
Cost of revenue (exclusive of depreciation and amortization)	195,835	36,148	9,805	241,788
<b>Segment profit</b>	47,194	13,018	5,722	65,934
Selling, general and administrative expenses (exclusive of depreciation and amortization)				47,014
Depreciation and amortization				22,847
Related party expense				1,146
Interest expense, net				44,440
Sundry income, net				(899)
Other income, net				(584)
Net loss before income taxes				<u>\$ (48,030)</u>

	Three months ended June 30, 2019 (Restated)			
	ITPS	HS	LLPS	Total
Revenue	\$ 309,840	\$ 63,440	\$ 17,569	\$ 390,849
Cost of revenue (exclusive of depreciation and amortization)	249,589	43,353	10,889	303,831
<b>Segment profit</b>	60,251	20,087	6,680	87,018
Selling, general and administrative expenses (exclusive of depreciation and amortization)				51,162
Depreciation and amortization				24,779
Related party expense				5,331
Interest expense, net				39,959
Debt modification and extinguishment costs				1,404
Sundry income, net				(1,311)
Other expense, net				2,527
<b>Net loss before income taxes</b>				<b>\$ (36,833)</b>

	Six months ended June 30, 2020			
	ITPS	HS	LLPS	Total
Revenue	\$ 527,140	\$ 113,216	\$ 32,817	\$ 673,173
Cost of revenue (exclusive of depreciation and amortization)	430,954	81,078	22,294	534,326
<b>Segment profit</b>	96,186	32,138	10,523	138,847
Selling, general and administrative expenses (exclusive of depreciation and amortization)				97,387
Depreciation and amortization				46,032
Related party expense				2,698
Interest expense, net				86,028
Sundry income, net				183
Other income, net				(35,241)
<b>Net loss before income taxes</b>				<b>\$ (58,240)</b>

	Six months ended June 30, 2019 (Restated)			
	ITPS	HS	LLPS	Total
Revenue	\$ 635,012	\$ 124,783	\$ 35,411	\$ 795,206
Cost of revenue (exclusive of depreciation and amortization)	508,861	83,694	21,877	614,432
<b>Segment profit</b>	126,151	41,089	13,534	180,774
Selling, general and administrative expenses (exclusive of depreciation and amortization)				100,839
Depreciation and amortization				51,403
Related party expense				6,329
Interest expense, net				79,660
Debt modification and extinguishment costs				1,404
Sundry expense, net				1,404
Other expense, net				4,020
<b>Net loss before income taxes</b>				<b>\$ (64,285)</b>

#### 14. Subsequent Events

The Company performed its subsequent event procedures through August 10, 2020, the date these condensed consolidated financial statements were made available for issuance.

**Sale of Physical Records Storage Business**

On July 22, 2020 the Company completed the sale of its physical records storage and logistics business for a purchase price of \$12.3 million.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*You should read the following discussion and analysis together with our condensed consolidated financial statements and the related notes included elsewhere in this Form 10-Q. Among other things, the condensed consolidated financial statements include more detailed information regarding the basis of presentation for the financial data than included in the following discussion. Amounts in thousands of United States dollars.*

### **Restatement**

As described in additional detail in the Explanatory Note to our Annual Report on Form 10-K for the year ended December 31, 2019 (our “Annual Report”), in our Annual Report we restated our audited consolidated financial statements for the years ended December 31, 2018 and 2017 and our unaudited quarterly results for the first three fiscal quarters in the fiscal year ended December 31, 2019 and each fiscal quarter in the fiscal year ended December 31, 2018. Previously filed annual reports on Form 10-K and quarterly reports on Form 10-Q for the periods affected by the restatement have not been amended. Accordingly, investors should no longer rely upon the Company’s previously released financial statements for these periods, and, for these periods, investors should rely solely on the financial statements and other financial data for the relevant periods included in the 2019 Form 10-K and subsequent reports. See Note 20, Unaudited Quarterly Financial Data, of the Notes to the consolidated financial statements in the Annual Report for the impact of these adjustments on each of the quarterly periods in fiscal 2018 and for the first three quarters of fiscal 2019. All amounts in this quarterly report on Form 10-Q affected by the restatement adjustments reflect such amounts as restated.

### **Forward Looking Statements**

Certain statements included in this Management’s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this quarterly report 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, estimated or anticipated future results and benefits, future opportunities for Exela, 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. The factors that may affect our results include, among others: the impact of political and economic conditions on the demand for our services; the impact of the COVID-19 pandemic; the impact of a data or security breach; the impact of competition or alternatives to our services on our business pricing and other actions by competitors; our ability to address technological development and change in order to keep pace with our industry and the industries of our customers; the impact of terrorism, natural disasters or similar events on our business; the effect of legislative and regulatory actions in the United States and internationally; the impact of operational failure due to the unavailability or failure of third-party services on which we rely; the effect of intellectual property infringement; and other factors discussed in this quarterly report and our Annual Report under the heading “Risk Factors”, and otherwise identified or discussed in this quarterly report. You should consider these factors carefully in evaluating forward-looking statements and are cautioned not to place undue reliance on such statements, which speak only as of the date of this quarterly report. It is impossible for us to predict new events or circumstances that may arise in the future or how they may affect us. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this quarterly report. We are not including the information provided on any websites that may be referenced herein as part of, or incorporating such information by reference into, this quarterly report. In addition, forward-looking statements provide our expectations, plans or forecasts of future events and views as of the date of this quarterly report. We anticipate that subsequent events and developments may cause our assessments to change. These forward-looking statements should not be relied upon as representing our assessments as of any date subsequent to the date of this quarterly report.

## Overview

Exela Technologies, Inc. (“Exela,” the “Company”, “we” or “us”) is a global business process automation leader leveraging a global footprint and proprietary technology to help turn the complex into the simple through user friendly software platforms and solutions that enable our customers’ digital transformation. We have decades of expertise earned from serving more than 4,000 customers worldwide, including many of the world’s largest enterprises and over 60% of the Fortune® 100, in many mission critical environments across multiple industries, including banking, healthcare, insurance and manufacturing. Our technology-enabled solutions allow global organizations to address critical challenges resulting from the massive amounts of data obtained and created through their daily operations. Our solutions address the life cycle of transaction processing and enterprise information management, from enabling payment gateways and data exchanges across multiple systems, to matching inputs against contracts and handling exceptions, to ultimately depositing payments and distributing communications. Through cloud-enabled platforms, built on a configurable stack of automation modules, and over 21,000 employees operating in 23 countries, Exela rapidly deploys integrated technology and operations as an end-to-end digital journey partner.

We believe our process expertise, information technology capabilities and operational insights enable our customers’ organizations to more efficiently and effectively execute transactions, make decisions, drive revenue and profitability, and communicate critical information to their employees, customers, partners, and vendors. Our solutions are location agnostic, and we believe the combination of our hybrid hosted solutions and global work force in the Americas, EMEA and Asia offers a meaningful differentiation in the industries we serve and services we provide.

## History

We are a former blank check company that completed our initial public offering on January 22, 2015. In July 2017, Exela, formerly known as Quinpario Acquisition Corp. 2 (“Quinpario”), completed its acquisition of SourceHOV Holdings, Inc. (“SourceHOV”) and Novitex Holdings, Inc. (“Novitex”) pursuant to the business combination agreement dated February 21, 2017 (“Novitex Business Combination”). In conjunction with the completion of the Novitex Business Combination, Quinpario was renamed Exela Technologies, Inc.

The Novitex Business Combination was accounted for as a reverse merger for which SourceHOV was determined to be the accounting acquirer. Outstanding shares of SourceHOV were converted into our Common Stock, presented as a recapitalization, and the net assets of Quinpario were acquired at historical cost, with no goodwill or other intangible assets recorded. The acquisition of Novitex was treated as a business combination under ASC 805 and was accounted for using the acquisition method. The strategic combination of SourceHOV and Novitex formed Exela, which is one of the largest global providers of information processing solutions based on revenues.

On April 10, 2018, Exela completed the acquisition of Asterion International Group, a well-established provider of technology driven business process outsourcing, document management and business process automation across Europe. The acquisition was strategic to expanding Exela’s European business.

On November 12, 2019 we announced that our Board of Directors had adopted a debt reduction and liquidity improvement initiative (“Initiative”). This new Initiative is part of the Company’s strategic priority to position the Company for long-term success and increased stockholder value. As part of the Initiative, on January 10, 2020, certain subsidiaries of the Company entered into a \$160.0 million accounts receivable securitization facility with a five year term and consummated the sale of SourceHOV Tax, LLC (described below). To fund the debt reduction, the Company is also pursuing the sale of certain non-core assets that are not central to the Company’s long-term strategic vision, and any potential action with respect to these operations would be intended to allow the Company to better focus on its core businesses. The Company has retained financial advisors to assist with the sale of select assets. The Company expects to use the net proceeds from the Initiative for the repayment of debt, with a target reduction of \$150.0 to \$200.0 million. Exela has set a two-year timetable for completion of the Initiative. There can be no assurance that the Initiative or any particular element of the Initiative will be consummated or will achieve its desired result.

As part of the Initiative, on March 16, 2020, the Company and its indirect wholly owned subsidiaries, Merco Holdings, LLC and SourceHOV Tax, LLC entered into a Membership Interest Purchase Agreement with Gainline

Source Intermediate Holdings LLC at which time Gainline Source Intermediate Holdings LLC acquired all of the outstanding membership interests of SourceHov Tax for \$40.0 million, subject to adjustment as set forth in the purchase agreement.

## **Our Segments**

Our 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 our TPS and EIM products and services with how we manage our business, approach our key markets and interact with our customers based on their respective industries.

**ITPS:** Our 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. Our major customers include many leading banks, insurance companies, and utilities, as well as hundreds of federal, state and government entities. Our 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. We serve the top healthcare insurance payers and hundreds of healthcare providers.

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

We draw on the business and technical expertise of our talented and diverse global workforce to provide our customers with high-quality services. Our business leaders bring a strong diversity of experience in our industry and a track record of successful performance and execution.

As of June 30, 2020, we had approximately 21,000 employees globally, with 62% located in Americas and EMEA, and the remainder located primarily in India, the Philippines and China. Costs associated with our employees represent the most significant expense for our business. We incurred personnel costs of \$147.7 million and \$181.0 million for the three months ended June 30, 2020 and 2019, respectively. We incurred personnel costs of \$330.2 million and \$359.0 million for the six months ended June 30, 2020 and 2019, respectively. The majority of our personnel costs are variable and incurred only while we are providing our services.

## **Key Performance Indicators**

We use a variety of operational and financial measures to assess our performance. Among the measures considered by our management are the following:

- Revenue by segment;

- EBITDA; and
- Adjusted EBITDA

**Revenue by segment**

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

**EBITDA and Adjusted EBITDA**

We view EBITDA and Adjusted EBITDA as important indicators of performance of our consolidated operations. We define EBITDA as net income, plus taxes, interest expense, and depreciation and amortization. We define Adjusted EBITDA as EBITDA plus optimization and restructuring charges, including severance and retention expenses; transaction and integration 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, 2020 compared to Three Months Ended June 30, 2019:**

	Three Months Ended June 30,		Change	% Change
	2020	2019 (Restated)		
<b>Revenue:</b>				
ITPS	\$ 243,029	\$ 309,840	\$ (66,811)	-21.56%
HS	49,166	63,440	(14,274)	-22.50%
LLPS	15,527	17,569	(2,042)	-11.62%
<b>Total revenue</b>	<b>307,722</b>	<b>390,849</b>	<b>(83,127)</b>	<b>-21.27%</b>
<b>Cost of revenue (exclusive of depreciation and amortization):</b>				
ITPS	195,835	249,589	(53,754)	-21.54%
HS	36,148	43,353	(7,205)	-16.62%
LLPS	9,805	10,889	(1,084)	-9.96%
<b>Total cost of revenues</b>	<b>241,788</b>	<b>303,831</b>	<b>(62,043)</b>	<b>-20.42%</b>
Selling, general and administrative expenses (exclusive of depreciation and amortization)	47,014	51,162	(4,148)	-8.11%
Depreciation and amortization	22,847	24,779	(1,932)	-7.80%
Related party expense	1,146	5,331	(4,185)	-78.50%
<b>Operating income (loss)</b>	<b>(5,073)</b>	<b>5,746</b>	<b>(10,819)</b>	<b>-188.29%</b>
Interest expense, net	44,440	39,959	4,481	11.21%
Debt modification and extinguishment costs	—	1,404	(1,404)	-100.00%
Sundry income, net	(899)	(1,311)	412	-31.43%
Other expense (income), net	(584)	2,527	(3,111)	-123.11%
<b>Net loss before income taxes</b>	<b>(48,030)</b>	<b>(36,833)</b>	<b>(11,197)</b>	<b>30.40%</b>
Income tax expense	(661)	(4,738)	4,077	-86.05%
<b>Net loss</b>	<b>\$ (48,691)</b>	<b>\$ (41,571)</b>	<b>\$ (7,120)</b>	<b>17.13%</b>

### **Revenue**

For the three months ended June 30, 2020, our revenue decreased by \$83.1 million, or 21.3%, to \$307.7 million from \$390.8 million for the three months ended June 30, 2019. We experienced revenue declines on all of our segments due to lower transaction volumes as a result of COVID-19. Our ITPS, HS, and LLPS segments constituted 79.0%, 16.0%, and 5.0% of total revenue, respectively, for the three months ended June 30, 2020, compared to 79.3%, 16.2%, and 4.5%, respectively, for the three months ended June 30, 2019. The revenue changes by reporting segment were as follows:

ITPS— For the three months ended June 30, 2020, revenue attributable to our ITPS segment decreased by \$66.8 million, or 21.6% compared to the same period in the prior year. The majority of this revenue decline is attributable to exiting contracts and statements of work in late 2019 from certain customers with revenue that we believe was unpredictable, non-recurring and were not a strategic fit to Company’s long-term success or unlikely to achieve the Company’s long-term target margins (“transition revenue”) in addition to lower transaction volumes as a result of COVID-19.

HS— For the three months ended June 30, 2020, revenue attributable to our HS segment decreased by \$14.3 million, or 22.5% compared to the same period in the prior year primarily due to impact of COVID-19 on our healthcare customers.

LLPS— For the three months ended June 30, 2020, revenue attributable to our LLPS segment decreased by \$2.0 million, or 11.6% compared to the same period in the prior year primarily due to a decline in legal claims administration services.

### **Cost of Revenue**

For the three months ended June 30, 2020, our direct costs decreased by \$62.0 million, or 20.4%, compared to the three months ended June 30, 2019. On each of our segments, the decrease was primarily attributable to the corresponding decline in revenues. Costs on ITPS segment decreased by \$53.8 million, or 21.5%, HS segment decreased by \$7.2 million, or 16.6%, and LLPS segment decreased by \$1.1 million, or 10.0%.

Cost of revenue for the three months ended June 30, 2020 was 78.6% compared to the 77.7% for the comparable same period in the prior year. The increase in cost of revenues, as a percentage of revenues by 0.8% was primarily due to the impact of costs related to the transition revenue that we expect to see gradually removed to further improve the gross margin profile of the business over the remainder of the year.

### **Selling, General and Administrative Expenses**

SG&A expenses decreased \$4.1 million, or 8.1%, to \$47.0 million for the three months ended June 30, 2020, compared to \$51.2 million for the three months ended June 30, 2019. The decrease was primarily attributable to lower compensation expenses, including lower stock compensation expense that was offset by higher professional fees.

SG&A expenses increased as a percentage of revenues to 15.3% in 2020 as compared to 13.1% in 2019. The increase, as a percentage of revenues by 2.2%, was primarily due to the decline in revenues brought on by the COVID-19 pandemic and the transition revenue.

### **Depreciation & Amortization**

Total depreciation and amortization expense was \$22.8 million and \$24.8 million for the three months ended June 30, 2020 and 2019, respectively. The decrease in total depreciation and amortization expense was primarily due to a decrease in amortization expense from intangible assets resulting from business combinations completed in prior periods and a decrease in depreciation expense related to an increase in assets that are fully amortized.

***Related Party Expenses***

Related party expense was \$1.1 million and \$5.3 million for the three months ended June 30, 2020 and 2019, respectively. The lower related party expense in 2020 is attributable to the curtailment in reimbursements made to Ex-Sigma 2 LLC (our largest shareholder following the Novitex Business Combination (“Ex-Sigma 2”)) and Ex-Sigma LLC (the sole equity holder of Ex-Sigma 2 (“Ex-Sigma”)). In 2019 the Company paid approximately \$4.3 million in respect of legal expenses, premium payments on the Margin Loan and other expenses related to secondary offerings that did not recur in 2020.

***Interest Expense***

The Company pays interest on its Notes on a semi-annual basis in the first and third quarters of each year. Interest expense was \$44.4 million and \$40.0 million for the three months ended June 30, 2020 and 2019, respectively. The increase in interest costs was partially attributable to the interest on A/R Facility and other interest accruals that was not incurred during the corresponding period in 2019.

***Sundry Income***

The decrease of \$0.4 million over the prior year period was primarily attributable to foreign currency transaction gain / losses associated with exchange rate fluctuations.

***Other Expense (Income)***

Other expense (income), net was \$(0.6) million and \$2.5 million for the three months ended June 30, 2020 and 2019, respectively. Other income includes an interest rate swap entered into in 2017. The interest rate swap was not designated as a hedge. As such, changes in the fair value of this derivative instrument are recorded directly in earnings. For the three months ended June 30, 2020, the fair value of the interest swap decreased \$3.1 million.

***Income Tax Expense***

We had an income tax expense of \$0.7 million and \$4.7 million for the three months ended June 30, 2020 and 2019, respectively. The change in the income tax expense was primarily attributable to our 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, 2020, resulted from permanent tax adjustments and valuation allowances, including valuation allowances against disallowed interest expense deferred tax assets that are not more-likely-than-not to be realized.

**Six Months Ended June 30, 2020 compared to Six Months Ended June 30, 2019:**

	<u>Six Months Ended June 30,</u>		<u>Change</u>	<u>% Change</u>
	<u>2020</u>	<u>2019</u> <u>(Restated)</u>		
<b>Revenue:</b>				
ITPS	\$ 527,140	\$ 635,012	\$ (107,872)	-16.99%
HS	113,216	124,783	(11,567)	-9.27%
LLPS	32,817	35,411	(2,594)	-7.33%
<b>Total revenue</b>	<b>673,173</b>	<b>795,206</b>	<b>(122,033)</b>	<b>-15.35%</b>
<b>Cost of revenue (exclusive of depreciation and amortization):</b>				
ITPS	430,954	508,861	(77,907)	-15.31%
HS	81,078	83,694	(2,616)	-3.13%
LLPS	22,294	21,877	417	1.91%
<b>Total cost of revenues</b>	<b>534,326</b>	<b>614,432</b>	<b>(80,106)</b>	<b>-13.04%</b>
<b>Selling, general and administrative expenses (exclusive of depreciation and amortization)</b>				
	97,387	100,839	(3,452)	-3.42%
Depreciation and amortization	46,032	51,403	(5,371)	-10.45%
Related party expense	2,698	6,329	(3,631)	-57.37%
<b>Operating income (loss)</b>	<b>(7,270)</b>	<b>22,203</b>	<b>(29,473)</b>	<b>-132.74%</b>
Interest expense, net	86,028	79,660	6,368	7.99%
Debt modification and extinguishment costs	—	1,404	(1,404)	-100.00%
Sundry expense, net	183	1,404	(1,221)	-86.97%
Other expense (income), net	(35,241)	4,020	(39,261)	-976.64%
<b>Net loss before income taxes</b>	<b>(58,240)</b>	<b>(64,285)</b>	<b>6,045</b>	<b>-9.40%</b>
Income tax expense	(3,120)	(9,458)	6,338	-67.01%
<b>Net loss</b>	<b>\$ (61,360)</b>	<b>\$ (73,743)</b>	<b>\$ 12,383</b>	<b>-16.79%</b>

**Revenue**

For the six months ended June 30, 2020, our revenue decreased by \$122.0 million, or 15.3%, to \$673.2 million from \$795.2 million for the six months ended June 30, 2019. We experienced revenue declines on all of our segments due to lower transaction volumes since mid-March as a result of COVID-19. Our ITPS, HS, and LLPS segments constituted 78.3%, 16.8%, and 4.9% of total revenue, respectively, for the six months ended June 30, 2020, compared to 79.9%, 15.7%, and 4.5%, respectively, for the six months ended June 30, 2019. The revenue changes by reporting segment were as follows:

ITPS— For the six months ended June 30, 2020, revenue attributable to our ITPS segment decreased by \$107.9 million, or 17.0% compared to the same period in the prior year. The majority of this revenue decline is attributable to exiting contracts and statements of work in late 2019 from certain customers with revenue that we believe was unpredictable, non-recurring and were not a strategic fit to Company’s long-term success or unlikely to achieve the Company’s long-term target margins (“transition revenue”) in addition to lower transaction volumes during the three months ended June 30, 2019 as a result of COVID-19.

HS— For the six months ended June 30, 2020, revenue attributable to our HS segment decreased by \$11.6 million, or 9.3% compared to the same period in the prior year primarily due to impact of COVID-19 on our healthcare customers.

LLPS— For the six months ended June 30, 2020, revenue attributable to our LLPS segment decreased by \$2.6 million, or 7.3% compared to the same period in the prior year primarily due to a decline in legal claims administration services.

### ***Cost of Revenue***

For the six months ended June 30, 2020, our direct costs decreased by \$80.1 million, or 13.0%, compared to the six months ended June 30, 2019. On our ITPS and HS segments, the decrease was primarily attributable to the corresponding decline in revenues. Costs on ITPS segment decreased by \$77.9 million, or 15.3%, and HS segment decreased by \$2.6 million, or 3.1%. Costs on LLPS segment increased by \$0.4 million, or 1.9%.

Cost of revenue for the six months ended June 30, 2020 was 79.4% compared to the 77.3% for the comparable same period in the prior year. The increase in cost of revenues, as a percentage of revenues by 2.1% was primarily due to the impact of costs related to the transition revenue that we expect to see gradually removed to further improve the gross margin profile of the business over the remainder of the year.

### ***Selling, General and Administrative Expenses***

SG&A expenses decreased \$3.5 million, or 3.4%, to \$97.4 million for the six months ended June 30, 2020, compared to \$100.8 million for the six months ended June 30, 2019. The decrease was primarily attributable to lower compensation expenses, including lower stock compensation expense that was offset by higher professional fees.

SG&A expenses increased as a percentage of revenues to 14.5% in 2020 as compared to 12.7% in 2019. The increase, as a percentage of revenues by 1.8%, was primarily due to the decline in revenues brought on by the COVID-19 pandemic and the transition revenue.

### ***Depreciation & Amortization***

Total depreciation and amortization expense was \$46.0 million and \$51.4 million for the six months ended June 30, 2020 and 2019, respectively. The decrease in total depreciation and amortization expense was primarily due to a decrease in depreciation expense related to an increase in assets that are fully amortized.

### ***Related Party Expenses***

Related party expense was \$2.7 million and \$6.3 million for the six months ended June 30, 2020 and 2019, respectively. The lower related party expense in 2020 is attributable to the curtailment in reimbursements made to Ex-Sigma and Ex-Sigma 2. In 2019 the Company paid approximately \$4.3 million in respect of legal expenses, premium payments on the Margin Loan and other expenses related to secondary offerings that did not recur in 2020.

### ***Interest Expense***

Interest expense was \$86.0 million and \$79.7 million for the six months ended June 30, 2020 and 2019, respectively. The increase in interest costs was partially attributable to the interest on A/R Facility and other interest accruals that was not incurred during the corresponding period in 2019.

### ***Sundry Expense***

The decrease of \$1.2 million over the prior year period was primarily attributable to foreign currency transaction gain / losses associated with exchange rate fluctuations.

### ***Other Expense (Income)***

Other expense (income), net was \$(35.2) million and \$4.0 million for the six months ended June 30, 2020 and 2019, respectively. The change was primarily due to higher other (income) of \$35.3 million of gain recognized on the sale of SourceHOV Tax, LLC. Other income also includes an interest rate swap entered into in 2017. The interest rate swap was not designated as a hedge. As such, changes in the fair value of this derivative instrument are recorded directly in earnings.

### ***Income Tax Expense***

We had an income tax expense of \$3.1 million and \$9.5 million for the six months ended June 30, 2020 and 2019, respectively. The change in the income tax expense was primarily attributable to our 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, 2020, resulted from permanent tax adjustments and valuation allowances, including valuation allowances against disallowed interest expense deferred tax assets that are not more-likely-than-not to be realized.

### **Other Financial Information (Non-GAAP Financial Measures)**

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income, plus taxes, interest expense, and depreciation and amortization. We define Adjusted EBITDA as EBITDA plus optimization and restructuring charges, including severance and retention expenses; transaction and integration 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.

We present EBITDA and Adjusted EBITDA because we believe they provide useful information regarding the factors and trends affecting our business in addition to measures calculated under GAAP. Additionally, our credit agreement requires us to comply with certain EBITDA related metrics.

### ***Note Regarding Non-GAAP Financial Measures***

EBITDA and Adjusted EBITDA are not financial measures presented in accordance with GAAP. We believe that the presentation of these non-GAAP financial measures will provide useful information to investors in assessing our financial performance and results of operations as our board of directors and management use EBITDA and Adjusted EBITDA to assess our financial performance, because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization) and items outside the control of our management team. Net loss is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. Our 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. These non-GAAP financial measures are not required to be uniformly applied, are not audited and should not be considered in isolation or as substitutes for results prepared in accordance with GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

### **Three Months ended June 30, 2020 compared to the Three Months ended June 30, 2019**

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to our net loss, the most directly comparable GAAP measure, for the three months months ended June 30, 2020 and 2019. 2019 reconciliation items between EBITDA and Adjusted EBITDA have been adjusted for comparability purposes in the table below. EBITDA and Adjusted EBITDA for the three months ended June 30, 2019 remains unchanged.

	<b>Three Months Ended June 30,</b>	
	<b>2020</b>	<b>2019 (Restated)</b>
Net Loss	\$ (48,691)	\$ (41,571)
Taxes	661	4,738
Interest Expense	44,440	39,959
Depreciation and Amortization	22,847	24,779
EBITDA	19,257	27,905
Optimization and restructuring expenses (1)	11,721	18,708
Transaction and integration costs (2)	4,799	2,030
Non-cash equity compensation (3)	921	2,661
Other charges including non-cash (4)	5,824	4,726
Loss/(Gain) on sale of assets (5)	254	207
Debt modification and extinguishment costs	—	1,404
Loss/(Gain) on derivative instruments (7)	(405)	2,708
Contract costs (8)	759	4,529
Adjusted EBITDA	<u>\$ 43,130</u>	<u>\$ 64,878</u>

1. Adjustment represents net salary and benefits associated with positions, current vendor expenses and existing lease contracts that are part of the on-going savings and productivity improvement initiatives in process transformation, customer transformation and post-merger or acquisition integration.
2. Represents costs incurred related to transactions for completed or contemplated transactions during the period.
3. Represents the non-cash charges related to restricted stock units and options that vested during the year at Ex-Sigma in the case of the SourceHOV 2013 Long Term Incentive Plan assumed by it in connection with the Novitex Business Combination and the Company under the 2018 Stock Incentive Plan.
4. Represents fair value adjustments to deferred revenue and deferred rent accounts established as part of purchase accounting and other non-cash charges. Other charges include severance, retention bonus, facility consolidation and other transition costs.
5. Represents a loss/(gain) recognized on the disposal of property, plant, and equipment and other assets.
6. Represents a loss/(gain) recognized on the disposal of noncore-business assets.
7. Represents the impact of changes in the fair value of an interest rate swap entered into during the fourth quarter of 2017.
8. Represents costs incurred on new projects, contract start-up costs and project ramp costs.

**Six Months ended June 30, 2020 compared to the Six Months ended June 30, 2019**

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to our net loss, the most directly comparable GAAP measure, for the six months months ended June 30, 2020 and 2019. 2019 reconciliation items between EBITDA and Adjusted EBITDA have been adjusted for comparability purposes in the table below. EBITDA and Adjusted EBITDA for the six months ended June 30, 2019 remains unchanged.

	Six Months Ended June 30,	
	2020	2019 (Restated)
Net Loss	\$ (61,360)	\$ (73,743)
Taxes	3,120	9,458
Interest expense	86,028	79,660
Depreciation and amortization	46,032	51,403
EBITDA	73,820	66,778
Optimization and restructuring expenses (1)	24,861	42,369
Transaction and integration costs (2)	9,174	3,038
Non-cash equity compensation (3)	1,782	5,460
Other charges including non-cash (4)	9,735	7,781
Loss/(Gain) on sale of assets (5)	411	426
Loss/(Gain) on business disposals (6)	(35,316)	—
Debt modification and extinguishment costs	—	1,404
Loss/(Gain) on derivative instruments (7)	440	4,385
Contract costs (8)	2,611	9,592
Adjusted EBITDA	<u>\$ 87,518</u>	<u>\$ 141,233</u>

1. Adjustment represents net salary and benefits associated with positions, current vendor expenses and existing lease contracts that are part of the on-going savings and productivity improvement initiatives in process transformation, customer transformation and post-merger or acquisition integration.
2. Represents costs incurred related to transactions for completed or contemplated transactions during the period.
3. Represents the non-cash charges related to restricted stock units and options that vested during the year at Ex-Sigma in the case of the SourceHOV 2013 Long Term Incentive Plan assumed by it in connection with the Novitex Business Combination and the Company under the 2018 Stock Incentive Plan.
4. Represents fair value adjustments to deferred revenue and deferred rent accounts established as part of purchase accounting and other non-cash charges. Other charges include severance, retention bonus, facility consolidation and other transition costs.
5. Represents a loss/(gain) recognized on the disposal of property, plant, and equipment and other assets.
6. Represents a loss/(gain) recognized on the disposal of noncore-business assets.
7. Represents the impact of changes in the fair value of an interest rate swap entered into during the fourth quarter of 2017.
8. Represents costs incurred on new projects, contract start-up costs and project ramp costs.

## Liquidity and Capital Resources

### Overview

Our primary source of liquidity is cash generated from operating activities, supplemented as necessary on a short-term basis by borrowings against our senior secured revolving credit facility. We believe our 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.

Our primary source of liquidity is cash generated from operating activities, supplemented as necessary on a short-term basis by borrowings against our senior secured revolving credit facility and accounts receivable securitization facility. We believe our 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. Under ASC Subtopic 205-40, *Presentation of Financial Statements—Going Concern* (“ASC 205-40”), the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. As previously reported, Company believes management’s plans alleviate the substantial doubt about the entity’s ability to continue as a going concern for at least twelve months from the date that these condensed consolidated financial statements were issued.

We currently expect to spend approximately \$20.0 to \$25.0 million on total capital expenditures over the next twelve months. We believe that our operating cash flow and available borrowings under our credit facility will be sufficient to fund our operations for at least the next twelve months.

On July 13, 2018, Exela successfully repriced the \$343.4 million of term loans outstanding under our senior secured credit facilities (the “Repricing Term Loans”). The interest rates applicable to the Repricing Term Loans are 100 basis points lower than the interest rates applicable to the existing senior secured term loans that were incurred on July 12, 2017 pursuant to the Credit Agreement.

On July 13, 2018, the Company borrowed a further \$30.0 million pursuant to incremental term loans under the Credit Agreement. On April 16, 2019, the Company borrowed an additional \$30.0 million pursuant to incremental term loans under the Credit Agreement. The proceeds of these incremental term loans (collectively, the “Incremental Term Loans”) were used to replace the cash spent for acquisitions, pay related fees, expenses and related borrowings and for general corporate purposes.

The Repricing Term Loans and the Incremental Term Loans bear interest at a rate per annum consisting of, at the Company’s option, either (a) a LIBOR rate determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, subject to a 1.0% floor, or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.5%, (ii) the prime rate and (iii) the one-month adjusted LIBOR plus 1.0%, in each case plus an applicable margin of 6.5% for LIBOR loans and 5.5% for base rate loans. The Repricing Term Loans and the Incremental Term Loans will mature on July 12, 2023.

At June 30, 2020, cash and cash equivalents totaled \$91.9 million and we had availability of less than \$0.1 million under our senior secured revolving credit facility.

The Company is pursuing a debt reduction and liquidity improvement initiative that contemplates the pursuit of the sale of certain non-core businesses that are not central to the Company’s long-term strategic vision. The disposition of those businesses would reduce indebtedness and enhance the Company’s ability to focus on its core businesses. The Company has retained financial advisors to assist with the sale of select assets. As part of the initiative, the Company has taken steps to increase its liquidity and its overall financial flexibility. The Company expects to use the net proceeds from the initiative for the repayment of debt, with a target reduction of \$150.0 to \$200.0 million. The Company has set a two-year timetable for completion of the initiative. There can be no assurance that the initiative or any particular element of the initiative will be consummated or will achieve its desired result.

On January 10, 2020 certain subsidiaries of the Company entered into a \$160.0 million accounts receivable securitization facility with a five year term (the “A/R Facility”). The Company used the proceeds of the initial borrowings to repay outstanding revolving borrowings under the Company’s senior credit facility and to provide additional liquidity and funding for the ongoing business needs of the Company and its subsidiaries.

On March 16, 2020, the Company and its indirect wholly owned subsidiaries, Merco Holdings, LLC and SourceHOV Tax, LLC entered into a Membership Interest Purchase Agreement with Gainline Source Intermediate Holdings LLC at which time Gainline Source Intermediate Holdings LLC acquired all of the outstanding membership interests of SourceHov Tax for \$40.0 million, subject to adjustment as set forth in the purchase agreement of approximately \$2.0 million.

On March 26, 2020, the Delaware Court of Chancery entered a judgment against one of our subsidiaries in the amount of \$57.7 million inclusive of costs and interest arising out of the petition for appraisal pursuant to 8 Del. C. § 262 in the Delaware Court of Chancery, captioned Manichaeon Capital, LLC, et al. v. SourceHOV Holdings, Inc., C.A. No. 2017 0673 JRS (pursuant to which former stockholders of SourceHOV sought, among other things, a determination of the fair value of their 10,304 SourceHOV shares at the time of the Novitex Business Combination) (the “Appraisal Action”), which judgment will continue to accrue interest, until paid, at the legal rate, compounded quarterly. On May 7, 2020, we filed a motion for new trial in relation to share count. On May 7, 2020, SourceHOV filed a motion for new trial in relation to share count. On June 11, 2020 the Court denied SourceHOV’s motion for new trial. SourceHOV appealed the judgment to the Supreme Court of the State of Delaware on June 30, 2020. However, at present the

judgment has not been stayed, and the petitioners in the Appraisal Action have filed cases seeking to enforce their award against SourceHOV, including an action alleging unjust enrichment and seeking restitution and to pierce the corporate veil and seek alter ego liability against Exela Technologies, Inc. and over 50 alleged subsidiaries and/or affiliates. If we are forced to pay the judgment (or bond the judgment pending an appeal, which will likely require cash collateral), such action could have a material adverse effect on our liquidity and/or cause our lenders to take action adverse to us.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company is currently evaluating the impact of the CARES Act, and at present expects that the refundable payroll tax credits and deferment of employer side social security payments provisions of the CARES Act will result in a material cash benefit to the Company. The Company will also defer certain payroll, social security and value added taxes in various European jurisdictions, as permitted under the recently enacted COVID-19 relief measures.

On May 18, 2020, the Company amended the Prior Credit Agreement to, among other things, extend the time for delivery of its audited financial statements for the year ended December 31, 2019 and its financial statements for the quarter ended March 31, 2020. Pursuant to the amendment, the Company also amended the Prior Credit Agreement to, among other things: restrict the borrower and its subsidiaries' ability to designate or invest in unrestricted subsidiaries; incur certain debt; create certain liens; make certain investments; pay certain dividends or other distributions on account of its equity interests; make certain asset sales or other dispositions (or utilize the proceeds of certain asset sales to reinvest in the business); or enter into certain affiliate transactions pursuant to the negative covenants under the Credit Agreement. Further, pursuant to the amendment, the borrower under the Credit Agreement is also required to maintain a minimum Liquidity (as defined in the Credit Agreement) of \$35.0 million. On May 21, 2020, the Company also amended the A/R Facility to, among other things, extend the time for delivery of its audited financial statements for the year ended December 31, 2019 and its financial statements for the quarter ended March 31, 2020. Upon delivery of such financial statements, the Company became in compliance with the Credit Agreement, the indenture for its outstanding Notes and the A/R Facility with respect to the financial statement delivery requirements set forth therein. See those certain Current Reports on Form 8-K, filed by the Company on May 21, 2020 and May 22, 2020 for additional information on the amendments described above.

## Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Six Months Ended June 30,			
	2020	2019 (Restated)	Change	% Change
Cash flows used in operating activities	\$ (23,116)	\$ (14,838)	\$ (8,278)	55.79%
Cash flows (used in) provided by investing activities	26,740	(18,059)	44,799	-248.07%
Cash flows provided by financing activities	74,203	12,358	61,845	500.45%
Subtotal	77,827	(20,539)	98,366	-478.92%
Effect of exchange rates on cash	1	111	(110)	-99.10%
Net increase/(decrease) in cash	77,828	(20,428)	98,256	-480.99%

## Analysis of Cash Flow Changes between the Six Months Ended June 30, 2020 and June 30, 2019

Operating Activities—The decrease of \$8.3 million in cash flows from operating activities for the six months ended June 30, 2020 was primarily due to lower Gross profits in the corresponding period. “Gross profit” is defined as revenue less cost of revenue (exclusive of depreciation and amortization). This decrease in cash flow was offset by higher cash flows from accounts receivables and lower cash paid for settling accounts payable and accrued liabilities and related party payables.

**Investing Activities**—The increase of \$44.8 million in cash used in investing activities for the six months ended June 30, 2020 was primarily due to \$38.2 million cash proceeds received from the sale of SourceHOV Tax, LLC, lower additions to Property, plant and equipment and development of internal software offset by partial settlement of the liabilities related to the healthcare acquisition announced early in the first quarter of 2019.

**Financing Activities**—The increase of \$61.8 million in cash provided by financing activities for the six months ended June 30, 2020 was primarily due to the A/R Facility executed in January 2020.

## **Indebtedness**

In connection with the Novitex Business Combination, we acquired debt facilities and issued notes totaling \$1.4 billion. Proceeds from the indebtedness were used to pay off credit facilities existing immediately before the Novitex Business Combination.

### *Senior Credit Facilities*

On July 12, 2017, the Company entered into a First Lien Credit Agreement with Royal Bank of Canada, Credit Suisse AG, Cayman Islands Branch, Natixis, New York Branch and KKR Corporate Lending LLC (the “Credit Agreement”) providing Exela Intermediate LLC, a wholly owned subsidiary of the Company, upon the terms and subject to the conditions set forth in the Credit Agreement, (i) a \$350.0 million senior secured term loan maturing July 12, 2023 with an original issue discount of \$7.0 million, and (ii) a \$100.0 million senior secured revolving facility maturing July 12, 2022. The Credit Agreement provided for the following interest rates for borrowings under the senior secured term facility and senior secured revolving facility: at the Company’s option, either (1) an adjusted LIBOR, subject to a 1.0% floor in the case of term loans, or (2) a base rate, in each case plus an applicable margin. The initial applicable margin for the senior secured term facility was 7.5% with respect to LIBOR borrowings and 6.5% with respect to base rate borrowings. The initial applicable margin for the senior secured revolving facility was 7.0% with respect to LIBOR borrowings and 6.0% with respect to base rate borrowings. The applicable margin for borrowings under the senior secured revolving facility is subject to step-downs based on leverage ratios. The senior secured term loan is subject to amortization payments, commencing on the last day of the first full fiscal quarter of the Company following the closing date, of 0.6% of the aggregate principal amount for each of the first eight payments and 1.3% of the aggregate principal amount for payments thereafter, with any balance due at maturity.

On July 13, 2018, Exela successfully repriced the \$343.4 million of term loans outstanding under its senior secured credit facilities (the “Repricing”). The Repricing was accomplished pursuant to a First Amendment to First Lien Credit Agreement (the “First Amendment”), dated as of July 13, 2018, by and among Exela Intermediate Holdings LLC, the Company, each “Subsidiary Loan Party” listed on the signature pages thereto, Royal Bank of Canada, as administrative agent, and each of the lenders party thereto, whereby the Company borrowed \$343.4 million of refinancing term loans (the “Repricing Term Loans”) to refinance the Company’s existing senior secured term loans.

The Repricing Term Loans bear interest at a rate per annum of, at the Company’s option, either (a) a LIBOR rate determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, subject to a 1.0% floor, or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.5%, (ii) the prime rate and (iii) the one-month adjusted LIBOR plus 1.0%, in each case plus an applicable margin of 6.5% for LIBOR loans and 5.5% for base rate loans. The interest rates applicable to the Repricing Term Loans are 100 basis points lower than the interest rates applicable to the existing senior secured term loans that were incurred on July 12, 2017 pursuant to the Credit Agreement. The Repricing Term Loans will mature on July 12, 2023, the same maturity date as the existing senior secured term loans. As of June 30, 2020, the interest rate applicable for the first lien senior secured term loan was 8.4%.

On July 13, 2018, the Company successfully borrowed an additional \$30.0 million pursuant to incremental term loans (the “2018 Incremental Term Loans”) under the First Amendment to the Credit Agreement. The proceeds of the 2018 Incremental Term Loans were used by the Company for general corporate purposes and to pay fees and expenses in connection with the First Amendment.

On April 16, 2019, the Company successfully borrowed a further \$30.0 million pursuant to incremental term loans (the “2019 Incremental Term Loans”, and, together with the 2018 Incremental Terms Loans, the “Incremental Term Loans”) under the Second Amendment to the Credit Agreement. The proceeds of the 2019 Incremental Term Loans were used to replace cash spent for acquisitions, pay related fees, expenses and related borrowings for general corporate purposes.

The Incremental Term Loans bear interest at a rate per annum that is the same as the Repricing Term Loans. The Incremental Term Loans will mature on July 12, 2023, the same maturity date as the Repricing Term Loans. The Company may voluntarily repay the Repricing Term Loans and the Incremental Term Loans (collectively, the “Term Loans”) at any time, without prepayment premium or penalty, subject to customary “breakage” costs with respect to LIBOR rate loans. Other than as described above, the terms, conditions and covenants applicable to the Incremental Term Loans are consistent with the terms, conditions and covenants that were applicable to the Repricing Term Loans under the Credit Agreement.

On May 18, 2020, the Company amended the Credit Agreement to, among other things, extend the time for delivery of its audited financial statements for the year ended December 31, 2019 and its financial statements for the quarter ended March 31, 2020. Pursuant to the amendment, the Company also agreed to amend the Credit Agreement to, among other things: restrict the borrower and its subsidiaries’ ability to designate or invest in unrestricted subsidiaries; incur certain debt; create certain liens; make certain investments; pay certain dividends or other distributions on account of its equity interests; make certain asset sales or other dispositions (or utilize the proceeds of certain asset sales to reinvest in the business); or enter into certain affiliate transactions pursuant to the negative covenants under the Credit Agreement. In addition, pursuant to the amendment, the borrower under the Credit Agreement is also required to maintain a minimum Liquidity (as defined in the amendment) of \$35.0 million.

#### *Letters of Credit*

As of June 30, 2020 and December 31, 2019, we had outstanding irrevocable letters of credit totaling approximately \$19.4 million and \$20.6 million, respectively, under the senior secured revolving facility.

#### *Senior Secured Notes*

Upon the closing of the Novitex Business Combination on July 12, 2017, the Company issued \$1.0 billion in aggregate principal amount of 10.0% First Priority Senior Secured Notes due 2023 (the “Notes”). The Notes are guaranteed by certain subsidiaries of the Company. The Notes bear interest at a rate of 10.0% per year. The Company pays interest on the Notes on January 15 and July 15 of each year, commencing on January 15, 2018. The Notes are guaranteed by subsidiary guarantors pursuant to a supplemental indenture. The Notes will mature on July 15, 2023.

### *Accounts Receivables Securitization Facility*

On January 10, 2020, certain subsidiaries of the Company entered into a \$160.0 million A/R Facility with a five year term. In the A/R Facility, (i) Exela Receivables 1, LLC (the “A/R Borrower”), a wholly-owned indirect subsidiary of the Company, entered into a Loan and Security Agreement (the “A/R Loan Agreement”), dated as of January 10, 2020, with TPG Specialty Lending, Inc., as administrative agent (the “A/R Administrative Agent”), PNC Bank National Association, as LC Bank (the “LC Bank”), the lenders (each, an “A/R Lender” and collectively the “A/R Lenders”) and the Company, as initial servicer, pursuant to which the A/R Lenders will make loans (the “Loan”) to the A/R Borrower to be used to purchase certain receivables and related assets from its sole member, Exela Receivables Holdco, LLC (the “Parent SPE”), a wholly-owned indirect subsidiary of the Company, (ii) sixteen other indirect, wholly-owned U.S. subsidiaries of the Company (collectively, the “Originators”) sold or contributed and will sell or contribute to the Parent SPE certain receivables and related assets in consideration for a combination of cash, equity in the Parent SPE and/or letters of credit issued by the LC Bank to the Originators; and (iii) the Parent SPE has sold or contributed and will sell or contribute to the Borrower certain receivables and related assets in consideration for a combination of cash, equity in the A/R Borrower and/or letters of credit issued by the LC Bank to the beneficiaries elected by Parent SPE.

The Company, the Parent SPE, the A/R Borrower and the Originators provide customary representations and covenants pursuant to the agreements entered into in connection with the A/R Facility. The A/R Loan Agreement provides for certain events of default upon the occurrence of which the A/R Administrative Agent may declare the A/R Facility’s termination date to have occurred and declare the outstanding Loan and all other obligations of the A/R Borrower to be immediately due and payable. The Company used the proceeds of the initial borrowings to repay outstanding revolving borrowings under the Company’s senior credit facility and to provide additional liquidity and funding for the ongoing business needs of the Company and its subsidiaries.

Pursuant to the A/R Loan Agreement, each of Company, the A/R Borrower, the Parent SPE and the Originators (the “Exela Parties”) is prohibited from amending or modifying any Existing Secured Debt Documents (as defined in the A/R Loan Agreement) if such amendment or modification could: (i) by its terms cause any Exela Party to be unable to perform its obligations under Transaction Documents (as defined in the A/R Loan Agreement), (ii) cause any inaccuracy or breach of any representation, warranty, or covenant of any Exela Party, (iii) could subject any existing or subsequently arising Collateral to an Adverse Claim (each as defined in the A/R Loan Agreement), or (iv) adversely affect any rights or remedies of the Lenders, the LC Bank and the A/R Administrative Agent under the A/R Facility. The A/R Borrower and Parent SPE were formed in December 2019, and are consolidated into the Company’s financial statements even though they had no material assets or operations during the year end December 31, 2019. The A/R Borrower and Parent SPE are bankruptcy remote entities and as such their assets are not available to creditors of the Company or any of its subsidiaries. Since January 10, 2020, the parties have amended and waived the A/R Facility several times to address contractually, the occurrence of certain events, including among other things, the delay in delivery of annual financial statements for the fiscal year ended 2019, financial statements for the quarter ended March 31, 2020, and the Initial Servicer’s Liquidity (as defined in the A/R Facility) falling below \$60.0 million. In connection with these amendments a forbearance fee of \$4.8 million was due and added to the outstanding principal balance of the loans.

Each loan under the A/R Facility originally bore interest on the unpaid principal amount as follows: (1) if a Base Rate Loan, at 3.75% plus a rate equal to the greater of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50%, (c) the Adjusted LIBOR Rate (which rate shall be calculated based upon an Interest Period of one month and determined on a daily basis) plus 1.00%, and (d) 4.50% per annum and (2) if a LIBOR Rate Loan, 4.75% plus a floating LIBOR Rate with a 1.00% LIBOR floor. In connection with the above described amendments to the A/R Facility, the applicable margin of the Base Rate Loans was increased to 5.75% and the LIBOR Rate Loans was increased to 6.75%. As of June 30, 2020, there were \$86.0 million borrowings under the A/R Facility.

### **Potential Future Transactions**

We may, from time to time explore and evaluate possible strategic transactions, which may include joint ventures, as well as business combinations or the acquisition or disposition of assets. In order to pursue certain of these

opportunities, additional funds will likely be required. Subject to applicable contractual restrictions, to obtain such financing, we may seek to use cash on hand, borrowings under our revolving credit facilities, or we may seek to raise additional debt or equity financing through private placements or through underwritten offerings. There can be no assurance that we will enter into additional strategic transactions or alliances, nor do we know if we will be able to obtain the necessary financing for transactions that require additional funds on favorable terms, if at all. In addition, pursuant to the Registration Rights Agreement that we entered into in connection with the closing of the Novitex Business Combination, certain of our stockholders have the right to demand underwritten offerings of our Common Stock. We may from time to time in the future explore, with certain of those stockholders the possibility of an underwritten public offering of our Common Stock held by those stockholders. There can be no assurance as to whether or when an offering may be commenced or completed, or as to the actual size or terms of the offering.

### **Off Balance Sheet Arrangements**

At June 30, 2020, we had no material off balance sheet arrangements, except letters of credit described above under Liquidity and Capital Resources. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

The HGM Group and other former SourceHOV equity holders formed Ex-Sigma and its wholly-owned subsidiary, Ex-Sigma 2, to hold the Exela shares to be issued to SourceHOV as merger consideration upon the closing of the Novitex Business Combination and to invest in Exela immediately prior to the closing. Ex-Sigma 2 secured additional PIPE financing in the form of a \$55.8 million loan (the "Margin Loan") that was used to purchase additional common and preferred shares from the Company to help meet the minimum cash requirements needed to close the Novitex Business Combination. As a result of these transactions, the Company issued 84,912,500 shares of Common Stock to Ex-Sigma 2 at the closing, which represented approximately 54.9% ownership in the Company at that time and were pledged as collateral for the Margin Loan.

The Company determined that Ex-Sigma was a variable interest entity and that the Company had a variable interest in Ex-Sigma through an expense reimbursement arrangement related to the Margin Loan and contained in the Consent, Waiver and Amendment. The Consent, Waiver and Amendment provided among other things for the Company to reimburse Ex-Sigma for costs and fees related to the maintenance of the Margin Loan, other than payments of principal, interest and original issue discount.

The Company was not the primary beneficiary because the Company did not have the power to direct the activities that most significantly impacted the economic performance of Ex-Sigma. Accordingly, the Company did not consolidate the financial statements of Ex-Sigma and did not have any assets or liabilities related to Ex-Sigma and the Company did not have an investment in Ex-Sigma. The Company reaffirmed its assessment as of June 30, 2020.

Ex-Sigma 2 paid off the balance of the Margin Loan as of December 31, 2019, and as such the maximum exposure to loss as a result of the Company's involvement with Ex-Sigma is \$0. Ex-Sigma 2 distributed the shares held by it during the first quarter of 2020 and is no longer a shareholder of Exela. Ex-Sigma and Ex-Sigma 2 ceased to be variable interest entities upon the distribution that occurred on February 21, 2020.

### **Item 3. Quantitative and Qualitative Disclosure About Market Risk**

#### **Interest Rate Risk**

At June 30, 2020, we had \$1,529.9 million of debt outstanding, with a weighted average interest rate of 9.6%. Interest is calculated under the terms of our 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 \$15.3 million per year. In order to mitigate interest rate fluctuations with respect to term loan borrowings under the Credit Agreement, in November 2017, we entered into a three year one-month LIBOR interest rate swap contract with a notional amount of \$347.8 million, which at the time was the remaining principal balance of the term loan. The swap

contract swaps out the floating rate interest risk related to the LIBOR with a fixed interest rate of 1.9275% effective January 12, 2018.

The interest rate swap, which is used to manage our exposure to interest rate movements and other identified risks, was not designated as a hedge. As such, changes in the fair value of the derivative are recorded directly to other expense (income), net. Other expense (income), net includes a loss of \$0.4 million and \$4.4 million related to changes in the fair value of the interest rate swap for the six months ended June 30, 2020 and 2019, respectively.

#### **Foreign Currency Risk**

We are 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**

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

### **Item 4. Internal Controls and Procedures**

#### **Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that material information required to be disclosed in our reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, with a company have been detected.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective due to material weaknesses in internal control over financial reporting described in our Annual Report.

Notwithstanding such material weaknesses in internal control over financial reporting, our management, including our CEO and CFO, has concluded that our consolidated financial statements present fairly, in all material respects, our financial position, results of our operations and our cash flows for the periods presented in this Quarterly Report, in conformity with U.S. generally accepted accounting principles.

#### **Remediation**

As previously described in Part II—Item 9A – Controls and Procedures of our Annual Report, we began implementing a remediation plan to address the material weaknesses mentioned above. The weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

## Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter-ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II OTHER INFORMATION

### Item 1. Legal Proceedings

#### *Appraisal Action*

On September 21, 2017, former stockholders of SourceHOV, who owned 10,304 shares of SourceHOV common stock, filed an Appraisal Action. The Appraisal Action arose out of a preliminary transaction in connection with the Novitex Business Combination, and the petitioners sought, among other things, a determination of the fair value of their shares at the time of the Novitex Business Combination; an order that SourceHOV pay that value to the petitioners, together with interest at the statutory rate; and an award of costs, attorneys' fees, and other expenses. During the trial the parties and their experts offered competing valuations of the SourceHOV shares as of the date of the Novitex Business Combination. SourceHOV argued the value was no more than \$1,633.85 per share and the petitioners argued the value was at least \$5,079.28 per share. On January 30, 2020, the Court issued its post-trial Memorandum Opinion in the Appraisal Action, in which it found that the fair value of SourceHOV as of the date of the Novitex Business Combination was \$4,591 per share, and on March 26, 2020, the Court issued its final order awarding the petitioners \$57,698,426 inclusive of costs and interest. Per the Court's opinion, the legal rate of interest, compounded quarterly, accrues on the per share value from the July 2017 closing date of the Novitex Business Combination until the date of payment to petitioners.

On May 7, 2020, SourceHOV filed a motion for new trial in relation to share count. On June 11, 2020 the Court denied SourceHOV's motion for new trial. SourceHOV filed a notice of appeal in relation to the Appraisal Action with the Supreme Court of the State of Delaware on June 30, 2020. The appeal brief is due on August 26, 2020. At this time, we cannot determine whether the appeal will be successful. At present, SourceHOV has not posted a bond to stay the judgment in the Appraisal Action, and to date, the petitioners have not been successful in their attempts to collect on the judgment against SourceHOV.

The petitioners have filed additional actions to recognize the judgment against SourceHOV and an action alleging unjust enrichment and seeking restitution and to pierce the corporate veil and seek alter ego liability against Exela Technologies, Inc. and over 50 alleged subsidiaries and/or affiliates in an attempt to collect the award in the Appraisal Action from entities other than SourceHOV. Although the Company believes that it has valid defenses to these ancillary proceedings, the ancillary proceedings are in the preliminary stages and there can be no assurance that the Company will be successful.

As a result of the Appraisal Action, 4,570,734 shares of our Common Stock issued to Ex-Sigma 2 were returned to the Company during the first quarter of 2020. As of June 30, 2020, the Company accrued a liability of \$58.5 million for the Appraisal Action based on management's best estimate of SourceHOV's total payment obligation including accrued interest. As a result of the appeal of the Appraisal Action and the status of the ancillary proceedings, the Company believes that this matter may not be fully resolved in the next four fiscal quarters. The Company is not required to make a payment towards settlement or post a letter of credit while the Appraisal Action is under appeal.

#### *Class Action*

On March 23, 2020, the Plaintiff, Bo Shen, filed a putative class action against the Company, Ronald Cogburn, the Company's Chief Executive Officer, and James Reynolds, the Company's former Chief Financial Officer. Plaintiff claims to be a current holder of 4,000 shares of Company stock, purchased on October 4, 2019 at \$1.34/share. Plaintiff asserts two claims covering the purported class period of March 16, 2018 to March 16, 2020: (1) a violation of Section 10(b) and Rule 10b-5 of the Exchange Act against all defendants; and (2) a violation of Section 20(a) of the Exchange

Act against Mr. Cogburn and Mr. Reynolds. The allegations stem from the Company's press release, dated March 16, 2020 (announcing the postponement of the earnings call and delay in filing of its annual report on Form 10-K for the fiscal year ended December 31, 2019), and press release and related SEC filings, dated March 17, 2020 (announcing its intent to restate its financial statements for 2017, 2018 and interim periods through September 30, 2019). At this early stage in the litigation, it is not practicable to render an opinion about whether an unfavorable outcome is probable or remote with respect to this matter; however, the Company believes it has meritorious defenses and will vigorously assert them.

#### *Derivative Action*

On July 8, 2020 Plaintiff, Gregory McKenny filed a shareholder derivative action asserting the following claims against current and former directors and officers of Exela: (1) Violations of Section 14(a) of the Exchange Act; (2) Violations of Section 10(b) and Rule 10b-5 of the Exchange Act; (3) Violations of Section 20(a) of the Exchange Act; (4) breach of fiduciary duty; (5) unjust enrichment; and (6) waste of corporate assets. The claims stem from substantially the same factual allegations set forth in the *Shen* securities class action lawsuit, described above. At this time, it is not practicable to render an opinion about whether an unfavorable outcome is probable or remote with respect to this matter; however, the Company believes it has meritorious defenses and will vigorously assert them.

#### *Other*

We are, from time to time, involved in other legal proceedings, inquiries, claims and disputes, which arise in the ordinary course of business. Although our management cannot predict the outcomes of these matters, our management believes these actions will not have a material, adverse effect on our financial position, results of operations or cash flows.

#### **Item 1A. Risk Factors.**

In addition to the other information set forth in this report, you should carefully consider the risk factors described in Part I, "Item 1A. Risk Factors" in our Annual Report and as supplemented in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, which could materially affect our business, financial condition and/or operating results. The risks described in these Risk Factors are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

#### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

#### **Item 3. Defaults Upon Senior Securities.**

None.

#### **Item 4. Mine Safety Disclosures.**

Not applicable.

#### **Item 5. Other Information.**

The Company expects to receive a delisting determination letter from the Nasdaq Stock Market Listing Qualifications Department due to the Company's failure to regain compliance with the Nasdaq Capital Market's minimum \$1.00 per share bid price requirement for the continued listing of its Common Stock on The Nasdaq Capital Market as set forth in Nasdaq Listing Rule 5550(a)(2) within the time provided by Nasdaq to regain compliance under its rules. As previously announced, pursuant to Nasdaq Listing Rules, as tolled for the current COVID-19 pandemic, the Company had until August 10, 2020 to regain compliance with the minimum bid price requirement. To regain

compliance, the closing bid price of the Company's Common Stock must meet or exceed \$1.00 per share for a minimum of ten consecutive business days. The Company intends to appeal the determination by requesting a hearing before a Hearings Panel within seven days of receipt of the letter. A hearing request will stay the delisting until the hearing process concludes and the Hearing Panel has issued a written decision. The Company is considering a number of alternatives to regain compliance with the continued listing requirement, however, there can be no assurance that the Hearing Panel will grant the Company's request for continued listing.

**Item 6. Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#">Restated Certificate of Incorporation, dated July 12, 2017. (1)</a>
3.2	<a href="#">Second Amended and Restated Bylaws, dated November 6, 2019. (2)</a>
4.1	<a href="#">Specimen Common Stock Certificate. (3)</a>
4.2	<a href="#">Specimen Warrant Certificate. (3)</a>
4.3	<a href="#">Form of Warrant Agreement between Continental Stock Transfer &amp; Trust Company and the Registrant. (3)</a>
4.4	<a href="#">Indenture, dated July 12, 2017, by and among Exela Intermediate LLC and Exela Finance Inc. as Issuers, the Subsidiary Guarantors set forth therein and Wilmington Trust, National Association, as Trustee. (1)</a>
4.5	<a href="#">First Supplemental Indenture, dated July 12, 2017, by and among Exela Intermediate LLC and Exela Finance Inc., as Issuers, the Subsidiary Guarantors set forth therein and Wilmington Trust, National Association, as Trustee. (1)</a>
4.6	<a href="#">Second Supplemental Indenture, dated May 20, 2020, by and among Exela Intermediate LLC and Exela Finance Inc., as Issuers, Merco Holdings, LLC as Subsidiary Guarantor and Wilmington Trust, National Association, as Trustee.</a>
10.1	<a href="#">Second Amendment to Loan and Security Agreement, dated as of March 30, 2020, by and among Exela Receivables 1, LLC, Exela Technologies, Inc., the Lenders, and TPG Specialty Lending, Inc.</a>
10.2	<a href="#">Third Amendment to Loan and Security Agreement, dated as of April 9, 2020, by and among Exela Receivables 1, LLC, Exela Technologies, Inc., the Lenders, and TPG Specialty Lending, Inc.</a>
10.3	<a href="#">Fourth Amendment to Loan and Security Agreement, dated as of April 13, 2020, by and among Exela Receivables 1, LLC, Exela Technologies, Inc., the Lenders, and TPG Specialty Lending, Inc.</a>
10.4	<a href="#">Fifth Amendment to Loan and Security Agreement, dated as of April 27, 2020, by and among Exela Receivables 1, LLC, Exela Technologies, Inc., the Lenders, and TPG Specialty Lending, Inc.</a>
10.5	<a href="#">Forbearance Agreement, dated as of May 11, 2020, by and among Exela Receivables 1, LLC, Exela Technologies, Inc., Exela Receivables Holdco, LLC, the Originators, PNC Bank, National Association, and TPG Specialty Lending, Inc. (4)</a>
10.6	<a href="#">Transition Agreement, dated as of May 15, 2020, by and between Exela Technologies, Inc. and James G. Reynolds.</a>
10.7	<a href="#">Amended and Restated Forbearance Agreement, dated as of May 18, 2020, by and among Exela Receivables 1, LLC, Exela Technologies, Inc., Exela Receivables Holdco, LLC, the Originators, PNC Bank, National Association, and TPG Specialty Lending, Inc. (5)</a>
10.8	<a href="#">Sixth Amendment to Loan and Security Agreement, dated as of May 21, 2020, by and among Exela Receivables 1, LLC, Exela Technologies, Inc., the Lenders, and TPG Specialty Lending, Inc.</a>
10.9	<a href="#">Limited Waiver to Loan and Security Agreement, dated as of May 21, 2020, by and among Exela Receivables 1, LLC, Exela Technologies, Inc., Exela Receivables Holdco, LLC, and TPG Specialty Lending, Inc.</a>
10.10	<a href="#">Third Amendment to First Lien Credit Agreement and First Amendment to Collateral Agency and Security Agreement (First Lien), dated as of May 15, 2020, by and among Exela Intermediate Holdings LLC, Exela Intermediate LLC, each Subsidiary Loan Party party thereto, the Lenders party thereto and Wilmington Savings Fund Society, FSB (5)</a>
31.1	<a href="#">Certification of the Principal Executive Officer required by Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002</a>
31.2	<a href="#">Certification of the Principal Financial and Accounting Officer required by Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002</a>
32.1	<a href="#">Certification of the Principal Executive Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002</a>

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32.2	<a href="#">Certification of the Principal Financial and Accounting Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002</a>
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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- (1) Incorporated by reference to the Registrants' Current Report on Form 8 K, filed on July 18, 2017.
- (2) Incorporated by reference to the Registrants' Quarterly Report on Form 10-Q, filed on November 12, 2019.
- (3) Incorporated by reference to the Registrants' Registration Statement on Form S 1 (SEC File No. 333 198988).
- (4) Incorporated by reference to the Registrants' Current Report on Form 8 K, filed on May 15, 2020.
- (5) Incorporated by reference to the Registrants' Current Report on Form 8 K, filed on May 21, 2020.

**SIGNATURES**

Pursuant to the requirements of the Section 13 or 15 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 10<sup>th</sup> day of August, 2020.

EXELA TECHNOLOGIES, INC.

By: /s/ Ronald Cogburn  
Ronald Cogburn  
Chief Executive Officer (Principal Executive Officer)

By: /s/ Shrikant Sortur  
Shrikant Sortur  
Chief Financial Officer (Principal Financial and  
Accounting Officer)

**SECOND SUPPLEMENTAL INDENTURE**

SECOND SUPPLEMENTAL INDENTURE (this “Supplemental Indenture”) dated as of May 20, 2020, among MERCO HOLDINGS, LLC, a Delaware limited liability company (the “New Subsidiary Guarantor”), a subsidiary of EXELA INTERMEDIATE LLC, a Delaware limited liability company (or its successor) (the “Company”), EXELA FINANCE INC., a Delaware corporation (the “Co-Issuer” and together with the Company, the “Issuers”) and WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

## W I T N E S S E T H :

WHEREAS, the Issuers, certain Subsidiary Guarantors and the Trustee have heretofore executed an indenture, dated as of July 12, 2017 (as supplemented by the First Supplemental Indenture, dated as of July 12, 2017, and as further amended, supplemented or otherwise modified, the “Indenture”), providing for the issuance of the Issuers’ 10.000% First- Priority Senior Secured Notes due 2023 (the “Notes”), initially in the aggregate principal amount of \$1,000,000,000;

WHEREAS, Sections 4.11 and 12.07 of the Indenture provide that under certain circumstances the Issuers are required to cause the New Subsidiary Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Subsidiary Guarantor shall unconditionally guarantee all the Issuers’ Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee and the Issuers are authorized to execute and deliver this Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Subsidiary Guarantor, the Issuers and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined, except that the term “holders” in this Supplemental Indenture shall refer to the term “holders” as defined in the Indenture and the Trustee acting on behalf of and for the benefit of such holders. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Supplemental Indenture refer to this Supplemental Indenture as a whole and not to any particular Section hereof.

2. Agreement to Guarantee. The New Subsidiary Guarantor hereby agrees, jointly and severally with all existing Subsidiary Guarantors (if any), to unconditionally guarantee the Issuers’ Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article XII of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a Subsidiary Guarantor under the Indenture.

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3. Notices. All notices or other communications to the New Subsidiary Guarantor shall be given as provided in Section 13.02 of the Indenture.

4. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture or as to the statements made in the recitals.

7. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

8. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

*[Remainder of page intentionally left blank.]*

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

**EXELA INTERMEDIATE LLC, as Issuer**

By: /s/ Ronald Cogburn  
Name: Ronald Cogburn  
Title: Chief Executive Officer

**EXELA FINANCE INC., as Co-Issuer**

By: /s/ Ronald Cogburn  
Name: Ronald Cogburn  
Title: Chief Executive Officer

**MERCO HOLDINGS, LLC, as a Subsidiary Guarantor**

By: /s/ Ronald Cogburn  
Name: Ronald Cogburn  
Title: Chief Executive Officer

*[Signature Page to Second Supplemental Indenture (Exela)]*

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**WILMINGTON TRUST, NATIONAL  
ASSOCIATION**, not in its individual capacity, but solely  
as Trustee

By: /s/ Jane Schweiger

Name: Jane Schweiger

Title: Vice President

*[Signature Page to Second Supplemental Indenture (Exela)]*

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**SECOND AMENDMENT TO  
LOAN AND SECURITY AGREEMENT**

THIS SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment"), dated as of March 30, 2020 (the "Effective Date"), is entered into by and among **Exela Receivables 1, LLC**, a Delaware limited liability company ("Borrower"), **Exela Technologies, Inc.**, a Delaware corporation, as servicer ("Initial Servicer"), the persons from time to time party thereto as lenders ("Lenders"), **TPG Specialty Lending, Inc.**, a Delaware corporation ("TSL"), as administrative agent for the Lenders (in such capacity, "Administrative Agent"). This Amendment shall be deemed one of the Transaction Documents referenced in the Loan Agreement.

**RECITALS**

WHEREAS, Borrower, Initial Servicer, Lenders, Administrative Agent and PNC Bank, National Association are parties to that certain Loan and Security Agreement, dated as of January 10, 2020 (as amended by that certain First Amendment to Loan and Security Agreement, dated as of March 16, 2020, and as may be further amended, modified or supplemented from time to time, the "Loan Agreement").

WHEREAS, the Initial Servicer has requested that Administrative Agent and Lenders extend the deadline for the Initial Servicer's delivery of the audited financial statements for the fiscal year ending December 31, 2019 as set forth below; and

WHEREAS, Administrative Agent and Lenders have agreed to such extension under the Loan Agreement on the terms and subject to the conditions set forth in this Amendment.

**AGREEMENT**

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

**ARTICLE I**

**Definitions**

Capitalized terms used in this Amendment are defined in the Loan Agreement unless otherwise stated.

**ARTICLE II**

**Amendments**

2.1 Section 8.05(a)(ii) of the Loan Agreement is hereby amended and restated in its entirety as follows:

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“(ii) Annual Financial Statements. (x) With respect to the fiscal year ending December 31, 2019, on or before April 9, 2020, and (y) within ninety (90) days after the end of each fiscal year of Parent commencing on the fiscal year ending December 31, 2020, in each case, a consolidated balance sheet of Parent and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of comprehensive income and cash flows for such fiscal year, together with related notes thereto, setting forth in each case in comparative form the figures for the previous fiscal year, in reasonable detail and all prepared in accordance with GAAP, audited and accompanied by a report and opinion of an independent registered public accounting firm of nationally recognized standing, which report and opinion (a) shall be prepared in accordance with generally accepted auditing standards and (b) shall not include any qualification, exception or explanatory paragraph expressing substantial doubt about the ability of Parent or any of its Subsidiaries to continue as a going concern or any qualification or exception as to the scope of such audit.”

2.2 Clause (C) of Section 10.01(a)(ii) of the Loan Agreement is hereby amended and restated in its entirety as follows:

“(C) the Borrower or Initial Servicer, as applicable, shall breach any provision of (x) Sections 8.03, or any of Sections 8.04(e), 8.04(h), 8.06(a), 8.06(b), 8.06(c), 8.06(d), 8.06(i) or 8.06(j) or (y) solely with respect to the financial statements as of and for the fiscal year ending December 31, 2019, Section 8.05(a)(ii);”

### ARTICLE III

#### Conditions Precedent

The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent in a manner satisfactory to Administrative Agent, unless specifically waived in writing by Administrative Agent:

1. Administrative Agent shall have received this Amendment duly executed by Borrower and the Initial Servicer;
  2. No Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default is then continuing unless (solely in the case of an Unmatured Initial Servicer Default or Initial Servicer Default) such Unmatured Initial Servicer Default or Initial Servicer Default is a Specified Initial Servicer Default (as defined the Limited Waiver);
  3. Borrower’s and Initial Servicer’s representations and warranties set forth herein and in the applicable Transaction Agreement shall be true and correct in all material respects; and
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4. All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to Administrative Agent.

#### ARTICLE IV

##### **No Waiver**

Nothing contained in this Amendment or any other communication between Administrative Agent (except with respect to the Limited Waiver to Loan and Security Agreement, dated March 16, 2020 (the "Limited Waiver")), Borrower, Initial Servicer and/or any Lender shall be a consent or waiver of any past, present or future condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default of Borrower or Initial Servicer under the Loan Agreement or any Transaction Document. Administrative Agent and the Lenders hereby expressly reserve any rights, privileges and remedies under the Loan Agreement and each Transaction Document that Administrative Agent or the Lenders may have with respect to any condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default, and any failure by Administrative Agent or the Lenders to exercise any right, privilege or remedy as a result of any such condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default shall not directly or indirectly in any way whatsoever either (i) impair, prejudice or otherwise adversely affect the rights of Administrative Agent or the Lenders at any time to exercise any right, privilege or remedy in connection with the Loan Agreement or any Transaction Document, (ii) amend or alter any provision of the Loan Agreement or any Transaction Document or any other contract or instrument, or (iii) constitute any course of dealing or other basis for altering any obligation of Borrower or Initial Servicer or any rights, privilege or remedy of Administrative Agent or the Lenders under the Loan Agreement or any Transaction Document or any other contract or instrument.

Borrower and Initial Servicer are hereby notified that irrespective of any waivers or consents previously granted by Administrative Agent or Lenders regarding the Loan Agreement and the Transaction Documents, Borrower and Initial Servicer will be expected to comply strictly with their duties, obligations and agreements under the Loan Agreement and the Transaction Documents.

#### ARTICLE V

##### **Ratifications, Representations and Warranties**

5.1 **Ratifications.** The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Loan Agreement and the other Transaction Documents, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Loan Agreement and the other Transaction Documents are ratified and confirmed and shall continue in full force and effect. Borrower, Initial Servicer, Lenders and Administrative Agent agree that the Loan Agreement and the other Transaction Documents shall continue to be legal, valid, binding and enforceable in accordance with their respective terms. Each such party agrees that this Amendment is not intended to and shall not cause a novation with respect to any or all of the obligations under the Loan Agreement.

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5.2 **Representations and Warranties.** Each of Borrower and Initial Servicer hereby represents and warrants to Administrative Agent that (a) the execution, delivery and performance of this Amendment and any and all other Transaction Documents executed and/or delivered in connection herewith have been authorized by all requisite action (as applicable) on the part of such Person and will not violate the organizational documents of such Person; (b) the execution, delivery and performance of this Amendment and any and all other Transaction Documents executed and/or delivered in connection herewith has been fully and validly authorized by such Person; (c) other than the Existing Initial Servicer Default and Existing Defaults (each as defined in the Limited Waiver), no Default or Event of Default under the Loan Agreement has occurred and is continuing; (d) other than the Existing Initial Servicer Default and Existing Defaults (each as defined in the Limited Waiver), each of Borrower and Initial Servicer is in full compliance in all material respects with all covenants and agreements contained in the Loan Agreement and the other Transaction Documents; and (e) except as disclosed to Administrative Agent, none of Borrower, or Initial Servicer has amended any of its organizational documents since the date of the Loan Agreement.

## ARTICLE VI

### **Miscellaneous Provisions**

6.1 **Severability.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

6.2 **Counterparts.** This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. This Amendment may be executed by facsimile transmission, which facsimile signatures shall be considered original executed counterparts for purposes of this Section 6.2, and each party to this Amendment agrees that it will be bound by its own facsimile signature and that it accepts the facsimile signature of each other party to this Amendment.

6.3 **Headings.** The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

6.4 **Applicable Law.** THIS AMENDMENT AND ALL OTHER TRANSACTION DOCUMENTS EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

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IN WITNESS WHEREOF, this Amendment has been executed and is effective as of the date first above-written.

**BORROWER:**

**EXELA RECEIVABLES 1, LLC**

By: /s/ James G Reynolds  
Name: James G. Reynolds  
Title: Chief Financial Officer

**INITIAL SERVICER:**

**EXELA TECHNOLOGIES, INC.**

By: /s/ James G Reynolds  
Name: James G. Reynolds  
Title: Chief Financial Officer

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**ADMINISTRATIVE AGENT:**

**TPG SPECIALTY LENDING, INC.**

By: /s/ Joshua Easterly

Name: Joshua Easterly

Title: Chairman and CEO

**LENDERS:**

**TPG SPECIALTY LENDING, INC.**

By: /s/ Joshua Easterly

Name: Joshua Easterly

Title: Chairman and CEO

**PNC BANK, NATIONAL ASSOCIATION**

By: /s/ Michael Brown

Name: Michael Brown

Title: Sr. Vice President

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Acknowledged and agreed:

**EXELA TECHNOLOGIES, INC.,  
as Performance Guarantor**

By: /s/ James G Reynolds  
Name: James G. Reynolds  
Title: Chief Financial Officer

**EXELA RECEIVABLES HOLDCO, LLC,  
as Pledgor**

By: /s/ James G Reynolds  
Name: James G. Reynolds  
Title: Chief Financial Officer

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**THIRD AMENDMENT TO  
LOAN AND SECURITY AGREEMENT**

THIS THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment"), dated as of April 9, 2020 (the "Effective Date"), is entered into by and among **Exela Receivables 1, LLC**, a Delaware limited liability company ("Borrower"), **Exela Technologies, Inc.**, a Delaware corporation, as servicer ("Initial Servicer"), the persons from time to time party thereto as lenders ("Lenders"), **TPG Specialty Lending, Inc.**, a Delaware corporation ("TSL"), as administrative agent for the Lenders (in such capacity, "Administrative Agent"). This Amendment shall be deemed one of the Transaction Documents referenced in the Loan Agreement.

**RECITALS**

WHEREAS, Borrower, Initial Servicer, Lenders, Administrative Agent and PNC Bank, National Association are parties to that certain Loan and Security Agreement, dated as of January 10, 2020 (as amended by that certain First Amendment to Loan and Security Agreement, dated as of March 16, 2020 and that certain Second Amendment to Loan and Security Agreement, dated as of March 30, 2020, and as may be further amended, modified or supplemented from time to time, the "Loan Agreement").

WHEREAS, the Initial Servicer has requested that Administrative Agent and Lenders extend the deadline for the Initial Servicer's delivery of the audited financial statements for the fiscal year ending December 31, 2019 as set forth below; and

WHEREAS, Administrative Agent and Lenders have agreed to such extension under the Loan Agreement on the terms and subject to the conditions set forth in this Amendment.

**AGREEMENT**

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

**ARTICLE I**

**Definitions**

Capitalized terms used in this Amendment are defined in the Loan Agreement unless otherwise stated.

**ARTICLE II**

**Amendments**

2.1 Section 8.05(a)(ii) of the Loan Agreement is hereby amended and restated in its entirety as follows:

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“(ii) Annual Financial Statements. (x) With respect to the fiscal year ending December 31, 2019, on or before April 13, 2020, and (y) within ninety (90) days after the end of each fiscal year of Parent commencing on the fiscal year ending December 31, 2020, in each case, a consolidated balance sheet of Parent and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of comprehensive income and cash flows for such fiscal year, together with related notes thereto, setting forth in each case in comparative form the figures for the previous fiscal year, in reasonable detail and all prepared in accordance with GAAP, audited and accompanied by a report and opinion of an independent registered public accounting firm of nationally recognized standing, which report and opinion (a) shall be prepared in accordance with generally accepted auditing standards and (b) shall not include any qualification, exception or explanatory paragraph expressing substantial doubt about the ability of Parent or any of its Subsidiaries to continue as a going concern or any qualification or exception as to the scope of such audit.”

### **ARTICLE III**

#### **Conditions Precedent**

The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent in a manner satisfactory to Administrative Agent, unless specifically waived in writing by Administrative Agent:

1. Administrative Agent shall have received this Amendment duly executed by Borrower and the Initial Servicer;
2. No Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default is then continuing unless (solely in the case of an Unmatured Initial Servicer Default or Initial Servicer Default) such Unmatured Initial Servicer Default or Initial Servicer Default is a Specified Initial Servicer Default (as defined in that certain;
3. Borrower’s and Initial Servicer’s representations and warranties set forth herein and in the applicable Transaction Agreement shall be true and correct in all material respects; and
4. All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to Administrative Agent.

### **ARTICLE IV**

#### **No Waiver**

Nothing contained in this Amendment or any other communication between Administrative Agent (except with respect to the Limited Waiver to Loan and Security Agreement,

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dated March 16, 2020 (the “Limited Waiver”), Borrower, Initial Servicer and/or any Lender shall be a consent or waiver of any past, present or future condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default of Borrower or Initial Servicer under the Loan Agreement or any Transaction Document. Administrative Agent and the Lenders hereby expressly reserve any rights, privileges and remedies under the Loan Agreement and each Transaction Document that Administrative Agent or the Lenders may have with respect to any condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default, and any failure by Administrative Agent or the Lenders to exercise any right, privilege or remedy as a result of any such condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default shall not directly or indirectly in any way whatsoever either (i) impair, prejudice or otherwise adversely affect the rights of Administrative Agent or the Lenders at any time to exercise any right, privilege or remedy in connection with the Loan Agreement or any Transaction Document, (ii) amend or alter any provision of the Loan Agreement or any Transaction Document or any other contract or instrument, or (iii) constitute any course of dealing or other basis for altering any obligation of Borrower or Initial Servicer or any rights, privilege or remedy of Administrative Agent or the Lenders under the Loan Agreement or any Transaction Document or any other contract or instrument.

Borrower and Initial Servicer are hereby notified that irrespective of any waivers or consents previously granted by Administrative Agent or Lenders regarding the Loan Agreement and the Transaction Documents, Borrower and Initial Servicer will be expected to comply strictly with their duties, obligations and agreements under the Loan Agreement and the Transaction Documents.

## ARTICLE V

### **Ratifications, Representations and Warranties; Release of Claims**

5.1 **Ratifications.** The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Loan Agreement and the other Transaction Documents, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Loan Agreement and the other Transaction Documents are ratified and confirmed and shall continue in full force and effect. Borrower, Initial Servicer, Lenders and Administrative Agent agree that the Loan Agreement and the other Transaction Documents shall continue to be legal, valid, binding and enforceable in accordance with their respective terms. Each such party agrees that this Amendment is not intended to and shall not cause a novation with respect to any or all of the obligations under the Loan Agreement.

5.2 **Representations and Warranties.** Each of Borrower and Initial Servicer hereby represents and warrants to Administrative Agent that (a) the execution, delivery and performance of this Amendment and any and all other Transaction Documents executed and/or delivered in connection herewith have been authorized by all requisite action (as applicable) on the part of such Person and will not violate the organizational documents of such Person; (b) the execution, delivery and performance of this Amendment and any and all other Transaction Documents executed and/or delivered in connection herewith has been fully and validly authorized by such Person; (c) other than the Existing Initial Servicer Default and Existing Defaults (each as defined in the Limited Waiver), no Default or Event of Default under the Loan Agreement has occurred

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and is continuing; (d) other than the Existing Initial Servicer Default and Existing Defaults (each as defined in the Limited Waiver), each of Borrower and Initial Servicer is in full compliance in all material respects with all covenants and agreements contained in the Loan Agreement and the other Transaction Documents; and (e) except as disclosed to Administrative Agent, none of Borrower, or Initial Servicer has amended any of its organizational documents since the date of the Loan Agreement.

### **5.3 Release of Claims.**

(a) In consideration of the agreements of Administrative Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Borrower and Initial Servicer (together with their Affiliates, the "Loan Parties"), on behalf of each of their respective successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Administrative Agent and Lenders, their successors and assigns, their present and former shareholders, affiliates, subsidiaries, divisions, and predecessors, and the respective directors, officers, attorneys, employees, agents and other representatives of each of the foregoing (Administrative Agent, each Lender and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, each Loan Party or any of their successors, assigns, or other legal representatives now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever arising at any time based on facts or circumstances in existence on or prior to the date of this Amendment and are for or on account of, or in relation to, or in any way in connection with any of the Loan Agreement, or any of the other Transaction Documents or transactions thereunder or related thereto.

(b) Each Loan Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) Each Loan Party agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

(d) Each Loan Party, on behalf of itself and its respective successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Claim released, remised and discharged by each Loan Party or any other Person pursuant to this Section 5.3. If any Loan Party or any of their respective successors, assigns or other legal representatives violates the foregoing covenant, each Loan Party, for itself and its successors, assigns and legal representatives, agrees to pay,

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jointly and severally, in addition to such other damages as any Releasee sustains as a result of such violation, all attorneys' fees and costs incurred by any Releasee as a result of such violation.

## ARTICLE VI

### Miscellaneous Provisions

6.1 **Severability.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

6.2 **Counterparts.** This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. This Amendment may be executed by facsimile transmission, which facsimile signatures shall be considered original executed counterparts for purposes of this Section 6.2, and each party to this Amendment agrees that it will be bound by its own facsimile signature and that it accepts the facsimile signature of each other party to this Amendment.

6.3 **Headings.** The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

6.4 **Applicable Law.** THIS AMENDMENT AND ALL OTHER TRANSACTION DOCUMENTS EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

6.5 **Effectiveness.** This Amendment shall become effective upon the execution thereof by all parties and satisfaction of the conditions precedent set forth in Article III, and shall cease to be effective (and the provisions of the Loan Agreement and each other Transaction Document amended hereby shall revert to those in existence prior to the execution of this Amendment) at the close of business on April 15, 2020 if the Borrower has not paid in full by April 15, 2020 all costs and expenses of the Administrative Agent (including fees of legal counsel to the Administrative Agent) invoiced on or before April 13, 2020.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

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IN WITNESS WHEREOF, this Amendment has been executed and is effective as of the date first above-written.

**BORROWER:**

**EXELA RECEIVABLES 1, LLC**

By: /s/ James G Reynolds

Name: James G. Reynolds

Title: Chief Financial Officer

**INITIAL SERVICER:**

**EXELA TECHNOLOGIES, INC.**

By: /s/ James G Reynolds

Name: James G. Reynolds

Title: Chief Financial Officer

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**ADMINISTRATIVE AGENT:**

**TPG SPECIALTY LENDING, INC.**

By: /s/ Robert (Bo) Stanley

Name: Robert (Bo) Stanley

Title: President

**LENDERS:**

**TPG SPECIALTY LENDING, INC.**

By: /s/ Robert (Bo) Stanley

Name: Robert (Bo) Stanley

Title: President

**PNC BANK, NATIONAL ASSOCIATION**

By: /s/ Michael Brown

Name: Michael Brown

Title: Sr. Vice President

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Acknowledged and agreed:

**EXELA TECHNOLOGIES, INC.,  
as Performance Guarantor**

By: /s/ James G Reynolds  
Name: James G. Reynolds  
Title: Chief Financial Officer

**EXELA RECEIVABLES HOLDCO, LLC,  
as Pledgor**

By: /s/ James G Reynolds  
Name: James G. Reynolds  
Title: Chief Financial Officer

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## EXECUTION VERSION

**FOURTH AMENDMENT TO LOAN AND SECURITY AGREEMENT**

THIS FOURTH AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment"), dated as of April 13, 2020 (the "Effective Date"), is entered into by and among **Exela Receivables 1, LLC**, a Delaware limited liability company ("Borrower"), **Exela Technologies, Inc.**, a Delaware corporation, as servicer ("Initial Servicer"), the persons from time to time party thereto as lenders ("Lenders"), **TPG Specialty Lending, Inc.**, a Delaware corporation ("TSL"), as administrative agent for the Lenders (in such capacity, "Administrative Agent"). This Amendment shall be deemed one of the Transaction Documents referenced in the Loan Agreement.

**RECITALS**

WHEREAS, Borrower, Initial Servicer, Lenders, Administrative Agent and PNC Bank, National Association are parties to that certain Loan and Security Agreement, dated as of January 10, 2020 (as amended by that certain First Amendment to Loan and Security Agreement, dated as of March 16, 2020, that certain Second Amendment to Loan and Security Agreement, dated as of March 30, 2020 and that certain Third Amendment to Loan and Security Agreement, dated as of April 9, 2020, and as may be further amended, modified or supplemented from time to time, the "Loan Agreement").

WHEREAS, the Initial Servicer has requested that Administrative Agent and Lenders extend the deadline for the Initial Servicer's delivery of the audited financial statements for the fiscal year ending December 31, 2019 as set forth below; and

WHEREAS, Administrative Agent and Lenders have agreed to such extension under the Loan Agreement on the terms and subject to the conditions set forth in this Amendment.

**AGREEMENT**

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

**ARTICLE I****Definitions**

Capitalized terms used in this Amendment are defined in the Loan Agreement unless otherwise stated.

**ARTICLE II****Amendments**

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Section 8.05(a)(ii) of the Loan Agreement is hereby amended and restated in its entirety as follows:

“(ii) Annual Financial Statements. (x) With respect to the fiscal year ending December 31, 2019, on or before April 27, 2020, and (y) within ninety (90) days after the end of each fiscal year of Parent commencing on the fiscal year ending December 31, 2020, in each case, a consolidated balance sheet of Parent and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of comprehensive income and cash flows for such fiscal year, together with related notes thereto, setting forth in each case in comparative form the figures for the previous fiscal year, in reasonable detail and all prepared in accordance with GAAP, audited and accompanied by a report and opinion of an independent registered public accounting firm of nationally recognized standing, which report and opinion (a) shall be prepared in accordance with generally accepted auditing standards and (b) shall not include any qualification, exception or explanatory paragraph expressing substantial doubt about the ability of Parent or any of its Subsidiaries to continue as a going concern or any qualification or exception as to the scope of such audit.”

### **ARTICLE III**

#### **Conditions Precedent**

The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent in a manner satisfactory to Administrative Agent, unless specifically waived in writing by Administrative Agent:

1. Administrative Agent shall have received this Amendment duly executed by Borrower and the Initial Servicer;
2. No Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default is then continuing unless (solely in the case of an Unmatured Initial Servicer Default or Initial Servicer Default) such Unmatured Initial Servicer Default or Initial Servicer Default is a Specified Initial Servicer Default;
3. Borrower’s and Initial Servicer’s representations and warranties set forth herein and in the applicable Transaction Agreement shall be true and correct in all material respects; and
4. All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to Administrative Agent.

### **ARTICLE IV**

#### **No Waiver**

Nothing contained in this Amendment or any other communication between Administrative Agent (except with respect to the Limited Waiver to Loan and Security Agreement, dated March 16, 2020 (the “Limited Waiver”)), Borrower, Initial Servicer and/or any Lender shall be a consent or waiver of any past, present or future condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default of Borrower or Initial Servicer under the Loan Agreement or any Transaction Document. Administrative Agent and the Lenders hereby expressly reserve any rights, privileges and remedies under the Loan Agreement and each Transaction Document that Administrative Agent or the Lenders may have with respect to any condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default, and any failure by Administrative Agent or the Lenders to exercise any right, privilege or remedy as a result of any such condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default shall not directly or indirectly in any way whatsoever either (i) impair, prejudice or otherwise adversely affect the rights of Administrative Agent or the Lenders at any time to exercise any right, privilege or remedy in connection with the Loan Agreement or any Transaction Document, (ii) amend or alter any provision of the Loan Agreement or any Transaction Document or any other contract or instrument, or (iii) constitute any course of dealing or other basis for altering any obligation of Borrower or Initial Servicer or any rights, privilege or remedy of Administrative Agent or the Lenders under the Loan Agreement or any Transaction Document or any other contract or instrument.

Borrower and Initial Servicer are hereby notified that irrespective of any waivers or consents previously granted by Administrative Agent or Lenders regarding the Loan Agreement and the Transaction Documents, Borrower and Initial Servicer will be expected to comply strictly with their duties, obligations and agreements under the Loan Agreement and the Transaction Documents.

## ARTICLE V

### **Ratifications, Representations and Warranties; Release of Claims**

5.1 **Ratifications.** The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Loan Agreement and the other Transaction Documents, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Loan Agreement and the other Transaction Documents are ratified and confirmed and shall continue in full force and effect. Borrower, Initial Servicer, Lenders and Administrative Agent agree that the Loan Agreement and the other Transaction Documents shall continue to be legal, valid, binding and enforceable in accordance with their respective terms. Each such party agrees that this Amendment is not intended to and shall not cause a novation with respect to any or all of the obligations under the Loan Agreement.

5.2 **Representations and Warranties.** Each of Borrower and Initial Servicer hereby represents and warrants to Administrative Agent that (a) the execution, delivery and performance of this Amendment and any and all other Transaction Documents executed and/or delivered in connection herewith have been authorized by all requisite action (as applicable) on the part of such Person and will not violate the organizational documents of such Person; (b) the execution, delivery and performance of this Amendment and any and all other Transaction Documents executed and/or delivered in connection herewith has been fully and validly authorized by such

Person; (c) other than the Existing Initial Servicer Default and Existing Defaults (each as defined in the Limited Waiver), no Default or Event of Default under the Loan Agreement has occurred and is continuing; (d) other than the Existing Initial Servicer Default and Existing Defaults (each as defined in the Limited Waiver), each of Borrower and Initial Servicer is in full compliance in all material respects with all covenants and agreements contained in the Loan Agreement and the other Transaction Documents; (e) except as disclosed to Administrative Agent, none of Borrower, or Initial Servicer has amended any of its organizational documents since the date of the Loan Agreement and (f) the existence of a "Default" under and as defined in the Existing Specified Secured Debt Documents could not: (i) by its terms cause any Exela Party to be unable to perform its obligations under the Transaction Documents, (ii) cause any inaccuracy or breach of any representation, warranty or covenant under the Transaction Documents of any Exela Party (iii) subject any existing or subsequently arising Collateral to an Adverse Claim or (iv) adversely affect any rights or remedies of the Credit Parties under the Transaction Documents.

### **5.3 Release of Claims.**

(a) In consideration of the agreements of Administrative Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Borrower and Initial Servicer (together with their Affiliates, the "Loan Parties"), on behalf of each of their respective successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Administrative Agent and Lenders, their successors and assigns, their present and former shareholders, affiliates, subsidiaries, divisions, and predecessors, and the respective directors, officers, attorneys, employees, agents and other representatives of each of the foregoing (Administrative Agent, each Lender and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, each Loan Party or any of their successors, assigns, or other legal representatives now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever arising at any time based on facts or circumstances in existence on or prior to the date of this Amendment and are for or on account of, or in relation to, or in any way in connection with any of the Loan Agreement, or any of the other Transaction Documents or transactions thereunder or related thereto.

(b) Each Loan Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) Each Loan Party agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

(d) Each Loan Party, on behalf of itself and its respective successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Claim released, remised and discharged by each Loan Party or any other Person pursuant to this Section 5.3. If any Loan Party or any of their respective successors, assigns or other legal representatives violates the foregoing covenant, each Loan Party, for itself and its successors, assigns and legal representatives, agrees to pay, jointly and severally, in addition to such other damages as any Releasee sustains as a result of such violation, all attorneys' fees and costs incurred by any Releasee as a result of such violation.

## ARTICLE VI

### **Miscellaneous Provisions**

6.1 **Severability.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

6.2 **Counterparts.** This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. This Amendment may be executed by facsimile transmission, which facsimile signatures shall be considered original executed counterparts for purposes of this Section 6.2, and each party to this Amendment agrees that it will be bound by its own facsimile signature and that it accepts the facsimile signature of each other party to this Amendment.

6.3 **Headings.** The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

6.4 **Applicable Law.** THIS AMENDMENT AND ALL OTHER TRANSACTION DOCUMENTS EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

6.5 **Effectiveness.** This Amendment shall become effective upon the execution thereof by all parties and satisfaction of the conditions precedent set forth in Article III, and shall cease to be effective (and the provisions of the Loan Agreement and each other Transaction Document amended hereby shall revert to those in existence prior to the execution of this Amendment) at the close of business on April 15, 2020 if the Borrower has not (i) paid in full by April 15, 2020 all costs and expenses of the Administrative Agent (including fees of legal counsel to the Administrative Agent) invoiced on or before April 14, 2020 and (ii) delivered to the Administrative Agent evidence of Exela's delivery of the notice of a "Default" described in Section 5.05(a) of the Credit Agreement to Royal Bank of Canada, as administrative agent under the Credit Agreement, in form and substance satisfactory to the Administrative Agent.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

IN WITNESS WHEREOF, this Amendment has been executed and is effective as of the date first above-written.

**BORROWER:**

**EXELA RECEIVABLES 1, LLC**

By: /s/ James G Reynolds

Name: James G. Reynolds

Title: Chief Financial Officer

**INITIAL SERVICER:**

**EXELA TECHNOLOGIES, INC.**

By: /s/ James G Reynolds

Name: James G. Reynolds

Title: Chief Financial Officer

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**ADMINISTRATIVE AGENT:**

**TPG SPECIALTY LENDING, INC.**

By: /s/ Joshua Easterly  
Name: Joshua Easterly  
Title: Chairman and CEO

**LENDERS:**

**TPG SPECIALTY LENDING, INC.**

By: /s/ Joshua Easterly  
Name: Joshua Easterly  
Title: Chairman and CEO

**PNC BANK, NATIONAL ASSOCIATION**

By: /s/ Michael Brown  
Name: Michael Brown  
Title: Sr. Vice President

*Fourth Amendment to I.S.A*

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Acknowledged and agreed:

**EXELA TECHNOLOGIES, INC.,**  
**as Performance Guarantor**

By: /s/ James G Reynolds  
Name: James G. Reynolds  
Title: Chief Financial Officer

**EXELA RECEIVABLES HOLDCO, LLC,**  
**as Pledgor**

By: /s/ James G Reynolds  
Name: James G. Reynolds  
Title: Chief Financial Officer

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**FIFTH AMENDMENT TO  
LOAN AND SECURITY AGREEMENT**

THIS FIFTH AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment"), dated as of April 27, 2020 (the "Effective Date"), is entered into by and among **Exela Receivables 1, LLC**, a Delaware limited liability company ("Borrower"), **Exela Technologies, Inc.**, a Delaware corporation, as servicer ("Initial Servicer"), the persons from time to time party thereto as lenders ("Lenders"), **TPG Specialty Lending, Inc.**, a Delaware corporation ("TSL"), as administrative agent for the Lenders (in such capacity, "Administrative Agent"). This Amendment shall be deemed one of the Transaction Documents referenced in the Loan Agreement.

**RECITALS**

WHEREAS, Borrower, Initial Servicer, Lenders, Administrative Agent and PNC Bank, National Association are parties to that certain Loan and Security Agreement, dated as of January 10, 2020 (as amended by that certain First Amendment to Loan and Security Agreement, dated as of March 16, 2020, that certain Second Amendment to Loan and Security Agreement, dated as of March 30, 2020, that certain Third Amendment to Loan and Security Agreement, dated as of April 9, 2020 and that certain Fourth Amendment to Loan and Security Agreement dated as of April 13, 2020, and as may be further amended, modified or supplemented from time to time, the "Loan Agreement").

WHEREAS, the Initial Servicer has requested that Administrative Agent and Lenders extend the deadline for the Initial Servicer's delivery of the audited financial statements for the fiscal year ending December 31, 2019 as set forth below; and

WHEREAS, Administrative Agent and Lenders have agreed to such extension under the Loan Agreement on the terms and subject to the conditions set forth in this Amendment.

**AGREEMENT**

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

**ARTICLE I**

**Definitions**

Capitalized terms used in this Amendment are defined in the Loan Agreement unless otherwise stated.

**ARTICLE II**

**Amendments**

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1.1 Section 8.05(a)(ii) of the Loan Agreement is hereby amended and restated in its entirety as follows:

“(ii) Annual Financial Statements. (x) With respect to the fiscal year ending December 31, 2019, on or before May 11, 2020, and (y) within ninety (90) days after the end of each fiscal year of Parent commencing on the fiscal year ending December 31, 2020, in each case, a consolidated balance sheet of Parent and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of comprehensive income and cash flows for such fiscal year, together with related notes thereto, setting forth in each case in comparative form the figures for the previous fiscal year, in reasonable detail and all prepared in accordance with GAAP, audited and accompanied by a report and opinion of an independent registered public accounting firm of nationally recognized standing, which report and opinion (a) shall be prepared in accordance with generally accepted auditing standards and (b) shall not include any qualification, exception or explanatory paragraph expressing substantial doubt about the ability of Parent or any of its Subsidiaries to continue as a going concern or any qualification or exception as to the scope of such audit.”

1.2 Section 13.02(a) of the Loan Agreement is hereby amended to (i) amend and restate Section 13.02(a)(viii) in its entirety as follows and (ii) add the following clause (ix) at the end thereof:

(viii) “any liability of the Borrower under Section 5.03 or resulting from a breach by the Borrower of the representations and warranties set forth in Section 7.01(z) or Section 7.01(aa) or the covenants set forth in Section 8.01(o), Section 8.03(k), Section 9.05(a)(ii) or Section 9.05(a)(iii); and

(ix) any liability incurred by the Initial Servicer and, to the extent not satisfied by the Borrower in accordance with this Agreement, the Borrower under the Back-up Servicing Agreement.”

### ARTICLE III

#### **Conditions Precedent**

The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent in a manner satisfactory to Administrative Agent, unless specifically waived in writing by Administrative Agent:

1. Administrative Agent shall have received this Amendment duly executed by Borrower and the Initial Servicer;

2. No Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default is then continuing unless (solely in the case of an Unmatured Initial Servicer Default or Initial Servicer Default) such Unmatured Initial

Servicer Default or Initial Servicer Default is a Specified Initial Servicer Default;

3. Borrower's and Initial Servicer's representations and warranties set forth herein and in the applicable Transaction Agreement shall be true and correct in all material respects; and

4. All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to Administrative Agent.

#### **ARTICLE IV**

##### **No Waiver**

Nothing contained in this Amendment or any other communication between Administrative Agent (except with respect to the Limited Waiver to Loan and Security Agreement, dated March 16, 2020 (the "Limited Waiver")), Borrower, Initial Servicer and/or any Lender shall be a consent or waiver of any past, present or future condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default of Borrower or Initial Servicer under the Loan Agreement or any Transaction Document. Administrative Agent and the Lenders hereby expressly reserve any rights, privileges and remedies under the Loan Agreement and each Transaction Document that Administrative Agent or the Lenders may have with respect to any condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default, and any failure by Administrative Agent or the Lenders to exercise any right, privilege or remedy as a result of any such condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default shall not directly or indirectly in any way whatsoever either (i) impair, prejudice or otherwise adversely affect the rights of Administrative Agent or the Lenders at any time to exercise any right, privilege or remedy in connection with the Loan Agreement or any Transaction Document, (ii) amend or alter any provision of the Loan Agreement or any Transaction Document or any other contract or instrument, or (iii) constitute any course of dealing or other basis for altering any obligation of Borrower or Initial Servicer or any rights, privilege or remedy of Administrative Agent or the Lenders under the Loan Agreement or any Transaction Document or any other contract or instrument.

Borrower and Initial Servicer are hereby notified that irrespective of any waivers or consents previously granted by Administrative Agent or Lenders regarding the Loan Agreement and the Transaction Documents, Borrower and Initial Servicer will be expected to comply strictly with their duties, obligations and agreements under the Loan Agreement and the Transaction Documents.

#### **ARTICLE V**

##### **Ratifications, Representations and Warranties; Release of Claims**

5.1 **Ratifications.** The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Loan Agreement and the other Transaction Documents, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Loan Agreement and the other Transaction Documents are ratified and confirmed and shall continue in full force and effect. Borrower, Initial Servicer, Lenders and

Administrative Agent agree that the Loan Agreement and the other Transaction Documents shall continue to be legal, valid, binding and enforceable in accordance with their respective terms. Each such party agrees that this Amendment is not intended to and shall not cause a novation with respect to any or all of the obligations under the Loan Agreement.

5.2 **Representations and Warranties.** Each of Borrower and Initial Servicer hereby represents and warrants to Administrative Agent that (a) the execution, delivery and performance of this Amendment and any and all other Transaction Documents executed and/or delivered in connection herewith have been authorized by all requisite action (as applicable) on the part of such Person and will not violate the organizational documents of such Person; (b) the execution, delivery and performance of this Amendment and any and all other Transaction Documents executed and/or delivered in connection herewith has been fully and validly authorized by such Person; (c) other than the Existing Initial Servicer Default and Existing Defaults (each as defined in the Limited Waiver), no Default or Event of Default under the Loan Agreement has occurred and is continuing; (d) other than the Existing Initial Servicer Default and Existing Defaults (each as defined in the Limited Waiver), each of Borrower and Initial Servicer is in full compliance in all material respects with all covenants and agreements contained in the Loan Agreement and the other Transaction Documents; (e) except as disclosed to Administrative Agent, none of Borrower, or Initial Servicer has amended any of its organizational documents since the date of the Loan Agreement and (f) the existence of a “Default” under and as defined in the Existing Specified Secured Debt Documents could not: (i) by its terms cause any Exela Party to be unable to perform its obligations under the Transaction Documents, (ii) cause any inaccuracy or breach of any representation, warranty or covenant under the Transaction Documents of any Exela Party (iii) subject any existing or subsequently arising Collateral to an Adverse Claim or (iv) adversely affect any rights or remedies of the Credit Parties under the Transaction Documents.

5.3 **Release of Claims.**

(a) In consideration of the agreements of Administrative Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Borrower and Initial Servicer (together with their Affiliates, the “Loan Parties”), on behalf of each of their respective successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Administrative Agent and Lenders, their successors and assigns, their present and former shareholders, affiliates, subsidiaries, divisions, and predecessors, and the respective directors, officers, attorneys, employees, agents and other representatives of each of the foregoing (Administrative Agent, each Lender and all such other Persons being hereinafter referred to collectively as the “Releasees” and individually as a “Releasee”), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set off, demands and liabilities whatsoever (individually, a “Claim” and collectively, “Claims”) of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, each Loan Party or any of their successors, assigns, or other legal representatives now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever arising at any time based on facts or circumstances in existence on or prior to the date of this Amendment and are for or on account of,

or in relation to, or in any way in connection with any of the Loan Agreement, or any of the other Transaction Documents or transactions thereunder or related thereto.

(b) Each Loan Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) Each Loan Party agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

(d) Each Loan Party, on behalf of itself and its respective successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Claim released, remised and discharged by each Loan Party or any other Person pursuant to this Section 5.3. If any Loan Party or any of their respective successors, assigns or other legal representatives violates the foregoing covenant, each Loan Party, for itself and its successors, assigns and legal representatives, agrees to pay, jointly and severally, in addition to such other damages as any Releasee sustains as a result of such violation, all attorneys' fees and costs incurred by any Releasee as a result of such violation.

## ARTICLE VI

### Miscellaneous Provisions

6.1 **Severability.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

6.2 **Counterparts.** This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. This Amendment may be executed by facsimile transmission, which facsimile signatures shall be considered original executed counterparts for purposes of this Section 6.2, and each party to this Amendment agrees that it will be bound by its own facsimile signature and that it accepts the facsimile signature of each other party to this Amendment.

6.3 **Headings.** The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

6.4 **Applicable Law.** THIS AMENDMENT AND ALL OTHER TRANSACTION DOCUMENTS EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

6.5 **Effectiveness.** This Amendment shall become effective upon the execution thereof by all parties and satisfaction of the conditions precedent set forth in Article III, and shall cease to be effective (and the provisions of the Loan Agreement and each other Transaction Document amended hereby shall revert to those in existence prior to the execution of this Amendment) at the close of business on April 30, 2020 if the Borrower has not paid in full by April 30, 2020 all costs and expenses of the Administrative Agent (including fees of legal counsel to the Administrative Agent) invoiced on or before April 28, 2020.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

IN WITNESS WHEREOF, this Amendment has been executed and is effective as of the date first above-written.

**BORROWER:**

**EXELA RECEIVABLES 1, LLC**

By: /s/ James G Reynolds

Name: James G. Reynolds

Title: Chief Financial Officer

**INITIAL SERVICER:**

**EXELA TECHNOLOGIES, INC.**

By: /s/ James G Reynolds

Name: James G. Reynolds

Title: Chief Financial Officer

*Fifth Amendment to Loan and Security Agreement*

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**ADMINISTRATIVE AGENT:**

**TPG SPECIALTY LENDING, INC.**

By: /s/ Joshua Easterly

Name: Joshua Easterly

Title: Chairman and CEO

**LENDERS:**

**TPG SPECIALTY LENDING, INC.**

By: /s/ Joshua Easterly

Name: Joshua Easterly

Title: Chairman and CEO

**PNC BANK, NATIONAL ASSOCIATION**

By: /s/ Michael Brown

Name: Michael Brown

Title: Sr. Vice President

*Fifth Amendment to Loan and Security Agreement*

---

Acknowledged and agreed:

**EXELA TECHNOLOGIES, INC.,  
as Performance Guarantor**

By: /s/ James G Reynolds  
Name: James G. Reynolds  
Title: Chief Financial Officer

**EXELA RECEIVABLES HOLDCO, LLC,  
as Pledgor**

By: /s/ James G Reynolds  
Name: James G. Reynolds  
Title: Chief Financial Officer

*Fifth Amendment to Loan and Security Agreement*

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TRANSITION AGREEMENT

This TRANSITION AGREEMENT (the “Agreement”) is entered into by and between Exela Technologies, Inc. (the “Company”) and James G. Reynolds (the “undersigned”), as of May 15, 2020 (the “Effective Date”).

RECITALS

WHEREAS, prior to the Effective Date, the undersigned has served the Company as its Chief Financial Officer and as a member of its Board of Directors (the “Board”); and

WHEREAS, the Company and the undersigned have mutually agreed that, effective as of the Effective Date, the undersigned shall resign from his role as Chief Financial Officer of the Company and all other officer and director positions with the Company and its subsidiaries, other than as a member of the Board, in each case subject to the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Company and the undersigned hereby agree as follows:

1. Effect of the Effective Date; Services Following the Effective Date.
    - (a) Effective as of the Effective Date, the undersigned does hereby resign as Chief Financial Officer of the Company and all other officer and director positions with the Company and its subsidiaries, other than as a member of the Board. The undersigned shall execute such resignation letters and other instruments as may be reasonably requested by the Company or any subsidiary from time to time to evidence such resignations.
    - (b) From and after the Effective Date, the undersigned shall continue to serve as a member of the Board as a Class B Director, subject to the Second Amended and Restated Certificate of Incorporation of the Company, dated July, 12, 2017 (the “Certificate of Incorporation”), and the By Laws of the Company (the “By Laws”), in each case as such instruments may be amended from time to time.
    - (c) From and after the Effective Date, as a non-employee member of the Board, the undersigned shall be entitled to payment and expense reimbursement pursuant to the Company’s director remuneration and
-

expense reimbursement policies applicable to non-employee members of the Board as in effect from time to time; provided that, for the avoidance of doubt, the undersigned shall not be entitled to the initial equity grant provided to newly appointed non-employee directors and the undersigned's remuneration for 2020 shall be pro-rated based on the number of days remaining in the year from the Effective Date through December 31, 2020.

2. Treatment of Company Stock Options.

- (a) The undersigned currently holds the following equity incentive awards granted to him by the Company under the Company's 2018 Stock Incentive Plan (the "Stock Incentive Plan"):
- i. Options to purchase 110,000 shares of the Company's common stock granted on August 31, 2018 with a per share exercise price of \$5.98; and
  - ii. Options to purchase 110,000 shares of the Company's common stock granted on August 26, 2019 with a per share exercise price of \$1.30 (the options referred to in clause i. and clause ii., collectively, the "Options").
- (b) As permitted under the Stock Incentive Plan, the Company and the undersigned acknowledge and agree that the resignations of the undersigned herein shall not constitute a "Termination" under the Stock Incentive Plan with respect to the Options by reason of the undersigned's continued service to the Company as a member of the Board, with the following agreed consequences: (1) the forfeiture of the unvested portion of the Options shall not occur by reason of such resignations; (2) the unvested Options shall continue to vest during the undersigned's continued service to the Company as a member of the Board; and (3) the obligation to exercise vested Options within a limited period of time following a "Termination" shall not be applicable during the undersigned's continued service to the Company as a member of the Board.
- (c) The Company and the undersigned further agree that, if the undersigned fails to be re-elected to the Board, or is otherwise removed as a director or resigns his position as a director on the Board and the undersigned is at that time no longer of continued service to the Company in any other capacity (the date the undersigned no longer is of service to the Company as a member of the Board or in any other capacity, the "Separation Date"), then the vested Options held by the undersigned as of the Separation Date

may be exercised for a period of two (2) years following the Separation Date or until the Options' stated expiration date, whichever is earlier.

3. Cash Severance Payment and Continued Benefits.

- (a) In consideration of the undersigned's entry into this Agreement and the performance of his obligations hereunder, the Company shall pay the undersigned a cash severance payment of \$1,700,000 (the "Severance Payment"). The Severance Payment shall be paid (net of applicable tax withholdings) as follows: (x) \$566,666.66 of the Severance Payment shall be paid in a cash lump sum through the Company's payroll within one (1) business day following the Effective Date; (y) \$566,666.66 of the Severance Payment shall be paid in a cash lump sum through the Company's payroll on August 15, 2020 and (z) the remaining \$566,666.66 of the Severance Payment shall be paid in a cash lump sum through the Company's payroll on May 15, 2021. The Severance Payment is intended to be in the nature of salary continuation and is being paid for the purpose of providing financial assistance to the undersigned during the period between the Effective Date and the date of commencement of employment with a future employer, and in no event shall be considered a bonus or other incentive-based payment. The undersigned shall have no obligation to mitigate the amount of the Severance Payment nor shall the Severance Payment be subject to recoupment or reduction for future wages or otherwise, other than for applicable tax withholdings.
- (b) Subject to the undersigned's enrollment in COBRA continuation coverage, the Company shall, for the 18 month period following the Transition Date or, if earlier, until the date the undersigned is no longer eligible for COBRA continuation coverage, continue the undersigned's medical insurance coverage, as well as the insurance coverage for the undersigned's spouse and eligible children who are currently participating in such coverage (the "Benefit Continuation"), upon the same terms and otherwise to the same extent as such coverage is provided to active employees of the Company who were similarly situated to the undersigned, and the Company and the undersigned shall share the costs of the Benefit Continuation in the same proportion as such costs are shared between the Company and active employees of the Company who were similarly situated to the undersigned. Any portion of the monthly expense of the Benefit Continuation for which the Company is responsible shall be in the form of reimbursement for the COBRA continuation premiums in accordance with the customary practice of the Company.
- (c) Following the Effective Date, the undersigned shall be entitled to (x) vested employee benefits under the Company's employee benefit plans to

which the undersigned is entitled as a former employee of the Company (provided, that for the avoidance of doubt, the benefits set forth in Section 3(a) of this Agreement are in lieu of, and not in addition to, any severance or termination benefits payable under any plan or arrangement sponsored or agreed to by the Company or of its subsidiaries), (y) reimbursement of any business expenses properly incurred prior to the Transition Date under the Company's expense reimbursement policy and (z) any benefits (e.g., COBRA continuation coverage) to which he is entitled under applicable law.

- (d) Notwithstanding the foregoing, in the event that any amount of cash is paid prior to the expiration of the Revocation Period (as defined below) and the undersigned revokes this Agreement as provided herein following such payment, the undersigned shall include with such notice of revocation the repayment of the amount so paid.

4. Cooperation and Assistance; Transaction Bonuses.

- (a) The undersigned shall provide the Company with such assistance and cooperation as may be reasonably requested by the Company, whether legal, financial or otherwise. Any such request shall reasonably take into account the other commitments of the undersigned, including future employment. In the provision of such services, the undersigned shall take direction from, and shall report to, the Board and such other executive officers of the Company as the Board may designate from time to time depending on the nature of the services requested. The undersigned acknowledges that such cooperation and assistance may relate to any matter as to which the Company determines such services may be helpful, including without limitation (i) the ongoing business and affairs of the Company generally, (ii) specific matters concerning the transition of duties to the undersigned's successors and (iii) appearing before and providing truthful and complete information to judicial, administrative, governmental or regulatory authorities in connection with any investigation and/or proceedings regarding or involving the Company and its subsidiaries.
- (b) In connection with the undersigned's cooperation and assistance under clause (a) of this Section 4, the undersigned shall be entitled to receive reimbursement of reasonable documented out-of-pocket expenses incurred in connection with such services; provided, that any single or related expenses in excess of \$2,500 to be incurred (e.g., airfare or hotel accommodations) shall be subject to the advance approval of the Company. Invoices, and any reasonable supporting documentation requested by the Company, shall be provided by the undersigned to the

Company on a basis not less frequently than quarterly, and the Company shall provide such reimbursement within thirty (30) days following the receipt of any such invoice.

- (c) In addition to the fee referred to in Section 4(b) of this Agreement, if the Company shall, during the three months following the Effective Date, enter into one or more definitive agreements providing for the sale of a material portion of the outstanding stock or assets of the specified business of the Company set forth on Schedule 1 hereto, then, as consideration for the assistance by the undersigned in the identification, negotiation and/or execution of each such transaction, the undersigned shall, upon the closing of any such transaction, be entitled to be paid a success fee in a lump sum in cash in an amount equal to three percent (3%) of the enterprise value of the business or assets involved in such transaction (i.e., cash purchase price paid by the buyer plus (if applicable) the amount of any debt or other liabilities assumed by the buyer less (if applicable) the amount of cash or cash equivalents acquired by the buyer, as determined in good faith by the Company). Each transaction bonus shall be paid in a lump sum in cash at the closing of the transaction that creates such bonus; provided, that if any material amount of consideration is deferred (for example, due to installment payments, escrows, earnouts or similar features), the amount of the transaction bonus corresponding to such deferred payment shall be paid to the undersigned in cash if and to the extent that such deferred amount is actually paid to the Company.

5. Continued Right to Indemnification; Advancement of Expenses.

- (a) Nothing in this Agreement shall be construed to limit the right of the undersigned to full indemnification in respect of his service to the Company and its subsidiaries under Article SIXTH of the Certificate of Incorporation and Article VII of the By Laws, as an insured under any directors and officers liability insurance policy maintained by the Company or any of its subsidiaries, or under applicable law.
- (b) In no event shall the rights of indemnification provided to the undersigned by the Company be less than the indemnification provided by the Company to other former officers of the Company.
- (c) As provided under Section 7.4 of the By Laws, upon presentation by the undersigned of invoices and such reasonable supporting documentation as the Company may reasonably require, the Company does hereby agree to advance the expenses (including attorneys' fees) incurred by the undersigned in respect of any matter to which Article SIXTH of the Certificate of Incorporation and Article VII of the By Laws applies,

subject to the rights of recoupment by the Company under the conditions provided therein and the Company's receipt of an undertaking from the undersigned as provided therein.

6. Confidentiality; Non-Disparagement.

- (a) Confidentiality. The undersigned recognizes and acknowledges that the undersigned has received, and in his capacity as a non-employee member of the Board will receive, certain confidential and proprietary information and trade secrets of the Company and its subsidiaries, including, without limitation, customer information, pricing information, financial plans, business plans, business concepts, supplier information, know-how and intellectual property and materials related thereto (the "Confidential Information"). The undersigned agrees that the undersigned will not, directly or indirectly, disclose or use in any manner any Confidential Information, except in connection with the carrying out of the undersigned's services as a non-employee member of the Board, or as required by applicable law.
- (b) Nondisparagement.
  - i. The undersigned shall not, in any communications with any third party, criticize, ridicule or make any statement which disparages, portrays in a negative light, is derogatory of, or otherwise impairs the reputation, goodwill or commercial interests of, the Company or any of its subsidiaries, or any of their officers, directors or employees.
  - ii. Neither the Company nor any of its subsidiaries (by press release or other formal statement) shall criticize, ridicule or make any statement which disparages, portrays in a negative light, is derogatory of, or otherwise impairs the reputation, goodwill or commercial interests of the undersigned. In addition, the Company shall use reasonable efforts to cause its subsidiaries and the officers and directors of each of the Company and its subsidiaries not to, in any communications with any third party, criticize, ridicule or make any statement which disparages, portrays in a negative light, is derogatory of, or otherwise impairs the reputation, goodwill or commercial interests of the undersigned.
- (c) Notwithstanding the foregoing, no provision of this Agreement shall be construed to (x) prohibit the undersigned or the Company from providing truthful testimony or accurate information in connection with any investigation being conducted into the business or operations of the

Company or any of its subsidiaries by any government agency or other regulator that is responsible for enforcing a law on behalf of the government or otherwise providing information to the appropriate government regulatory agency or body regarding conduct or action undertaken or omitted to be taken by the Company or its subsidiaries or the undersigned that the undersigned or the Company reasonably believes is illegal or in material non-compliance with any financial disclosure or other regulatory requirement applicable to the Company or any subsidiary or (y) require the undersigned or the Company to obtain the approval of, or give notice to, the Company or any of its employees or representatives, or the undersigned, as applicable, to take any action permitted under clause (x).

- (d) Under the U.S. Defend Trade Secrets Act of 2016, 18 U.S.C. § 1833(b) (the “Act”), persons who disclose trade secrets in connection with lawsuits or other proceedings under seal (including lawsuits alleging retaliation), or in confidence to a federal, state or local government official, or attorney, solely for the purpose of reporting or investigating a suspected violation of law, enjoy immunity from civil and criminal liability under state and federal trade secrets laws for such disclosure. The undersigned acknowledges that the undersigned has hereby received adequate notice of this immunity, such that the Company is entitled to all remedies available for violations of the Act, including exemplary damages and attorney fees. Nothing in this Agreement is intended to conflict with the Act or create liability for disclosures of trade secrets that are expressly allowed by the Act.
- (e) Notice. *“An individual shall not be held criminally or civilly liable under any Federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under any Federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal; and does not disclose the trade secret, except pursuant to court order.”*

7. Non-Competition; Non-Interference.

- (a) Non-Competition. During the Restricted Period, the undersigned shall not, directly or indirectly, individually or on behalf of any person, company, enterprise, or entity, or as a sole proprietor, partner, shareholder, director, officer, principal, agent, or executive, or in any other capacity or relationship, engage in any Competitive Activities in any other jurisdiction in which the Company or any of its subsidiaries is actively engaged in business.
- (b) Non-Interference. During the Restricted Period, the undersigned shall not, directly or indirectly for his own account or for the account of any other individual or entity, engage in Interfering Activities.
- (c) Definitions. For purposes of this Agreement:
- i. “Business Relation” shall mean any current or prospective client, customer, licensee, or other business relation of the Company or any of its subsidiaries, or any such relation that was a client, customer, licensee, supplier, or other business relation within the six (6) month period prior to the termination of the Effective Date, in each case, to whom the undersigned provided services, or with whom the undersigned transacted business, or whose identity became known to the undersigned in connection with his relationship with or employment by the Company.
  - ii. “Competitive Activities” shall mean any business activity that is competitive with the then current business activities of the Company or any of its subsidiaries or any business activities that are demonstrably planned as of the Effective Date.
  - iii. “Interfering Activities” shall mean (A) encouraging, soliciting, or inducing, or in any manner attempting to encourage, solicit, or induce, any Person employed by, or providing consulting services to, the Company or any of its subsidiaries to terminate such Person’s employment or services (or in the case of a consultant, materially reducing such services) with the Company or any of its subsidiaries; (B) other than the one individual separately identified to the Company concurrently herewith, hiring any individual who was employed by the Company or any of its subsidiaries within the six (6) month period prior to the date of such hiring; or (C) encouraging, soliciting, or inducing, or in any manner attempting to encourage, solicit, or induce, any Business Relation to cease doing business with or reduce the amount of business conducted with the Company or any of its subsidiaries, or in any way interfering with the relationship between any such Business

Relation and the Company or any of its subsidiaries.

- iv. “Person” shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust (charitable or non-charitable), unincorporated organization, or other form of business entity.
  - v. “Restricted Period” shall mean the period commencing on the Effective Date and ending on the twelve (12) month anniversary of the Effective Date.
- (d) Reasonableness of Restrictions. The undersigned hereby acknowledges and recognizes the highly competitive nature of the Company’s business, that access to Confidential Information renders the undersigned special and unique within the Company’s industry, and that the undersigned has had the opportunity to develop substantial relationships with existing and prospective clients, accounts, customers, consultants, contractors, investors, and strategic partners of the Company during the course of and as a result of his employment with the Company. In light of the foregoing, the undersigned recognizes and acknowledges that the restrictions and limitations set forth in this Section 7 are reasonable and valid in geographical and temporal scope and in all other respects and are essential to protect the value of the business and assets of the Company and its subsidiaries. The undersigned acknowledges further that the restrictions and limitations set forth in this Section 7 will not materially interfere with his ability to earn a living following the Effective Date.
- (e) Injunctive Relief. The undersigned expressly acknowledges that, because his services are personal and unique and because the undersigned did and will have access to Confidential Information, any breach or threatened breach of any of the terms and/or conditions set forth in this Section 7 may result in substantial, continuing, and irreparable injury to the Company and its subsidiaries for which monetary damages would not be an adequate remedy. Therefore, the undersigned hereby agrees that, in addition to any other right or remedy that may be available to the Company in law or in equity, any of the Company or its subsidiaries shall be entitled to injunctive relief, specific performance, or other equitable relief by a court of appropriate jurisdiction in the event of any breach or threatened breach of the terms of this Section 7 without the necessity of proving irreparable harm or injury as a result of such breach or threatened breach or posting a bond and without liability should relief be denied, modified or vacated. Notwithstanding any other provision to the contrary, the undersigned acknowledges and agrees that the Restricted Period shall be tolled during any period of violation of any of the covenants in this Section 7 and during

any other period required for litigation during which the Company or any of its subsidiaries seeks to enforce such covenants against the undersigned if it is ultimately determined that the undersigned was in breach of such covenants.

- (f) The undersigned further hereby acknowledges that his continued compliance with the covenants of this Section 7 is a condition of the undersigned receiving the benefits and payments described in Sections 2 through 4 of this Agreement and upon any breach of the covenants set forth in this Section 7, in addition to any other damages or equitable relief to which the Company may be entitled, the Company shall no longer be obligated to provide the undersigned any unpaid portion of the amounts and benefits described in Sections 2 through 4 of this Agreement.

- 8. Release. Other than the Excluded Claims, for and in consideration of the severance benefits described in Sections 2 through 4 of this Agreement, and other good and valuable consideration, the undersigned, hereby for and on behalf of himself and his heirs, administrators, executors, and assigns, effective as of the date on which this Agreement becomes effective pursuant to its terms, does fully and forever release, remise, and discharge each of the Company and each of its direct and indirect subsidiaries, and their respective successors and assigns, together with their respective current and former officers, directors, partners, shareholders, employees, and agents (collectively, the "Group"), from any and all claims whatsoever up to the date hereof that the undersigned had, may have had, or now has against the Group, whether known or unknown, for or by reason of any matter, cause, or thing whatsoever, including any claim arising out of or attributable to the undersigned's employment or the termination of the undersigned's employment with the Company, whether for tort, breach of express or implied employment contract, intentional infliction of emotional distress, wrongful termination, unjust dismissal, defamation, libel, or slander, or under any federal, state, or local law dealing with discrimination based on age, race, sex, national origin, handicap, religion, disability, or sexual orientation. The release of claims in this Agreement includes, but is not limited to, all claims arising under the Age Discrimination in Employment Act of 1967 ("ADEA"), Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Civil Rights Act of 1991, the Family and Medical Leave Act of 1993, the Worker Adjustment and Retraining Notification Act of 1988 and the Equal Pay Act of 1963, each as may be amended from time to time, and all other federal, state, and local laws, the common law, and any other purported restriction on an employer's right to terminate the employment of employees. The release contained herein is intended to be a general release of any and all claims to the fullest extent permissible by law other than with respect to the Excluded Claims.

The undersigned hereby acknowledges and agrees that as of the date he executes this Agreement, the undersigned has no knowledge of any facts or circumstances that give rise or could give rise to any claims under any of the laws listed in the preceding paragraph.

By executing this release, the undersigned specifically releases all claims relating to his employment and its termination under ADEA, a United States federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefit plans.

Notwithstanding any provision of this Agreement to the contrary, by executing this Agreement, the undersigned is not releasing claims relating to any of the following (each an “Excluded Claim”): (i) any claims relating to his rights under this Agreement and those instruments and agreements referred to herein (including, if applicable, as modified by this Agreement), including without limitation relating to equity compensation referred to in Section 2, the severance payment and benefits referred to in Section 3, and the right to director and officer indemnification and insurance coverage referred to in Section 5; (ii) rights to vested employee benefits as a former employee of the Company (other than any severance or termination benefits payable under any plan or arrangement sponsored or agreed to by the Company or of its subsidiaries); (iii) any claims that cannot be waived by law; and (iv) any claims, cross-claims or counterclaims that the undersigned determines, reasonably and in good faith, are reasonably related to any claim made against the undersigned following the Effective Date by the Company or any of its subsidiaries, or by the shareholders of the Company.

The undersigned hereby expressly acknowledges and agrees that the undersigned—

- Is able to read the language, and understand the meaning and effect, of this Agreement;
- Has no physical or mental impairment of any kind that has interfered with the undersigned’s ability to read and understand the meaning of this Agreement or its terms, and that the undersigned is not acting under the influence of any medication, drug, or chemical of any type in entering into this Agreement;
- Is specifically agreeing to the terms of the release contained in this Agreement because the Company has agreed to pay him the amounts set forth herein in consideration for his agreement to accept it in full settlement of all possible claims the undersigned might have as of the date this Agreement is executed by the undersigned or might have ever had at any time prior to the date

this Agreement is executed by the undersigned, and because of the undersigned's execution of this Agreement;

- Acknowledges that, but for his execution of this Agreement, the undersigned has no contractual entitlement to the severance benefits described in Sections 2 through 4 of this Agreement;
- Understands that, by entering into this Agreement, the undersigned does not waive rights or claims under ADEA that may arise after the date the undersigned executes this Agreement;
- Had or could have had twenty-one (21) calendar days from the date of his termination of employment (the "Release Expiration Date") in which to review and consider this Agreement, and that if the undersigned executes this Agreement prior to the Release Expiration Date, the undersigned has voluntarily and knowingly waived the remainder of the review period;
- Has not relied upon any representation or statement not set forth in this Agreement made by the Company or any of its representatives;
- Was advised to consult with his attorney regarding the terms and effect of this Agreement; and
- Has signed this Agreement knowingly and voluntarily.

The undersigned represents and warrants that he has not previously filed, and to the maximum extent permitted by law agrees that he will not file, a complaint, charge, or lawsuit against any member of the Group regarding any of the claims released herein. If, notwithstanding this representation and warranty, the undersigned has filed or files such a complaint, charge, or lawsuit regarding any of the claims released herein, the undersigned agrees that the undersigned shall cause such complaint, charge, or lawsuit to be dismissed with prejudice and shall pay any and all costs required in obtaining dismissal of such complaint, charge, or lawsuit, including without limitation the attorneys' fees of any member of the Group against whom the undersigned has filed such a complaint, charge, or lawsuit. Notwithstanding anything to the contrary, nothing herein shall prevent or restrict the undersigned from (i) filing a charge or complaint with, participating in an investigation or proceeding conducted by, or reporting possible violations of law or regulation to any federal, state or local government agency; (ii) truthfully responding to or complying with a subpoena, court order, or other legal process; or (iii) exercising any rights the undersigned may have under applicable labor laws to engage in concerted activity with other employees; provided, however, that undersigned hereby forgoes any monetary benefit from the filing of a charge

or complaint with a government agency except pursuant to a whistleblower program or where his right to receive such a monetary benefit is otherwise not waivable by law.

The undersigned hereby agrees to waive any and all claims to re-employment with the Company or any other member of the Group and affirmatively agrees not to seek further employment with the Company or any other member of the Group.

Notwithstanding anything contained herein to the contrary, this Agreement will not become effective or enforceable prior to the expiration of the period of seven (7) calendar days immediately following the date of its execution by the undersigned (the "Revocation Period"), during which time the undersigned may revoke his acceptance of this Agreement by notifying the Company and the Board, in accordance with Section 9 below. To be effective, such revocation must be received by the Company no later than 11:59 p.m. on the seventh (7<sup>th</sup>) calendar day following the execution of this Agreement. Provided that the Agreement is executed and the undersigned does not revoke it during the Revocation Period, the eighth (8<sup>th</sup>) calendar day following the date on which this Agreement is executed shall be its effective date. The undersigned acknowledges and agrees that if the undersigned revokes this Agreement during the Revocation Period, this Agreement will be null and void and of no effect in its entirety, and neither the Company nor any other member of the Group will have any rights or obligations hereunder, including to pay or provide the undersigned the amounts and benefits described in Sections 2 through 4 of this Agreement.

9. Notices. Notices provided hereunder will be deemed to be given when delivered in writing by email, with a copy of any such notice also to be sent by overnight courier. All notices to the Company shall be addressed to the Company at:

Exela Technologies, Inc.  
2701 East Grauwyler Road  
Irving, TX 75061  
Attention: Deputy General Counsel  
Email: erik.mengwall@exelatech.com

All notices to the undersigned will be sent by email with a copy of any such notice also to be sent by overnight courier addressed to the most recent email and mailing address for the undersigned reflected in the Company's records (or such other address as the undersigned may from time to time specify to the Company).

10. Miscellaneous. All payments to be made or benefits to be provided to the undersigned in accordance with this Agreement shall be made net of all applicable income and employment taxes required to be withheld from such payments. No party to this Agreement may assign this Agreement without the express written

consent of the other parties, such consent not to be unreasonably withheld. The rights and obligations of the parties under this Agreement may be amended, modified, waived or discharged only with the written consent of the parties hereto. This Agreement shall be binding on, and shall inure to the benefit of, the parties to it and their respective heirs, legal representatives, successors and permitted assigns. If any provision in this Agreement is held invalid or unenforceable for any reason, the remaining provisions shall be construed as if the invalid or unenforceable provision had not been included. This Agreement constitutes the entire agreement and understanding between the Company and its subsidiaries and the undersigned with respect to the subject matter hereof and supersedes all prior agreements and understandings (whether written or oral) between the undersigned and the Company relating to such subject matter. The parties to this Agreement agree to cooperate and to take such steps as may be reasonably necessary to give full effect to the transactions contemplated by this Agreement. This Agreement may be executed and delivered in counterparts (including via facsimile or .pdf file or by electronic delivery), each of which shall be deemed an original and all of which shall constitute one and the same instrument.

Notwithstanding anything to the contrary contained herein, in no event whatsoever shall the Company be liable for any additional tax, interest, or penalties that may be imposed on the undersigned by Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") or any damages for failing to comply with Section 409A of the Code, other than for withholding obligations or other obligations applicable to employers, if any, under Section 409A of the Code.

The undersigned hereby acknowledges and agrees that each member of the Group shall be a third-party beneficiary to the releases set forth in Section 8, with full rights to enforce this Agreement and the matters documented herein.

11. Attorneys' Fees for this Agreement. Upon presentation by the undersigned of an invoice within thirty (30) days following the Effective Date, the Company shall reimburse the undersigned for up to \$30,000 of the attorneys' fees incurred by him in connection with the entry into this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been executed by the undersigned and the Company as of the first date written above.

EXELA TECHNOLOGIES, INC.

/s/ Ronald Cogburn  
By: Ronald Cogburn  
Title: CEO

/s/ James G. Reynolds  
James G. Reynolds

**SIXTH AMENDMENT TO LOAN AND SECURITY AGREEMENT**

THIS SIXTH AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment"), dated as of May 21, 2020 (the "Effective Date"), is entered into by and among **Exela Receivables 1, LLC**, a Delaware limited liability company ("Borrower"), **Exela Technologies, Inc.**, a Delaware corporation, as servicer ("Initial Servicer"), the persons from time to time party thereto as lenders ("Lenders"), **TPG Specialty Lending, Inc.**, a Delaware corporation ("TSL"), as administrative agent for the Lenders (in such capacity, "Administrative Agent"). This Amendment shall be deemed one of the Transaction Documents referenced in the Loan Agreement.

**RECITALS**

WHEREAS, Borrower, Initial Servicer, Lenders, Administrative Agent and PNC Bank, National Association are parties to that certain Loan and Security Agreement, dated as of January 10, 2020 (as amended by that certain First Amendment to Loan and Security Agreement, dated as of March 16, 2020, that certain Second Amendment to Loan and Security Agreement, dated as of March 30, 2020, that certain Third Amendment to Loan and Security Agreement, dated as of April 9, 2020, that certain Fourth Amendment to Loan and Security Agreement dated as of April 13, 2020, and that certain Fifth Amendment to Loan and Security Agreement dated as of April 27, 2020, and as may be further amended, modified or supplemented from time to time, the "Loan Agreement").

WHEREAS, the Initial Servicer has requested that Administrative Agent and Lenders extend the deadline for the Initial Servicer's delivery of the audited financial statements for the fiscal year ending December 31, 2019 as set forth below; and

WHEREAS, Administrative Agent and Lenders have agreed to such extension under the Loan Agreement on the terms and subject to the conditions set forth in this Amendment.

**AGREEMENT**

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

**ARTICLE I****Definitions**

Capitalized terms used in this Amendment are defined in the Loan Agreement unless otherwise stated.

**ARTICLE II****Amendments**

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1.1 The defined terms “Applicable Margin” and “Targeted Interim Collection Account Deposit Amount” are hereby amended and restated as follows:

“Applicable Margin” means (a) with respect to LIBOR Rate Loans, 6.75%, and (b) with respect to Base Rate Loans, 5.75%.

“Targeted Interim Collection Account Deposit Amount” means, (a) during the period beginning on the 120th day after the Closing Date through the 195th day after the Closing Date, an amount equal to 10% of all Collections received during such Settlement Period and (b) thereafter, 5% of all Collections received during such Settlement Period.

1.2 Section 8.05(a)(i) of the Loan Agreement is hereby amended and restated in its entirety as follows:

(i) Monthly and Quarterly Financial Statements. (A)(x) With respect to the fiscal quarter ending March 31, 2020, on or before June 30, 2020, and (y) Within forty-five (45) days after the end of each of each other fiscal quarter of each fiscal year of Parent, a consolidated balance sheet of Parent and its Subsidiaries as at the end of such fiscal quarter, and the related (i) consolidated statement of comprehensive income for such fiscal quarter and for the portion of the fiscal year then ended and (ii) consolidated statement of cash flows for the portion of the fiscal year then ended, setting forth, in each case of the preceding clauses (i) and (ii), in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, accompanied by an officer’s certificate of Parent stating that such financial statements fairly present in all material respects the financial condition, results of operations and cash flows of Parent and its Subsidiaries in accordance with GAAP, subject to normal year-end adjustments and the absence of footnotes, (B) within thirty (30) days after the end of each calendar month of each fiscal year of Parent, unaudited financial statements of Parent and its Subsidiaries prepared in accordance with GAAP and including a line-item reconciliation between net income and management-adjusted EBITDA; provided, that if such calendar month is the last month of any fiscal quarter, such unaudited financial statements may be delivered concurrently with the quarterly financial statements delivered pursuant to clause (A) above, and (C) no later than the last Business Day of each calendar week, a report calculating the components of Liquidity and the then-outstanding principal balances of any outstanding Debt (broken down by tranche, as applicable) as of the last Business Day of the previous calendar week.

1.3 Section 8.05(a)(ii) of the Loan Agreement is hereby amended and restated in its entirety as follows:

(ii) Annual Financial Statements. (x) With respect to the fiscal year ending December 31, 2019, on or before June 14, 2020, and (y) within ninety (90) days after the end of each fiscal year of Parent commencing on the fiscal year ending December 31, 2020, in each case, a consolidated balance sheet of Parent and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of comprehensive income and cash flows for such fiscal year, together with related notes thereto, setting forth in each case in comparative form the figures for the previous fiscal year, in reasonable detail and all prepared in accordance with GAAP, audited and accompanied by a report and opinion of an independent registered public accounting firm of nationally recognized standing, which report and opinion (a) shall be prepared in accordance with generally accepted auditing standards and (b) shall not include any qualification, exception or explanatory paragraph expressing substantial doubt about the ability of Parent or any of its Subsidiaries to continue as a going concern or any qualification or exception as to the scope of such audit.

### ARTICLE III

#### Conditions Precedent

The effectiveness of this Amendment is subject (I) the Borrower, the Initial Servicer, the Administrative Agent and each Lender having executed prior to or contemporaneously with this Amendment that certain Limited Waiver to Loan and Security Agreement, dated May 21, 2020 (the "Second Limited Waiver") with respect to the Specified Defaults (as defined in that certain Amended and Restated Forbearance Agreement, dated as of May 18, 2020 (as further amended, modified or supplemented from time to time, the "Amended and Restated Forbearance Agreement"), among the Borrower, the Initial Servicer, Parent, Performance Guarantor, Pledgor, Originators, the Administrative Agent, the Lenders and the LC Bank), (II) the Amended and Restated Forbearance Agreement, including all terms therein, shall be deemed terminated contemporaneously with this Amendment and (III) to the satisfaction of the following conditions precedent in a manner satisfactory to Administrative Agent, unless specifically waived in writing by Administrative Agent:

1. Administrative Agent shall have received this Amendment duly executed by Borrower and the Initial Servicer;
2. No Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default is then continuing unless (solely in the case of an Unmatured Initial Servicer Default or Initial Servicer Default) such Unmatured Initial Servicer Default or Initial Servicer Default is an Existing Initial Servicer Default (as defined in the Limited Waiver);
3. Borrower's and Initial Servicer's representations and warranties set forth herein and in the applicable Transaction Agreement shall be true and correct in all material respects; and

4. All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to Administrative Agent.

#### ARTICLE IV

##### **No Waiver**

Nothing contained in this Amendment or any other communication between Administrative Agent (except with respect to the Limited Waiver to Loan and Security Agreement, dated March 16, 2020 (the "First Limited Waiver") and together with the Second Limited Waiver, the "Limited Waivers")), Borrower, Initial Servicer and/or any Lender shall be a consent or waiver of any past, present or future condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default of Borrower or Initial Servicer under the Loan Agreement or any Transaction Document. Administrative Agent and the Lenders hereby expressly reserve any rights, privileges and remedies under the Loan Agreement and each Transaction Document that Administrative Agent or the Lenders may have with respect to any condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default, and any failure by Administrative Agent or the Lenders to exercise any right, privilege or remedy as a result of any such condition, violation, Unmatured Initial Servicer Default, Initial Servicer Default, Unmatured Event of Default or Event of Default shall not directly or indirectly in any way whatsoever either (i) impair, prejudice or otherwise adversely affect the rights of Administrative Agent or the Lenders at any time to exercise any right, privilege or remedy in connection with the Loan Agreement or any Transaction Document, (ii) amend or alter any provision of the Loan Agreement or any Transaction Document or any other contract or instrument, or (iii) constitute any course of dealing or other basis for altering any obligation of Borrower or Initial Servicer or any rights, privilege or remedy of Administrative Agent or the Lenders under the Loan Agreement or any Transaction Document or any other contract or instrument.

Borrower and Initial Servicer are hereby notified that irrespective of any waivers or consents previously granted by Administrative Agent or Lenders regarding the Loan Agreement and the Transaction Documents, Borrower and Initial Servicer will be expected to comply strictly with their duties, obligations and agreements under the Loan Agreement and the Transaction Documents.

#### ARTICLE V

##### **Ratifications, Representations and Warranties; Release of Claims**

5.1 **Ratifications.** The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Loan Agreement and the other Transaction Documents, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Loan Agreement and the other Transaction Documents are ratified and confirmed and shall continue in full force and effect. Borrower, Initial Servicer, Lenders and Administrative Agent agree that the Loan Agreement and the other Transaction Documents shall continue to be legal, valid, binding and enforceable in accordance with their respective terms. Each such party agrees that this Amendment is not intended to and shall not cause a novation with respect to any or all of the obligations under the Loan Agreement.

5.2 **Representations and Warranties.** Each of Borrower and Initial Servicer hereby represents and warrants to Administrative Agent that (a) the execution, delivery and performance of this Amendment and any and all other Transaction Documents executed and/or delivered in connection herewith have been authorized by all requisite action (as applicable) on the part of such Person and will not violate the organizational documents of such Person; (b) the execution, delivery and performance of this Amendment and any and all other Transaction Documents executed and/or delivered in connection herewith has been fully and validly authorized by such Person; (c) other than the Existing Initial Servicer Default (as defined in the Second Limited Waiver), no Default or Event of Default under the Loan Agreement has occurred and is continuing; (d) other than the Existing Initial Servicer Default (as defined in the Second Limited Waiver), each of Borrower and Initial Servicer is in full compliance in all material respects with all covenants and agreements contained in the Loan Agreement and the other Transaction Documents; (e) except as disclosed to Administrative Agent, none of Borrower, or Initial Servicer has amended any of its organizational documents since the date of the Loan Agreement and (f) the existence of a “Default” under and as defined in the Existing Specified Secured Debt Documents could not: (i) by its terms cause any Exela Party to be unable to perform its obligations under the Transaction Documents, (ii) cause any inaccuracy or breach of any representation, warranty or covenant under the Transaction Documents of any Exela Party (iii) subject any existing or subsequently arising Collateral to an Adverse Claim or (iv) adversely affect any rights or remedies of the Credit Parties under the Transaction Documents.

### 5.3 **Release of Claims.**

(a) In consideration of the agreements of Administrative Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Borrower and Initial Servicer (together with their Affiliates, the “Loan Parties”), on behalf of each of their respective successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Administrative Agent and Lenders, their successors and assigns, their present and former shareholders, affiliates, subsidiaries, divisions, and predecessors, and the respective directors, officers, attorneys, employees, agents and other representatives of each of the foregoing (Administrative Agent, each Lender and all such other Persons being hereinafter referred to collectively as the “Releasees” and individually as a “Releasee”), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set off, demands and liabilities whatsoever (individually, a “Claim” and collectively, “Claims”) of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, each Loan Party or any of their successors, assigns, or other legal representatives now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever arising at any time based on facts or circumstances in existence on or prior to the date of this Amendment and are for or on account of, or in relation to, or in any way in connection with any of the Loan Agreement, or any of the other Transaction Documents or transactions thereunder or related thereto.

(b) Each Loan Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction

against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) Each Loan Party agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

(d) Each Loan Party, on behalf of itself and its respective successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Claim released, remised and discharged by each Loan Party or any other Person pursuant to this Section 5.3. If any Loan Party or any of their respective successors, assigns or other legal representatives violates the foregoing covenant, each Loan Party, for itself and its successors, assigns and legal representatives, agrees to pay, jointly and severally, in addition to such other damages as any Releasee sustains as a result of such violation, all attorneys' fees and costs incurred by any Releasee as a result of such violation.

## ARTICLE VI

### **Miscellaneous Provisions**

6.1 **Severability.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

6.2 **Counterparts.** This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. This Amendment may be executed by facsimile transmission, which facsimile signatures shall be considered original executed counterparts for purposes of this Section 6.2, and each party to this Amendment agrees that it will be bound by its own facsimile signature and that it accepts the facsimile signature of each other party to this Amendment.

6.3 **Headings.** The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

6.4 **Applicable Law.** THIS AMENDMENT AND ALL OTHER TRANSACTION DOCUMENTS EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

6.5 **Termination of Amended and Restated Forbearance Agreement.** Each party hereto hereby acknowledges and agrees that as of the date hereof the Amended and Restated Forbearance Agreement, including all terms therein, shall be terminated; provided that the Initial Servicer shall remain on a Short-Term Servicing Arrangement; provided further, that, such Short-Term Servicing Agreement shall automatically terminate upon the effectiveness of any waiver of the Existing Initial Servicer Default in accordance with the terms of the Second Limited Waiver

and the Initial Servicer's initial term shall thereafter be reinstated until the occurrence of any subsequent Initial Servicer Default.

6.6 **Effectiveness.** This Amendment shall become effective upon the execution thereof by all parties and satisfaction of the conditions precedent set forth in Article III, and shall cease to be effective (and the provisions of the Loan Agreement and each other Transaction Document amended hereby shall revert to those in existence prior to the execution of this Amendment) at the close of business on May 25, 2020 if the Borrower has not paid in full by May 25, 2020 all costs and expenses of the Administrative Agent (including fees of legal counsel to the Administrative Agent) invoiced on or before May 22, 2020.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

IN WITNESS WHEREOF, this Amendment has been executed and is effective as of the date first above-written.

**BORROWER:**

**EXELA RECEIVABLES 1, LLC**

By: /s/ Andrej Jonovic  
Name: Andrej Jonovic  
Title: authorized signatory

**INITIAL SERVICER:**

**EXELA TECHNOLOGIES, INC.**

By : /s/ Erik Mengwall  
Name: Erik Mengwall  
Title: Secretary

*Sixth Amendment to Loan and Security Agreement*

---

**ADMINISTRATIVE AGENT:**

**TPG SPECIALTY LENDING, INC.**

By: /s/ Robert (Bo) Stanley

Name: Robert (Bo) Stanley

Title: President

**LENDERS:**

**TPG SPECIALTY LENDING, INC.**

By: /s/ Robert (Bo) Stanley

Name: Robert (Bo) Stanley

Title: President

**PNC BANK, NATIONAL ASSOCIATION**

By: /s/ Mark Falcione

Name: Mark Falcione

Title: Executive Vice President

*Sixth Amendment to Loan and Security Agreement*

---

Acknowledged and agreed:

**EXELA TECHNOLOGIES, INC.,  
as Performance Guarantor**

By: /s/ Erik Mengwall

Name: Erik Mengwall

Title: Secretary

**EXELA RECEIVABLES HOLDCO, LLC,  
as Pledgor**

By: /s/ Andrej Jonovic

Name: Andrej Jonovic

Title: authorized signatory

*Sixth Amendment to Loan and Security Agreement*

---

**LIMITED WAIVER TO  
LOAN AND SECURITY AGREEMENT**

THIS LIMITED WAIVER TO LOAN AND SECURITY AGREEMENT (this “Waiver”), dated as of May 21, 2020 (the “Effective Date”), is entered into by and between **Exela Receivables 1, LLC**, a Delaware limited liability company (“Borrower”), **Exela Technologies, Inc.**, a Delaware corporation, as servicer (“Initial Servicer”) and as performance guarantor (“Performance Guarantor”), **Exela Receivables Holdco, LLC**, a Delaware limited liability company, as pledgor (“Pledgor” and, together with Borrower, Initial Servicer and Performance Guarantor, “Loan Parties”), the persons from time to time party to the Loan Agreement (as defined below) as lenders (“Lenders”), and **TPG Specialty Lending, Inc.**, a Delaware corporation (“TSL”), as administrative agent for the Lenders (in such capacity, “Administrative Agent”).

**RECITALS**

WHEREAS, Borrower, Initial Servicer, Lenders, Administrative Agent and PNC Bank, National Association are parties to that certain Loan and Security Agreement, dated as of January 10, 2020 (as amended, modified or supplemented from time to time, the “Loan Agreement”).

WHEREAS, Borrower, Initial Servicer, Parent, Performance Guarantor, Pledgor, the Originators, the Administrative Agent, the Lenders and the LC Bank are parties to that certain Amended and Restated Forbearance Agreement, dated as of May 18, 2020 (as further amended, modified or supplemented from time to time, the “Amended and Restated Forbearance Agreement”).

WHEREAS, an Initial Servicer Default exists pursuant to Section 9.04(a) of the Loan Agreement as a result of the existence of certain Events of Default (as set forth in the Amended and Restated Forbearance Agreement) (the “Existing Initial Servicer Default”);

WHEREAS, in addition, the “Specified Defaults” referenced in the Amended and Restated Forbearance Agreement have occurred under the Loan Agreement (such defaults the “Original Defaults”);

WHEREAS, from time to time, prior to the date hereof, Collections in an amount exceeding the Targeted Interim Collection Account Deposit Amount at such time may have been deposited in Interim Collection Accounts (any Unmatured Events of Default or Events of Default arising therefrom, the “Additional Defaults” and, together with the Original Defaults, the “Specified Defaults”)

WHEREAS, Borrower and Initial Servicer have requested that Administrative Agent and Lenders waive the Specified Defaults; and

WHEREAS, Administrative Agent and Lenders have agreed to waive the Specified Defaults on the terms and subject to the conditions set forth in this Waiver.

**AGREEMENT**

Limited Waiver to Loan and Security Agreement

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NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

**ARTICLE I**

**Definitions**

Capitalized terms used in this Waiver are defined in the Loan Agreement unless otherwise stated.

**ARTICLE II**

**Conditions Precedent**

The effectiveness of this Waiver is subject to the satisfaction of the following conditions precedent in a manner satisfactory to Administrative Agent, unless specifically waived in writing by Administrative Agent:

1. Administrative Agent shall have received this Waiver duly executed by Borrower and the Initial Servicer;
2. No Event of Default, Unmatured Event of Default, Unmatured Initial Servicer Default or Initial Servicer Default (other than the Existing Initial Servicer Default and Specified Defaults) shall have occurred and be continuing;
3. Borrower's and Initial Servicer's representations and warranties set forth herein and in the Loan Agreement shall be true and correct in all material respects, except for such representations and warranties that there is no Event of Default, Unmatured Event of Default, Unmatured Initial Servicer Default or Initial Servicer Default to the extent such representations and warranties relate to the Existing Initial Servicer Default and Specified Defaults; and
4. All corporate proceedings taken in connection with the transactions contemplated by this Waiver and all documents, instruments and other legal matters incident thereto shall be satisfactory to Administrative Agent.

**ARTICLE III**

**Limited Waiver**

**3.1 Limited Waiver of Specified Defaults.**

(a) The Borrower and the Initial Servicer have requested that the Administrative Agent and the Lenders waive the Specified Defaults pursuant to Section 14.01 of the Loan Agreement.

(b) Subject to the satisfaction of the conditions precedent set forth in Article II above, effective as of the Effective Date, the Administrative Agent and Lenders hereby waive each of the Specified Defaults. For the avoidance of doubt, there shall be no waiver of the Existing Initial Servicer Default; provided that no Existing Initial Servicer Default shall exist and be continuing and shall be hereby waived on and after delivery of all reports required to be delivered pursuant to Section 8.01(a)(i) and Section 8.01(a)(ii) of the Loan Agreement; provided further, that as of such date (i) no other Initial Servicer Default exists and (ii) Liquidity as of each of the preceding 45 calendar days has exceeded \$60,000,000.

3.2 **No Waiver.** The waiver set forth in Section 3.1 of this Waiver is limited to the items specifically referenced therein. Except as specifically set forth in Section 3.1 of this Waiver, nothing contained in this Waiver or any other communication between Administrative Agent, any Loan Party and/or any Lender shall be or be deemed a consent or waiver of the Existing Initial Servicer Default or any other past, present or future condition, violation, Unmatured Event of Default or Event of Default of Borrower or Initial Servicer under the Loan Agreement or any other Transaction Document. Administrative Agent and the Lenders hereby expressly reserve any rights, privileges and remedies under the Loan Agreement and each other Transaction Document (including any and all rights to be indemnified thereunder) and applicable law that Administrative Agent or the Lenders may have with respect to any condition, violation, Unmatured Event of Default or Event of Default, and any failure by Administrative Agent or the Lenders to exercise any right, privilege or remedy as a result of any such condition, violation, Unmatured Event of Default or Event of Default shall not directly or indirectly in any way whatsoever either (i) impair, prejudice or otherwise adversely affect the rights of Administrative Agent or the Lenders, except as set forth herein, at any time to exercise any right, privilege or remedy in connection with the Loan Agreement or any other Transaction Document, (ii) amend or alter any provision of the Loan Agreement or any other Transaction Document or any other contract or instrument, or (iii) constitute any course of dealing or other basis for altering any obligation of any Loan Party, or any rights, privilege or remedy of Administrative Agent or the Lenders under the Loan Agreement or any other Transaction Document or any other contract or instrument.

3.3 Each Loan Party is hereby notified that irrespective of (i) any waivers or consents granted by Administrative Agent or Lenders regarding the Loan Agreement or any other Transaction Document, (ii) any previous failures or delays of Administrative Agent or Lenders in exercising any right, power or privilege under the Loan Agreement or any other Transaction Document, or (iii) any previous failures or delays of Administrative Agent or Lenders in the monitoring or in the requiring of compliance by any Loan Party with their duties, obligations, and agreements in the Loan Agreement and the other Transaction Documents, each Loan Party will be expected to comply strictly with its duties, obligations and agreements under the Loan Agreement and the other Transaction Documents except as expressly set forth herein.

## ARTICLE IV

### **Ratifications, Representations; Warranties; Release of Claims**

4.1 **Ratifications.** The terms and provisions set forth in this Waiver shall modify and supersede all inconsistent terms and provisions set forth in the Loan Agreement and the other Transaction Documents, and, except as expressly modified and superseded by this Waiver, the

terms and provisions of the Loan Agreement and the other Transaction Documents are ratified and confirmed and shall continue in full force and effect. Borrower, Initial Servicer, Guarantor, Pledgor, Lenders and Administrative Agent agree that the Loan Agreement and the other Transaction Documents shall continue to be legal, valid, binding and enforceable in accordance with their respective terms. Each such party agrees that this Waiver is not intended to and shall not cause a novation with respect to any or all of the obligations under the Loan Agreement or any of the other Transaction Documents and (a) each of Borrower and Initial Servicer hereby affirms its obligations under the Loan Agreement and the other Transaction Documents, including without limitation with respect to any Borrower Obligations accrued and outstanding as of the date hereof,

(b) Guarantor hereby affirms its obligations under the Performance Guaranty and (c) Pledgor hereby affirms its obligations under the Pledge and Guaranty Agreement.

**4.2 Representations and Warranties.** Each of Borrower and Initial Servicer hereby represents and warrants to Administrative Agent that (a) the execution, delivery and performance of this Waiver and any and all other Transaction Documents executed and/or delivered in connection herewith have been authorized by all requisite action (as applicable) on the part of such Person and will not violate the organizational documents of such Person; (b) the execution, delivery and performance of this Waiver and any and all other Transaction Documents executed and/or delivered in connection herewith has been fully and validly authorized by such Person; (c) other than the Existing Initial Servicer Default and Specified Defaults, no Unmatured Event of Default or Event of Default under the Loan Agreement has occurred and is continuing; (d) other than the Existing Initial Servicer Default and Specified Defaults, each of Borrower and Initial Servicer is in full compliance in all material respects with all covenants and agreements contained in the Loan Agreement and the other Transaction Documents and (e) except as disclosed to Administrative Agent, none of Borrower or Initial Servicer has amended any of its organizational documents since the date of the Loan Agreement.

**4.3 Release of Claims.**

(a) In consideration of the agreements of Administrative Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Loan Party, on behalf of each of their respective successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Administrative Agent and Lenders, their successors and assigns, their present and former shareholders, affiliates, subsidiaries, divisions, and predecessors, and the respective directors, officers, attorneys, employees, agents and other representatives of each of the foregoing (Administrative Agent, each Lender and all such other Persons being hereinafter referred to collectively as the “Releasees” and individually as a “Releasee”), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set off, demands and liabilities whatsoever (individually, a “Claim” and collectively, “Claims”) of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, each Loan Party or any of their successors, assigns, or other legal representatives now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever arising at any time based on facts or circumstances in existence on or prior to the date of this Waiver and are for or on account of, or in

relation to, or in any way in connection with any of the Loan Agreement, or any of the other Transaction Documents or transactions thereunder or related thereto.

(b) Each Loan Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) Each Loan Party agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

(d) Each Loan Party, on behalf of itself and its respective successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Claim released, remised and discharged by each Loan Party or any other Person pursuant to this Section 4.3. If any Loan Party or any of their respective successors, assigns or other legal representatives violates the foregoing covenant, each Loan Party, for itself and its successors, assigns and legal representatives, agrees to pay, jointly and severally, in addition to such other damages as any Releasee sustains as a result of such violation, all attorneys' fees and costs incurred by any Releasee as a result of such violation.

## ARTICLE V

### **Miscellaneous Provisions**

5.1 **Survival of Representations and Warranties.** All representations and warranties made in the Loan Agreement or any other Transaction Document, including, without limitation, any document furnished in connection with this Waiver, shall survive the execution and delivery of this Waiver and the other Transaction Documents, and no investigation by Administrative Agent or any Lender or any closing shall affect the representations and warranties or the right of Administrative Agent and each Lender to rely upon them.

5.2 **Expenses of Administrative Agent.** As provided in the Loan Agreement, Borrower agrees to pay actual and reasonable costs and expenses incurred by Administrative Agent in connection with the preparation, negotiation, and execution of this Waiver and the other Transaction Documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including, without limitation, the reasonable costs and fees of legal counsel, and all reasonable and documented costs and expenses incurred by Administrative Agent and each Lender in connection with the enforcement or preservation of any rights under the Loan Agreement or any other Transaction Documents, including, without, limitation, the reasonable costs and fees of legal counsel.

5.3 **Severability.** Any provision of this Waiver held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Waiver and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

5.4 **Successors and Assigns.** This Waiver is binding upon and shall inure to the benefit of Administrative Agent and each Lender, and Borrower and Initial Servicer, and their respective successors and assigns, except that Borrower and Initial Servicer may not assign or transfer any of its rights or obligations hereunder without the prior written consent of Administrative Agent.

5.5 **Counterparts.** This Waiver may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. This Waiver may be executed by facsimile transmission, which facsimile signatures shall be considered original executed counterparts for purposes of this Section 5.5, and each party to this Waiver agrees that it will be bound by its own facsimile signature and that it accepts the facsimile signature of each other party to this Waiver.

5.6 **Effect of Waiver.** No consent or waiver, express or implied, by Administrative Agent to or for any breach of or deviation from any covenant or condition by Borrower or Initial Servicer shall be deemed a consent to or waiver of any other breach of the same or any other covenant, condition or duty.

5.7 **Headings.** The headings, captions, and arrangements used in this Waiver are for convenience only and shall not affect the interpretation of this Waiver.

5.8 **Applicable Law.** THIS WAIVER AND ALL OTHER TRANSACTION DOCUMENTS EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

5.9 **Effectiveness.** This Waiver shall become effective upon the execution thereof by all parties, and shall cease to be effective (and the provisions of the Loan Agreement and each other Transaction Document amended hereby shall revert to those in existence prior to the execution of this Waiver) at the close of business on May 25, 2020 if the Borrower has not paid in full by May 25, 2020 all costs and expenses of the Administrative Agent (including fees of legal counsel to the Administrative Agent) invoiced on or before May 22, 2020.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

IN WITNESS WHEREOF, this Waiver has been executed and is effective as of the date fust above-written.

**BORROWER:**

**EXELA RECEIVABLES 1, LLC**

By: /s/ Andrej Jonovic

Name: Andrej Jonovic

Title: authorized signatory

**INITIAL SERVICER AND PERFORMANCE  
GUARANTOR:**

**EXELA TECHNOLOGIES, INC.**

By : /s/ Erik Mengwall

Name: Erik Mengwall

Title: Secretary

**PLEDGOR:**

**EXELA RECEIVABLES HOLDCO, LLC**

By : /s/ Andrej Jonovic

Name: Andrej Jonovic

Title: authorized signatory

**ADMINISTRATIVE AGENT:**

**TPG SPECIALTY LENDING, INC.**

By: /s/ Robert (Bo) Stanley

Name: Robert (Bo) Stanley

Title: President

**LENDERS:**

**TPG SPECIALTY LENDING, INC.**

By: /s/ Robert (Bo) Stanley

Name: Robert (Bo) Stanley

Title: President

**PNC BANK, NATIONAL ASSOCIATION**

By: /s/ Mark Falcione

Name: Mark Falcione

Title: Executive Vice President

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) or RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Ronald Cogburn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exela Technologies, Inc. for the quarter ended June 30, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2020

\_\_\_\_\_  
/s/ Ronald Cogburn  
Name: Ronald Cogburn  
Title: Chief Executive Officer  
(Principal Executive Officer)

---

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) or RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Shrikant Sortur, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exela Technologies, Inc. for the quarter ended June 30, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2020

/s/ Shrikant Sortur  
Name: Shrikant Sortur  
Title: Chief Financial Officer  
*(Principal Financial and Accounting Officer)*

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Exela Technologies, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald Cogburn, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2020

/s/ Ronald Cogburn  
Name: Ronald Cogburn  
Title: *Chief Executive Officer*

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Exela Technologies, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shrikant Sortur, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2020

/s/ Shrikant Sortur  
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Name: Shrikant Sortur  
Title: *Chief Financial Officer*

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