

---

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

---

**FORM 10-K/A**

Amendment No. 1

---

(Mark One)

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

For the fiscal year ended December 31, 2017

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)

---

**Delaware**  
(State of or other Jurisdiction  
Incorporation or Organization)

**47-1347291**  
(I.R.S. Employer  
Identification No.)

**2701 E. Grauwlyer Rd.**  
**Irving, TX**  
(Address of Principal Executive Offices)

**75061**  
(Zip Code)

Registrant's Telephone Number, Including Area Code: **(844) 935-2832**

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

<u>Title of Each Class</u>	<u>Name of Each Exchange On Which Registered</u>
Common Stock, Par Value \$0.0001 per share	The Nasdaq Stock Market LLC

---

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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

Accelerated filer

Non-accelerated filer

(Do not check if a  
smaller reporting company)

Smaller reporting company

Emerging growth company

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

The aggregate market value of the Registrant's voting common equity held by non-affiliates of the Registrant, computed by reference to the price at which such voting common equity was last sold as of June 30, 2017, was approximately \$201,313,414.72 (based on a closing price of \$9.92). As a result, the Registrant is an accelerated filer as of December 31, 2017. For purposes of this computation, shares of the voting common equity beneficially owned by each executive officer and director of the Registrant disclosed in the Registrant's Definitive Proxy Statement on Schedule 14A, filed with the SEC on June 26, 2017 were deemed to be owned by affiliates of the Registrant as of June 30, 2017. Such determination should not be deemed an admission that such executive officers and directors are, in fact, affiliates of the Registrant or affiliates as of the date of this Annual Report on Form 10-K. As of March 16, 2018, the Registrant had 152,565,218 shares of Common Stock outstanding.

---

---



**PART II**

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information in response to this item is included in our consolidated financial statements, together with the report thereon of KPMG LLP, in Item 15 of this Annual Report on Form 10-K/A under the heading "Exhibits and Financial Statement Schedules."

**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The following financial statements and schedules are included herein:

<a href="#"><u>Report of Independent Registered Public Accounting Firm</u></a>	<a href="#"><u>4</u></a>
<a href="#"><u>Consolidated Balance Sheets as of December 31, 2017 and 2016</u></a>	<a href="#"><u>5</u></a>
<a href="#"><u>Consolidated Statements of Operations for the years ended December 31, 2017, 2016, and 2015</u></a>	<a href="#"><u>6</u></a>
<a href="#"><u>Consolidated Statements of Comprehensive Loss for the years ended December 31, 2017, 2016, and 2015</u></a>	<a href="#"><u>7</u></a>
<a href="#"><u>Consolidated Statements of Stockholders' Deficit for the years ended December 31, 2017, 2016, and 2015</u></a>	<a href="#"><u>8</u></a>
<a href="#"><u>Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016, and 2015</u></a>	<a href="#"><u>11</u></a>
<a href="#"><u>Notes to the Consolidated Financial Statements</u></a>	<a href="#"><u>12</u></a>

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
Exela Technologies, Inc.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Exela Technologies, Inc. and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive loss, stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement schedule II (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

**KPMG LLP**

We have served as the Company's auditor since 2013.

Dallas, Texas  
March 16, 2018

Exela Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets

For the years ended December 31, 2017 and 2016

(in thousands of United States dollars except share and per share amounts)

	December 31,	
	2017	2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 39,000	\$ 8,361
Restricted cash	42,489	25,892
Accounts receivable, net of allowance for doubtful accounts of \$3,725 and \$3,219 respectively	229,704	138,421
Inventories, net	11,922	11,195
Prepaid expenses and other current assets	24,596	12,202
<b>Total current assets</b>	<b>347,711</b>	<b>196,071</b>
Property, plant and equipment, net	132,908	81,600
Goodwill	747,325	373,291
Intangible assets, net	464,984	298,739
Deferred income tax assets	9,019	9,654
Other noncurrent assets	12,891	10,131
<b>Total assets</b>	<b>\$ 1,714,838</b>	<b>\$ 969,486</b>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 81,263	\$ 42,212
Related party payables	14,445	9,344
Income tax payable	3,612	1,031
Accrued liabilities	104,485	29,492
Accrued compensation and benefits	46,925	31,200
Customer deposits	31,656	18,729
Deferred revenue	12,709	17,235
Obligation for claim payment	42,489	25,892
Current portion of capital lease obligations	15,611	6,507
Current portion of long-term debt	20,565	55,833
<b>Total current liabilities</b>	<b>373,760</b>	<b>237,475</b>
Long-term debt, net of current maturities	1,276,094	983,502
Capital lease obligations, net of current maturities	25,958	18,439
Pension liability	25,496	28,712
Deferred income tax liabilities	5,362	26,223
Long-term income tax liability	3,470	3,063
Other long-term liabilities	14,704	11,973
<b>Total liabilities</b>	<b>1,724,844</b>	<b>1,309,387</b>
Commitment and Contingencies(Note 12)		
<b>Stockholders' equity (deficit)</b>		
Common stock, par value of \$0.0001 per share; 1,600,000,000 shares authorized; 150,578,451 shares issued and 150,529,151 outstanding at December 31, 2017 and 64,024,557 shares issued and outstanding at December 31, 2016;	15	6
Preferred stock, par value of \$0.0001 per share; 20,000,000 shares authorized and 6,194,233 shares issued and outstanding at December 31, 2017 and no shares issued or outstanding at December 31, 2016	1	—
Additional paid in capital	482,018	(57,395)
Less: common stock held in treasury, at cost; 49,300 shares at December 31, 2017 and no shares at December 31, 2016	(249)	—
Equity-based compensation	34,085	27,342
Accumulated deficit	(514,628)	(293,968)
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	(194)	(3,547)
Unrealized pension actuarial losses, net of tax	(11,054)	(12,339)
Total accumulated other comprehensive loss	(11,248)	(15,886)
<b>Total stockholders' deficit</b>	<b>(10,006)</b>	<b>(339,901)</b>
<b>Total liabilities and stockholders' deficit</b>	<b>\$ 1,714,838</b>	<b>\$ 969,486</b>

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

Exela Technologies, Inc. and Subsidiaries

Consolidated Statement of Operations

For the years ended December 31, 2017, 2016 and 2015

(in thousands of United States dollars except share and per share amounts)

	Year ended December 31,		
	2017	2016	2015
Revenue	\$ 1,152,324	\$ 789,926	\$ 805,232
Cost of revenue (exclusive of depreciation and amortization)	829,143	519,121	559,846
Selling, general and administrative expenses	220,955	130,437	120,691
Depreciation and amortization	98,890	79,639	75,408
Impairment of goodwill and other intangible assets	69,437	—	—
Related party expense	33,431	10,493	8,977
<b>Operating (loss) income</b>	<b>(99,532)</b>	<b>50,236</b>	<b>40,310</b>
<b>Other expense (income), net:</b>			
Interest expense, net	128,489	109,414	108,779
Loss on extinguishment of debt	35,512	—	—
Sundry expense, net	2,295	712	3,247
Other income, net	(1,297)	—	—
<b>Net loss before income taxes</b>	<b>(264,531)</b>	<b>(59,890)</b>	<b>(71,716)</b>
Income tax benefit	60,246	11,787	26,812
<b>Net loss</b>	<b>\$ (204,285)</b>	<b>\$ (48,103)</b>	<b>\$ (44,904)</b>
Dividend equivalent on Series A Preferred Stock related to beneficial conversion feature	(16,375)	—	—
Cumulative dividends for Series A Preferred Stock	(2,489)	—	—
<b>Net loss attributable to common stockholders</b>	<b>\$ (223,149)</b>	<b>\$ (48,103)</b>	<b>\$ (44,904)</b>
<b>Loss per share:</b>			
Basic and diluted	\$ (2.08)	\$ (0.75)	\$ (0.70)

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

Exela Technologies, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2017, 2016 and 2015

(in thousands of United States dollars)

	Years ended December 31,		
	2017	2016	2015
<b>Net Loss</b>	<b>\$ (204,285)</b>	<b>\$ (48,103)</b>	<b>\$ (44,904)</b>
<b>Other comprehensive income (loss), net of tax</b>			
Foreign currency translation adjustments	3,353	(132)	(1,990)
Unrealized pension actuarial gains (losses), net of tax	1,285	(7,263)	3,655
<b>Total other comprehensive loss, net of tax</b>	<b>\$ (199,647)</b>	<b>\$ (55,498)</b>	<b>\$ (43,239)</b>

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



**Exela Technologies, Inc. and Subsidiaries**  
**Consolidated Statements of Stockholders' Deficit**  
**December 31, 2017, 2016 and 2015**  
(in thousands of United States dollars except share and per share amounts)

	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, 2015 (as previously reported)</b>	144,400	\$ —	—	\$ —	—	\$ —	(57,389)\$	12,134	\$ (1,425)	(8,731)\$	(200,961)\$	(256,372)
Conversion of shares	63,880,157		6		—		(6)	—		—	—	—
<b>Balances at January 1, 2015, effect of reverse acquisition (refer to Note 2)</b>	64,024,557	\$ 6	—	\$ —	—	\$ —	(57,395)\$	12,134	\$ (1,425)	(8,731)\$	(200,961)\$	(256,372)
Net loss January 1 to December 31, 2015											(44,904)	(44,904)
Equity-based compensation								8,122				8,122
Foreign currency translation adjustment									(1,990)			(1,990)
Net realized pension actuarial gains, net of tax										3,655		3,655
<b>Balances at December 31, 2015</b>	64,024,557	\$ 6	—	\$ —	—	\$ —	(57,395)\$	20,256	\$ (3,415)	(5,076)\$	(245,865)\$	(291,489)

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

**Exela Technologies, Inc. and Subsidiaries**  
**Consolidated Statements of Stockholders' Deficit (Continued)**  
**December 31, 2017, 2016 and 2015**  
(in thousands of United States dollars except share and per share amounts)

	Common Stock		Preferred Stock		Treasury Stock		Accumulated Other Comprehensive Loss					Total Stockholders' Deficit
							Additional Paid in Capital	Equity-Based Compensation	Foreign Currency Translation Adjustment	Unrealized Pension Actuarial Losses, net of tax		
	Shares	Amount	Shares	Amount	Shares	Amount						
<b>Balances at January 1, 2016</b>	<b>64,024,557</b>	<b>\$ 6</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>\$ (57,395)</b>	<b>\$ 20,256</b>	<b>\$ (3,415)</b>	<b>\$ (5,076)</b>	<b>\$ (245,865)</b>	<b>\$ (291,489)</b>
Net loss January 1 to December 31, 2016	—	—	—	—	—	—	—	—	—	—	(48,103)	(48,103)
Equity-based compensation	—	—	—	—	—	—	—	7,086	—	—	—	7,086
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(132)	—	—	(132)
Net realized pension actuarial gains, net of tax	—	—	—	—	—	—	—	—	—	(7,263)	—	(7,263)
<b>Balances at December 31, 2016</b>	<b>64,024,557</b>	<b>\$ 6</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>\$ (57,395)</b>	<b>\$ 27,342</b>	<b>\$ (3,547)</b>	<b>\$ (12,339)</b>	<b>\$ (293,968)</b>	<b>\$ (339,901)</b>

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

**Exela Technologies, Inc. and Subsidiaries**  
**Consolidated Statements of Stockholders' Deficit (Continued)**  
**December 31, 2017, 2016 and 2015**  
(in thousands of United States dollars except share and per share amounts)

	Common Stock		Preferred Stock		Treasury Stock		Additional Paid in Capital	Equity-Based Compensation	Accumulated Other Comprehensive Loss			Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount			Foreign Currency Translation Adjustment	Unrealized Pension Actuarial Losses, net of tax	Accumulated Deficit	
<b>Balances at</b>												
<b>January 1, 2017</b>	<b>64,024,557</b>	<b>\$ 6</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>(57,395)</b>	<b>\$ 27,342</b>	<b>(3,547)</b>	<b>(12,339)</b>	<b>(293,968)</b>	<b>(339,901)</b>
Net loss January 1 to December 31, 2017											(204,285)	(204,285)
Equity-based compensation								6,743				6,743
Foreign currency translation adjustment									3,353			3,353
Net realized pension actuarial gains, net of tax										1,285		1,285
Merger recapitalization	16,575,443	2					20,546					20,548
Shares issued to acquire Novitex (refer to Note 3)	30,600,000	3					244,797					244,800
Issuance/Conversion of Quinpario shares	12,093,331	1					22,358					22,359
Sale of common shares at July 12, 2017	18,757,942	3					130,860					130,863
Issuance of Series A Preferred Stock	—	—	9,194,233	1			73,553					73,554
Shares issued for advisory services and underwriting fees	3,609,375	—					28,573					28,573
Conversion of Series A Preferred Stock to common shares	3,667,803	—	(3,000,000)	—			—					—
Shares issued for HandsOn Global Management contract termination fee	1,250,000						10,000					10,000
Equity issuance expenses							(7,649)					(7,649)
Adjustment for beneficial conversion feature of Series A Preferred Stock (refer to Note 2)							16,375				(16,375)	—
Treasury stock purchases	(49,300)				49,300	(249)						(249)
<b>Balances at</b>												
<b>December 31, 2017</b>	<b>150,529,151</b>	<b>\$ 15</b>	<b>6,194,233</b>	<b>\$ 1</b>	<b>49,300</b>	<b>(249)</b>	<b>\$ 482,018</b>	<b>\$ 34,085</b>	<b>(194)</b>	<b>(11,054)</b>	<b>(514,628)</b>	<b>(10,006)</b>

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

Exela Technologies, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2017, 2016 and 2015

(in thousands of United States dollars unless otherwise stated)

	Years ended December 31,		
	2017	2016	2015
<b>Cash flows from operating activities</b>			
Net loss	\$ (204,285)	\$ (48,103)	\$ (44,904)
Adjustments to reconcile net loss			
Depreciation and amortization	98,890	79,639	75,408
Fees paid in stock	23,875	—	—
HGM contract termination fee paid in stock	10,000	—	—
Original issue discount and debt issuance cost amortization	12,280	13,684	12,974
Loss on extinguishment of debt	35,512	—	—
Impairment of goodwill and other intangible assets	69,437	—	—
Provision (recovery) for doubtful accounts	500	756	1,105
Deferred income tax benefit	(66,723)	(15,729)	(27,177)
Share-based compensation expense	6,743	7,086	8,122
Foreign currency remeasurement	1,382	193	150
Gain on sale of Meridian	(588)	—	—
Loss on sale of property, plant and equipment	987	2,245	632
Fair value adjustment of swap derivative	(1,297)	—	—
Change in operating assets and liabilities, net of effect from acquisitions			
Accounts receivable	(4,832)	20,801	11,583
Prepaid expenses and other assets	2,628	4,969	892
Accounts payable and accrued liabilities	52,953	5,544	(28,644)
Related party payables	4,907	(2,427)	(2,703)
<b>Net cash provided by operating activities</b>	<b>42,369</b>	<b>68,658</b>	<b>7,438</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(14,440)	(7,926)	(10,669)
Additions to internally developed software	(7,843)	(13,017)	(3,279)
Additions to outsourcing contract costs	(10,992)	(14,636)	(7,882)
Cash paid for TransCentra	—	—	(12,810)
Cash acquired in TransCentra acquisition	—	3,351	—
Proceeds from sale of Meridian	4,582	—	—
Cash acquired in Quinpario reverse merger	91	—	—
Cash paid in Novitex acquisition, net of cash received	(423,428)	—	—
Other acquisitions, net of cash received	(369)	—	—
Proceeds from sale of property, plant and equipment	25	626	208
<b>Net cash used in investing activities</b>	<b>(452,374)</b>	<b>(31,602)</b>	<b>(34,432)</b>
<b>Cash flows from financing activities</b>			
Change in bank overdraft	(210)	(1,331)	938
Proceeds from issuance of stock	204,417	—	—
Cash received from Quinpario	27,031	—	—
Repurchase of Common Stock	(249)	—	—
Proceeds from financing obligation	3,116	5,429	5,554
Contribution from Shareholders	20,548	—	—
Proceeds from new credit facility	1,320,500	—	—
Retirement of previous credit facilities	(1,055,736)	—	—
Cash paid for debt issuance costs	(39,837)	—	—
Cash paid for equity issue costs	(149)	—	—
Borrowings from revolver and swing-line loan	72,600	53,700	157,400
Repayments from revolver and swing line loan	(72,500)	(53,200)	(108,800)
Principal payments on long-term obligations	(39,316)	(47,853)	(33,474)
<b>Net cash provided by (used in) financing activities</b>	<b>440,215</b>	<b>(43,255)</b>	<b>21,618</b>
Effect of exchange rates on cash	429	(2,059)	(672)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>30,639</b>	<b>(8,258)</b>	<b>(6,048)</b>
Cash and cash equivalents			
Beginning of period	8,361	16,619	22,667
End of period	\$ <b>39,000</b>	\$ <b>8,361</b>	\$ <b>16,619</b>
<b>Supplemental cash flow data:</b>			
Income tax payments, net of refunds received	\$ 5,711	\$ 3,771	\$ 1,784
Interest paid	69,622	96,166	87,302
<b>Noncash investing and financing activities:</b>			
Assets acquired through capital lease arrangements	6,973	11,925	6,021
Leasehold improvements funded by lessor	146	5,186	665
Issuance of common stock as consideration for Novitex	244,800	—	—
Accrued capital expenditures	1,621	580	878
Dividend equivalent on Series A Preferred Stock	16,375	—	—
Liability assumed of Quinpario	4,672	—	—

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

## 1. Description of the Business

### Organization

Exela Technologies, Inc. (the "Company" or "Exela") is a global provider of transaction processing solutions, enterprise information management, document management and digital business process services. The Company provides mission-critical information and transaction processing solutions services to customers across three major industry segments: (1) Information & Transaction Processing, (2) Healthcare Solutions, and (3) Legal and Loss Prevention Services. The Company manages information and document driven business processes and offers solutions and services to fulfill specialized knowledge-based processing and consulting requirements, enabling customers to concentrate on their core competencies. Through its outsourcing solutions, the Company enables businesses to streamline their internal and external communications and workflows.

The Company was originally incorporated in Delaware on July 15, 2014 as a special purpose acquisition company under the name Quinpario Acquisition Corp 2 ("Quinpario") for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination involving Quinpario and one or more businesses or entities. On July 12, 2017 (the "Closing"), the Company consummated its business combination with SourceHOV Holdings, Inc. ("SourceHOV") and Novitex Holdings, Inc. ("Novitex") pursuant to the Business Combination Agreement and Consent, Waiver and Amendment to the Business Combination Agreement, dated February 21, 2017 and June 15, 2017, respectively (the "Business Combination"). In connection with the Closing, the Company changed its name from Quinpario Acquisition Corp 2 to Exela Technologies, Inc. Unless the context otherwise requires, the "Company" refers to the combined company and its subsidiaries following the Business Combination, "Quinpario" refers to the Company prior to the closing of the Business Combination, "SourceHOV" refers to SourceHOV prior to the Business Combination and "Novitex" refers to Novitex prior to the Business Combination. *Refer to Note 3* for further discussion of the Business Combination.

### 2. Basis of Presentation and Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements.

#### Basis of Presentation

The accompanying consolidated financial statements and related notes to the consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). The consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of the Company's management, necessary for the fair presentation of the results of operations for the periods.

The Business Combination has been accounted for as a reverse merger in accordance with U.S. GAAP. For accounting purposes, SourceHOV was deemed to be the accounting acquirer, Quinpario was the legal acquirer, and Novitex is considered the acquired company. In conjunction with the Business Combination, outstanding shares of SourceHOV were converted into Common Stock of the Company, par value \$0.0001 per share, shown as a recapitalization, and the net assets of Quinpario were acquired at historical cost, with no goodwill or other intangible assets recorded. The consolidated assets and liabilities as of December 31, 2016, and results of operations for the years ended December 31, 2016 and 2015 are those of SourceHOV. Quinpario's assets and liabilities, which include net cash from the trust of \$27.0 million and accrued fees payable of \$4.8 million, and results of operations are consolidated with SourceHOV beginning on the Closing. The shares and corresponding capital amounts and earnings per share available to holders of the Company's Common Stock, prior to

the Business Combination, have been retroactively restated as shares reflecting the exchange ratio established in the Business Combination. The presented financial information for the year ended December 31, 2017 includes the financial information and activities for SourceHOV for the period January 1, 2017 to December 31, 2017 (365 days) as well as the financial information and activities of Novitex for the period July 13, 2017 to December 31, 2017 (172 days).

### **Principles of Consolidation**

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

### **Use of Estimates**

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

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

### **Segment Reporting**

The Company consists of the following three segments:

1. *Information & Transaction Processing Solutions ("ITPS")*. ITPS provides industry-specific solutions for banking and financial services, including lending solutions for mortgages and auto loans, and banking solutions for clearing, anti-money laundering, sanctions, and interbank cross-border settlement; property and casualty insurance solutions for origination, enrollments, claims processing, and benefits administration communications; public sector solutions for income tax processing, benefits administration, and record management; industry-agnostic solutions for payment processing and reconciliation, integrated receivables and payables management, document logistics and location services, records management and electronic storage of data, documents; and software, hardware, professional services and maintenance related to information and transaction processing automation, among others.

2. *Healthcare Solutions ("HS")*. HS offerings include revenue cycle solutions, integrated accounts payable and accounts receivable, and information management for both the healthcare payer and provider markets. Payer service offerings include claims processing, claims adjudication and auditing services, enrollment processing and policy management, and scheduling and prescription management. Provider service offerings include medical coding and insurance claim generation, underpayment audit and recovery, and medical records management.

3. *Legal and Loss Prevention Services ("LLPS")*. LLPS solutions include processing of legal claims for class action and mass action settlement administrations, involving project management support, notification and outreach to claimants, collection, analysis and distribution of settlement funds. Additionally, LLPS provides data and analytical services in the context of litigation consulting, economic and statistical analysis, expert witness services, and revenue recovery services for delinquent accounts receivable.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash deposited with financial institutions and liquid investments with original maturity dates equal to or less than three months. All bank deposits and money market accounts are considered cash and cash equivalents. The Company holds cash and cash equivalents at major financial institutions, which often exceed Federal Deposit Insurance Corporation insured limits. Historically, the Company has not experienced any losses due to such bank depository concentration.

Certificates of deposit and fixed deposits whose original maturity is greater than three months and is one year or less are classified as short-term investments and certificates of deposit and fixed deposits whose maturity is greater than one year at the balance sheet date are classified as non-current assets in the consolidated balance sheets. The purchase of any certificates of deposit or fixed deposits that are classified as short-term investments or non-current assets appear in the investing section of the consolidated statements of cash flows.

#### **Restricted Cash**

As part of the Company's legal claims processing service, the Company holds cash for various settlement funds once the fund is in the wind down stage and claims have been paid. The cash is used to pay tax obligations and other liabilities of the settlement funds. The Company has recorded an offsetting liability for the settlement funds received, which is included in Obligation for claim payment in the consolidated balance sheets of \$42.5 million and \$25.9 million at December 31, 2017 and December 31, 2016, respectively. Of the total amount of settlement funds received, \$22.9 million and \$17.1 million were not subject to legal restrictions on use as of December 31, 2017 and December 31, 2016, respectively.

#### **Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are carried at the original invoice amount less an estimate made for doubtful accounts. Revenue that has been earned but remains unbilled at the end of the period is recorded as a component of accounts receivable, net. The Company specifically analyzes accounts receivable and historical bad debts, customer credit-worthiness, current economic trends, and changes in customer payment terms and collection trends when evaluating the adequacy of its allowance for doubtful accounts. The Company writes off accounts receivable balances against the allowance for doubtful accounts, net of any amounts recorded in deferred revenue, when it becomes probable that the receivable will not be collected.

#### **Inventories**

Inventories are valued using the lower of cost and net realizable value method and include the cost of raw materials, labor, and purchased subassemblies. Cost is determined using the weighted average method. Net Inventory as of December 31, 2017 and 2016 were \$11.9 million and \$11.2 million, respectively.

## **Property, Plant and Equipment**

Property, plant, and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method (which approximates the use of the assets) over the estimated useful lives of the assets. When these assets are sold or otherwise disposed of, the asset and related depreciation is relieved, and any gain or loss is included in the consolidated statements of operations for the period of sale or disposal. Leasehold improvements are amortized over the lease term or the useful life of the asset, whichever is shorter. Assets under capital leases are amortized over the lease term unless ownership is transferred by the end of the lease or there is a bargain purchase option, in which case assets are amortized normally on a straight-line basis over the useful life that would be assigned if the assets were owned. The amortization of these capital lease assets is recorded in depreciation expense in the consolidated statements of operations. Repair and maintenance costs are expensed as incurred.

## **Intangible Assets**

### *Customer Relationships*

Customer relationship intangible assets represent customer contracts and relationships obtained as part of acquired businesses. Customer relationship values are estimated by evaluating various factors including historical attrition rates, contractual provisions and customer growth rates, among others. The estimated average useful lives of customer relationships range from 4 to 16 years depending on facts and circumstances. These intangible assets are primarily amortized based on undiscounted cash flows. The Company evaluates the remaining useful life of intangible assets on an annual basis to determine whether events and circumstances warrant a revision to the remaining useful life.

### *Trade Names*

The Company has determined that its trade name intangible assets are indefinite-lived assets and therefore are not subject to amortization. The Company performed a quantitative analysis as part of the annual impairment test on October 1, 2017, and recorded an impairment charge. Subsequently, late in the fourth quarter of 2017, the Company implemented a strategy to transition to a unified Exela brand beginning in 2018. As a result, the Company performed a quantitative analysis as of December 31, 2017, and recorded another impairment charge. The Company's valuation of trade names at the reporting unit level utilizes the Relief-from-Royalty method that represents the present value of the future economic benefits generated by ownership of the trade names and approximates the amount that the Company would have to pay as a royalty to a third party to license such names.

### *Trademarks*

The Company has determined that its trademark intangible assets resulting from acquisitions are definite-lived assets and therefore are subject to amortization. The Company has historically amortized trademarks on a straight-line basis over the estimated useful life, which is typically 10 years. As part of the impairment analysis completed as of December 31, 2017, and due to the Company's strategy to transition to a unified Exela brand beginning in 2018, the Company reduced the estimated useful lives of its trademarks and will amortize the trademarks over a one year period.

### *Developed Technology*

The Company has various developed technologies embedded in its technology platform. Developed technology is an integral asset to the Company in providing solutions to customers and is recorded as an intangible asset. The Company amortizes developed technology on a straight-line basis over the estimated useful life, which is typically 5-8.5 years.



### *Capitalized Software Costs*

The Company capitalizes certain costs incurred to develop software products to be sold, leased or otherwise marketed after establishing technological feasibility in accordance with ASC section 985-20, Software—Costs of Software to Be Sold, Leased, or Marketed, and the Company capitalizes costs to develop or purchase internal-use software in accordance with ASC section 350-40, Intangibles—Goodwill and Other—Internal-Use Software. Significant estimates and assumptions include determining the appropriate period over which to amortize the capitalized costs based on estimated useful lives and estimating the marketability of the commercial software products and related future revenues. The Company amortizes capitalized software costs on a straight-line basis over the estimated useful term, which is typically 1-5 years.

### *Outsourced Contract Costs*

Costs of outsourcing contracts, including costs incurred for bid and proposal activities, are generally expensed as incurred. However, certain costs incurred upon initiation of an outsourcing contract are deferred and expensed on a straight-line basis over the estimated contract term. These costs represent incremental external costs or certain specific internal costs that are directly related to the contract acquisition or transition activities and can be separated into two principal categories: contract commissions and transition/set-up costs. Examples of such capitalized costs include hourly labor and related fringe benefits and travel costs.

### *Non-compete Agreements*

The Company acquired certain non-compete agreements in connection with the Business Combination. These were related to four Novitex executives that were terminated following the acquisition. The Company has determined that the agreements have a definite useful life of one year.

### **Impairment of Indefinite-Lived Assets**

The Company conducts its annual indefinite-lived assets impairment tests on October 1st of each year for its indefinite-lived trade names, or more frequently if indicators of impairment exist. When performing the impairment test, the Company has the option of performing a qualitative or quantitative assessment to determine if an impairment has occurred. A quantitative assessment requires comparison of fair value of the asset to its carrying value. The Company utilizes the Income Approach, specifically the Relief-from-Royalty method, which has the basic tenet that a user of that intangible asset would have to make a stream of payments to the owner of the asset in return for the rights to use that asset. *Refer to Note 7—Intangibles Assets and Goodwill* for additional discussion of impairment of trade names.

### **Impairment of Long-Lived Assets**

The Company reviews the recoverability of its long-lived assets, including finite-lived trade names, trademarks, customer relationships, developed technology, capitalized software costs, outsourced contract costs and property, plant and equipment, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pre-tax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The primary measure of fair value is based on discounted cash flows based in part on the financial results and the expectation of future performance.

The Company did not record any material impairment related to its property, plant, and equipment, customer relationships, trademarks, developed technology, capitalized software, or outsourced contract costs for the years ended December 31, 2017, 2016, and 2015.

## Goodwill

Goodwill represents the excess purchase price over tangible and intangible assets acquired less liabilities assumed arising from business combinations. Goodwill is generally allocated to reporting units based upon relative fair value (taking into consideration other factors such as synergies) when an acquired business is integrated into multiple reporting units. The Company's reporting units are at the operating segment level, which discrete financial information is prepared and regularly reviewed by management. When a business within a reporting unit is disposed of, goodwill is allocated to the disposed business using the relative fair value method.

The Company conducts its annual goodwill impairment tests on October 1st of each year, or more frequently if indicators of impairment exist. When performing the annual impairment test, the Company has the option of performing a qualitative or quantitative assessment to determine if an impairment has occurred. If a qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company would be required to perform a quantitative impairment analysis for goodwill. The quantitative analysis requires a comparison of fair value of the reporting unit to its carrying value, including goodwill. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The Company uses a combination of the Guideline Public Company Method of the Market Approach and the Discounted Cash Flow Method of the Income Approach to determine the reporting unit fair value. Refer to Note 7—Intangibles Assets and Goodwill for additional discussion of impairment of goodwill.

## Derivative Instruments and Hedging Activities

As required by ASC 815—Derivatives and Hedging, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

The Company's objective in using interest rate derivatives is to manage its exposure to variable interest rates related to its term loan under the Credit Agreement. In order to accomplish this objective, in November 2017, the Company entered into a three year, one-month LIBOR interest rate contract with a notional amount of \$347.8 million. The contract will mitigate the variable interest rate risk related to the LIBOR with a fixed interest rate paid semi-annually starting January 12, 2018.

The following table summarizes the Company's interest rate swap positions as of December 31, 2017:

Effective date	Maturity date	December 31, 2017	
		(In Millions) Notional Amount	Weighted Average Interest Rate
1/12/2018	1/12/2021	\$ 347.8	1.9725%

The interest rate swap, which is used to manage the Company's exposure to interest rate movements and other identified risks, was not designated as a hedge. As such, the change in the fair value of the derivative is recorded directly in earnings and was \$1.3 million for the year ended December 31, 2017.

## **Benefit Plan Accruals**

The Company has defined benefit plans in the U.K and Germany, under which participants earn a retirement benefit based upon a formula set forth in the plan. The Company records expense related to this plan using actuarially determined amounts that are calculated under the provisions of ASC 715, Compensation—Retirement Benefits. Key assumptions used in the actuarial valuations include the discount rate, the expected rate of return on plan assets and the rate of increase in future compensation levels. *Refer to Note 11—Employee Benefit Plans.*

## **Leases**

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under a capital lease are initially recognized as assets of the Company at their fair value at the inception of the lease, or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the other long-term obligations in the consolidated balance sheets. Operating lease payments are initially recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased asset are consumed.

## **Stock-Based Compensation**

The Company accounts for stock based compensation in accordance with ASC 718, Compensation- Stock Compensation. ASC 718 requires generally that all equity awards be accounted for at their "fair value." This fair value is measured at the fair value of value of the awards at the grant date and recognized as compensation expense on a straight-line basis over the vesting period. The fair value of the awards on the grant date is determined using the Enterprise Value model. The expense resulting from share-based payments is recorded in general and administrative expense in the accompanying consolidated statements of operations. *Refer to Note 14—Stock-Based Compensation.*

## **Revenue Recognition**

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

ITPS revenues are primarily generated under service arrangements 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 under service arrangements from a transaction-based pricing model for the various types of volumes processed for healthcare payers and providers. LLPS revenues are primarily based on a time and materials pricing as well as through transactional services priced on a per item basis.

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

Sales commissions determined to be incremental direct costs incurred related to the successful acquisition of new customer revenues are deferred and amortized over the length of the initial contract period.

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

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

#### *Multiple Element Arrangements*

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

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

#### **Research and Development**

Research and development costs are expensed as incurred. Research and development costs expensed for the years ended December 31, 2017, 2016, and 2015 were \$2.3 million, \$2.3 million, and \$1.7 million, respectively.

#### **Advertising**

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2017, 2016, and 2015, were \$0.7 million, \$1.1 million, and \$0.8 million, respectively.

#### **Income Taxes**

The Company accounts for income taxes by using the asset and liability method. The Company accounts for income taxes regarding uncertain tax positions and recognized interest and penalties related to uncertain tax positions in income tax benefit/ (expense) in the consolidated statements of operations.

Deferred income taxes are recognized on the tax consequences of temporary differences by applying enacted statutory tax rates applicable in future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities, as determined under tax laws and rates. A valuation allowance is provided when it is more likely than not that all or some portion of the deferred tax assets will not be realized. Due to numerous ownership changes, the Company is subject to limitations on existing net operating losses under Section 382 of the Internal Revenue Code (the Code). Accordingly, valuation allowances have been established against a portion of the net operating losses to reflect estimated Section 382 limitations. The Company also considered the realizability of net operating losses not limited by Section 382. The Company did not consider future book income as a source of taxable income when assessing if a portion of the deferred tax assets are more likely than not to be realized. However, scheduling the reversal of existing deferred tax liabilities

indicated that only a portion of the deferred tax assets are likely to be realized. Therefore, partial valuation allowances were established against a portion of the Company's deferred tax assets. In the event the Company determines that it would be able to realize deferred tax assets that have valuation allowances established, an adjustment to the deferred tax assets would be recognized as component of income tax expense through continuing operations.

The Company engages in transactions (i.e. acquisitions) in which the tax consequences may be subject to uncertainty and examination by the varying taxing authorities. Significant judgment is required by the Company in assessing and estimating the tax consequences of these transactions. While the Company's tax returns are prepared and based on the Company's interpretation of tax laws and regulations, in the normal course of business the tax returns are subject to examination by the various taxing authorities. Such examinations may result in future assessments of additional tax, interest and penalties. For purposes of the Company's income tax provision, a tax benefit is not recognized if the tax position is not more likely than not to be sustained based solely on its technical merits. Considerable judgment is involved in determining which tax positions are more likely than not to be sustained. *Refer to Note 10—Income Taxes* for further information.

### **Loss Contingencies**

The Company reviews the status of each significant matter, if any, and assess its potential financial exposure considering all available information including, but not limited to, the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information and events pertaining to a particular matter. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to loss contingencies, accruals are based only on the best information available at the time. As additional information becomes available, the Company reassesses the potential liability related to its pending claims and litigation, and may revise its estimates. These revisions in the estimates of the potential liabilities could have a material impact on the results of operations and financial position. The Company's liabilities exclude any estimates for legal costs not yet incurred associated with handling these matters.

### **Operations**

A portion of the Company's labor and operations is situated outside of the United States in India and other locations. The carrying value of long-lived assets that are situated outside of the United States is approximately \$26.2 million and \$26.3 million as of December 31, 2017 and 2016, respectively.

### **Foreign Currency Translation**

The functional currency for the Company's production operations located in India, Philippines, China, and Mexico is the United States dollar. Included in other expense as "Sundry expense (income), net" in the consolidated statements of operations are net exchange losses of \$2.3 million, \$0.7 million, and \$3.2 million for the years ended December 31, 2017, 2016, and 2015, respectively.

The Company has determined all other international subsidiaries' functional currency is the local currency. These assets and liabilities are translated at exchange rates in effect at the balance sheet date while income and expense amounts are translated at average exchange rates during the period. The resulting foreign currency translation adjustments are disclosed as a separate component of other comprehensive loss.

## Beneficial Conversion Feature

The Company's Series A Perpetual Convertible Preferred Stock, par value \$0.0001 per share (the "Series A Preferred Stock") contains a beneficial conversion feature, which arises when a debt or equity security is issued with an embedded conversion option that is beneficial to the investor or in the money at inception because the conversion option has an effective strike price that is less than the market price of the underlying stock at the commitment date. The Company recognized the beneficial conversion feature by allocating the intrinsic value of the conversion option, which is the number of shares of Common Stock available upon conversion multiplied by the difference between the effective conversion price per share and the fair value of Common Stock per share on the commitment date, to additional paid-in capital, resulting in a discount on the Series A Preferred Stock. As a result of the occurrence of events meeting the definition of a "Fundamental Change" as defined in the Certificate of Designations, Preferences, Rights and Limitations of Series A Perpetual Convertible Preferred Stock of the Company during the period, the Company recognized the entire dividend equivalent of \$16.4 million as of December 31, 2017.

## Net Loss per Share

Earnings per share ("EPS") is computed by dividing net loss available to holders of the Company's 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. As the Company experienced net losses for the periods presented, the impact of participating Series A Preferred Stock was calculated based on the if-converted method. Diluted EPS excludes all dilutive potential of shares of Common Stock if their effect is anti-dilutive.

For the year ended December 31, 2017, shares of the Company's Series A Convertible Preferred Stock ("Series A Preferred Stock"), if converted would have resulted in an additional 7,573,066 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 has not included the effect of 35,000,000 warrants sold in the Quinpario Initial Public Offering ("IPO") in the calculation of net income (loss) per share. Warrants are considered anti-dilutive and excluded when the exercise price exceeds the average market value of the Company's Common Stock price during the applicable period.

The components of basic and diluted EPS are as follows:

	Year Ended December 31,		
	2017	2016	2015
Net loss attributable to common stockholders (A)	\$ (223,149)	\$ (48,103)	\$ (44,904)
Weighted average common shares outstanding—basic and diluted (B)	107,068,262	64,024,557	64,024,557
<b>Loss Per Share:</b>			
Basic and diluted (A/B)	\$ (2.08)	\$ (0.75)	\$ (0.70)

## Business Combinations

The Company includes the results of operations of the businesses acquired as of the respective dates of acquisition. The Company allocates the fair value of the purchase price of acquisitions to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the fair value of the purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill.

## Fair Value Measurements

The Company records the fair value of assets and liabilities in accordance with ASC 820, *Fair Value Measurement* ("ASC 820"). ASC 820 defines fair value as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

In addition to defining fair value, ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2—quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3—unobservable inputs reflecting Management's own assumptions about the inputs used in pricing the asset or liability at fair value.

Refer to Note 13—*Fair Value Measurement* for further discussion.

## Recently Adopted Accounting Pronouncements

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

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

In January 2017, the FASB issued ASU no. 2017-04, *Intangibles Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates Step 2 of the goodwill impairment test that had required a hypothetical purchase price allocation. Rather, entities should apply the same

impairment assessment to all reporting units and recognize an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The Company early adopted ASU 2017-04 as of October 1, 2017. The Company conducted its annual impairment test for 2017 and recorded an impairment loss for goodwill under the provisions of ASU 2017-04.

### Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU no. 2014-09, *Revenue from Contracts with Customers (ASC 606)*. Under the update, revenue will be recognized based on a five-step model. The core principle of the model is that revenue will be recognized when the transfer of promised goods or services to customers is made in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Subsequent updates have been issued primarily to provide implementation guidance related to the initial guidance issued in May 2014. The guidance is effective for annual reporting periods beginning after December 15, 2017 and may be adopted using either (a) a full retrospective method, whereby comparative periods would be restated to present the impact of the new standard, with the cumulative effect of applying the standard recognized as of the earliest period presented, or (b) a modified retrospective method, under which comparative periods would not be restated and the cumulative effect of applying the standard would be recognized at the date of initial adoption, January 1, 2018. The Company is adopting this standard in the first quarter of fiscal 2018 and will use the modified retrospective approach. The Company is evaluating the impact of the new revenue recognition standard and has assigned internal resources and engaged a third party service provider to assist in its evaluation. As part of its preliminary evaluation, the Company is assessing the impact of capitalizing and amortizing incremental costs associated with obtaining and fulfilling customer contracts, specifically set-up costs and commission and incentive payments. Under the updated guidance, the Company anticipates that these payments will be deferred on the Company's consolidated balance sheets and amortized over the estimated useful life which can include anticipated renewals of the original contract. Currently, these payments are deferred and amortized over the contract term. The Company also currently believes ASC 606 will impact the Company's accounting for arrangements that include variable consideration and multiple performance obligations. While the Company continues to assess the potential impacts of the new standard, including the areas described above, it does not know or cannot reasonably estimate quantitative information related to the impact of the new standard on its consolidated financial statements and related notes.

In February 2016, the FASB issued ASU no. 2016-02, *Leases (842)*. This ASU increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Since the issuance of the original standard, the FASB has issued a subsequent update that provides a practical expedient for land easements (ASU 2018-01). The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years and early application is permitted. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In June 2016, the FASB issued ASU no. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, to replace the incurred loss impairment methodology under current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company will be required to use a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in



the amortized cost basis of the securities. The standard will be effective for fiscal years beginning after December 15, 2019, 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 August 2016, the FASB issued ASU no. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (Topic 230)*, which adds or clarifies guidance on the presentation and classification of eight specific types of cash receipts and cash payments in the statement of cash flows such as debt prepayment or extinguishment costs, settlement of contingent consideration arising from a business combination, insurance settlement proceeds, and distributions from certain equity method investees, with the intent of reducing diversity in practice. For public entities, ASU 2016-15 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2017 and interim periods within those fiscal years. Entities must apply the guidance retrospectively to all periods presented unless retrospective application is impracticable. The Company is adopting this standard in the first quarter of fiscal 2018 and is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In October 2016, the FASB issued ASU no. 2016-16, *Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory (Topic 740)*, which eliminates the current prohibition on immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory, with the intent of reducing complexity and diversity in practice. Under ASU 2016-16, entities must recognize the income tax consequences when the transfer occurs rather than deferring recognition. For public entities, ASU 2016-16 is effective for fiscal years beginning after December 15, 2017 including interim reporting periods within those annual periods. Entities must apply the guidance on a modified retrospective basis through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. The Company is adopting this standard in the first quarter of fiscal 2018 and is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In November 2016, the FASB issued ASU no. 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*. The ASU addresses diversity in practice that exists in the classification and presentation of changes in restricted cash and requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU is effective beginning after December 15, 2017, and interim periods within those fiscal years. The Company is adopting this standard in the first quarter of fiscal 2018 and is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In January 2017, the FASB issued ASU no. 2017-01, *Business Combinations: Clarifying the Definition of a Business (Topic 805)*. The ASU clarifies the definition of a business and provides guidance on evaluating as to whether transactions should be accounted for as acquisitions (or disposals) of assets or business combinations. The definition clarification as outlined in this ASU affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The amendments of the ASU are effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Company is adopting this standard in the first quarter of fiscal 2018 and would apply this standard for business combinations consummated subsequent to January 1, 2018.

In March 2017, the FASB issued ASU no. 2017-07, *Compensation Retirement Benefits (Topic 715); Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The amendments to this ASU require the service cost component of net periodic benefit cost be reported in the same income statement line or lines as other compensation costs for employees. The other components of net periodic benefit cost are required to be reported separately from service costs and

outside a subtotal of income from operations. Only the service cost component is eligible for capitalization. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The amendments should be applied retrospectively for the income statement presentations and prospectively for the capitalization of service costs. The Company is adopting this standard in the first quarter of fiscal 2018 and is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In May 2017, the FASB issued ASU no. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*. The amendments in ASU 2017-09 provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The amendments in this update will be applied on a prospective basis to an award modified on or after the adoption date. The Company is adopting this standard in the first quarter of fiscal 2018.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating *Topic 480, Distinguishing Liabilities from Equity*, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is currently in the early stages of evaluating the impact that adopting this standard will have on the consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815); Targeted Improvements to Accounting for Hedging Activities*. The amendments in this ASU better align the risk management activities and financial reporting for these hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The company is currently in the early stages of evaluating the impact that adopting this standard will have on the consolidated financial statements.

#### **Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents and trade receivables. The Company maintains its cash and cash equivalents and certain other financial instruments with highly rated financial institutions and limits the amount of credit exposure with any one financial institution. From time to time, the Company assesses the credit worthiness of its customers. Credit risk on trade receivables is minimized because of the large number of entities comprising the Company's customer base and their dispersion across many industries and geographic areas. The Company generally has not experienced any material losses related to receivables from any individual customer or groups of customers. The Company does not require collateral. Due to these factors, no additional credit risk beyond amounts provided for

collection losses is believed by management to be probable in the Company's accounts receivable, net. The Company does not have any significant customers that account for 10% or more of the total consolidated revenues.

### 3. Business Combinations

On July 12, 2017, the Company consummated its business combination with SourceHOV and Novitex pursuant to the Business Combination Agreement and Consent, Waiver and Amendment to the Business Combination Agreement, dated February 21, 2017 and June 15, 2017, respectively. In connection with the Business Combination, the Company acquired debt facilities and issued notes totaling \$1.4 billion (*refer to Note 9—Long Term Debt and Credit Facilities*). Proceeds from the acquired debt were used to refinance the existing debt of SourceHOV, settle the outstanding debt of Novitex, and pay fees and expenses incurred in connection with the Business Combination. Immediately following the Business Combination, there were 146,910,648 shares of Common Stock, 9,194,233 shares of Series A Preferred Stock, and 35,000,000 warrants outstanding. *Refer to Note 15—Stockholders' Equity*.

Under ASC 805, *Business Combinations*, SourceHOV was deemed the accounting acquirer based on the following predominate factors: its former owners have the largest portion of voting rights in the Company, the board and Management has more individuals coming from SourceHOV than either Quinpario or Novitex, SourceHOV was the largest entity by revenue and by assets, and the headquarters was moved to the SourceHOV headquarters location.

The Company acquired 100% of the equity of Novitex pursuant to the Business Combination Agreement by issuing 30,600,000 shares of Common Stock of Exela to Novitex Parent, L.P., the sole stockholder of Novitex. Total value of equity for the transaction was \$244.8 million. Additionally, as noted, the Company used proceeds from acquired debt to settle the outstanding debt of Novitex in the amount of \$420.5 million, and pay transaction related costs and interest on behalf of Novitex in the amount of \$10.3 million and \$1.0 million, respectively, which was accounted for as part of consideration.

The acquired assets and assumed liabilities of Novitex were recorded at their estimated fair values. The purchase price allocation for the Novitex business combination is preliminary and subject to change within the respective measurement period which will not extend beyond one year from the acquisition date. Measurement period adjustments will be recognized in the reporting period in which the adjustment amounts are determined.

The following table summarizes the consideration paid for Novitex and the fair value of the assets acquired and liabilities assumed at the acquisition date on July 12, 2017. Certain estimated values for the acquisition, including goodwill, intangible assets, property, plant and equipment, and deferred income taxes, are not yet finalized and are subject to revision as additional information becomes available and more detailed analyses are completed. The purchase price was allocated based on information available at acquisition date. During the fourth quarter of 2017, the Company recorded

measurement period adjustments which increased goodwill by \$0.9 million, primarily related to updated information related to income taxes.

<b>Assets acquired:</b>	
Cash and equivalents	\$ 8,428
Accounts receivable	87,474
Inventory	1,245
Prepaid expenses & other	13,974
Property, plant and equipment, net	60,657
Identifiable intangible assets, net	251,060
Deferred charges and other assets	2,723
Other noncurrent assets	93
Goodwill	406,060
Total identifiable assets acquired	<u>\$ 831,714</u>
<b>Liabilities assumed:</b>	
Accounts payable	(29,444)
Short-term borrowings and current portion of long-term debt	(11,335)
Accrued liabilities	(30,432)
Advanced billings and customer deposits	(18,926)
Long term debt	(15,704)
Deferred taxes	(46,991)
Other liabilities	(2,226)
Total liabilities assumed	<u>\$ (155,058)</u>
Total consideration	<u>\$ 676,656</u>

The identifiable intangible assets include customer relationships, non-compete agreements, internally developed software, and a trademark. Customer relationships and non-compete agreements were valued using the Income Approach, specifically the Multi-Period Excess Earnings method. The trademark was valued using the Income Approach, specifically the Relief-from-Royalty method. Internally developed software was valued based on costs incurred related to Connect Platform. All of these intangibles acquired represent a Level 3 measurement as they are based on unobservable inputs reflecting the Company's management's own assumptions about the inputs used in pricing the asset or liability at fair value.

	Weighted Average Useful Life (in years)	Fair value
Trademark—Novitex	9.5	\$ 18,000
Customer relationships	16.0	230,000
Internally developed software—Connect Platform	5.0	1,710
Non-compete agreements	1.0	1,350
		<u>\$ 251,060</u>

As of the date of the Business Combination, the weighted-average useful life of total identifiable intangible assets acquired in the Business Combination, excluding goodwill, is 15.4 years.

The Company expects to realize revenue synergies, leverage, brand awareness, stronger margins, greater free cash flow generation, and expand the existing Novitex sales channels, and utilize the existing workforce. The Company also anticipates opportunities for growth through the ability to leverage additional future solutions and capabilities. These factors, among others, contributed to a

purchase price in excess of the estimated fair value of Novitex's identifiable net assets assumed, and as a result, the Company has recorded goodwill in connection with this acquisition. The Company engaged a third party valuation firm to aid management in its analyses of the fair value of the assets and liabilities. All estimates, key assumptions, and forecasts were either provided by or reviewed by the Company. Approximately \$14.0 million of the goodwill recorded was tax deductible, which was carried over from the tax basis of the seller. Since the acquisition date of July 12, 2017, \$292.1 million of revenue and \$17.5 million of net loss are included in consolidated revenues and net loss, respectively, for Novitex. These results are included in the ITPS segment.

#### *Transaction Costs*

The Company incurred approximately \$60.0 million in advisory, legal, accounting and management fees in conjunction with the Business Combination as of December 31, 2017, excluding contract cancellation and advising fees to HGM of \$23.0 million described in Note 16. Additionally, \$7.6 million was incurred related to equity issuance costs and \$40.9 million was incurred in debt issuance costs.

#### *Restructuring Charges*

In February 2017, management performed a strategic review of human resources at Novitex for the purpose of assessing the business need for their employment and for the purpose of quantifying the synergies resulting from the acquisition. As a result, in July 2017, the Company communicated the termination of certain executives and non-executive Novitex employees.

The Company determined that costs associated with termination benefits should be accounted for separately from the acquisition, as a post-combination expense of the combined entity because the expense was incurred for the benefit of the combined entity. As of July 12, 2017, the Company recorded severance expense in the amount of \$4.6 million related to the impacted executives and \$0.1 million related to other terminations in the statement of operations.

The Company does not expect to incur additional charges for these terminations in future periods. Severance charges associated with the terminations were included in Selling, general, and administrative expenses on the consolidated statement of operations and were included in the ITPS segment.

#### *Pro-Forma Information*

Following are the supplemental consolidated results of the Company on an unaudited pro forma basis, as if the acquisition had been consummated on January 1, 2016:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Net Revenue	\$ 1,456,225	\$ 1,333,089
Net Loss	\$ (121,172)	\$ (121,232)

These pro forma results were based on estimates and assumptions, which the Company believes are reasonable. They are not the results that would have been realized had the Company been a combined company during the periods presented and are not necessarily indicative of consolidated results of operations in future periods. The pro forma results include adjustments primarily related to purchase accounting adjustments. Acquisition costs and other non-recurring charges incurred are included in the earliest period presented.

Additionally, the pro forma results are inclusive of the acquisition of TransCentra by SourceHOV in 2016 for the year ended December 31, 2016. These pro forma results were based on estimates and assumptions, which the Company believes are reasonable. They are not the results that would have been realized had the Company been a combined company during the periods presented and are not necessarily indicative of the Company's consolidated results of operations in future periods.

#### 4. Accounts Receivable

Accounts receivable, net consist of the following:

	December 31,	
	2017	2016
Billed receivables	\$ 199,201	\$ 116,148
Unbilled receivables	28,449	20,982
Other	5,779	4,510
Less: Allowance for doubtful accounts	(3,725)	(3,219)
	<u>\$ 229,704</u>	<u>\$ 138,421</u>

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

#### 5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	December 31,	
	2017	2016
Prepays	\$ 22,869	\$ 10,906
Deposits	1,727	1,296
	<u>\$ 24,596</u>	<u>\$ 12,202</u>

#### 6. Property, Plant and Equipment, Net

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

	Estimated Useful Lives (in Years)	December 31,	
		2017	2016
Land	N/A	\$ 7,744	\$ 7,637
Buildings and improvements	7 - 40	18,726	16,989
Leasehold improvements	3 - 12	51,257	31,342
Vehicles	5 - 7	870	784
Machinery and equipment	5 - 15	62,249	23,297
Computer equipment and software	3 - 8	116,580	98,544
Furniture and fixtures	5 - 15	7,136	5,007
		264,562	183,600
Less: Accumulated depreciation and amortization		(131,654)	(102,000)
Property, plant and equipment, net		<u>\$ 132,908</u>	<u>\$ 81,600</u>

Depreciation expense related to property, plant and equipment was \$31.7 million, \$22.8 million, and \$27.4 million for the years ended December 31, 2017, 2016, and 2015, respectively.

## 7. Intangibles Assets and Goodwill

### Intangibles

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

	December 31, 2017		
	Gross Carrying Amount(a)	Accumulated Amortization	Intangible Asset, net
Customer relationships	\$ 504,643	\$ (135,962)	\$ 368,681
Developed technology	89,076	(77,103)	11,973
Trade names(b)	13,100	—	13,100
Outsource contract costs	40,456	(17,526)	22,930
Internally developed software	28,254	(2,597)	25,657
Trademarks	23,370	(1,446)	21,924
Non compete agreements	1,350	(631)	719
	<u>\$ 700,249</u>	<u>\$ (235,265)</u>	<u>\$ 464,984</u>

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

- (a) Amounts include intangibles acquired in the Business Combination. See *Note 3—Business Combinations*.
- (b) The carrying amount of trade names for 2017 is net of accumulated impairment losses of \$39.3 million. The carrying amount of trade names includes \$10.0 million of indefinite-lived trade names that are not amortizable.

In connection with the completion of the annual impairment test as of October 1, 2017, the Company recorded an impairment charge to trade names of \$6.3 million. Additionally, later in the fourth quarter of 2017, subsequent to the annual impairment test, the Company implemented a one year strategy to transition to a unified Exela brand beginning in 2018. As a result, the Company performed a quantitative analysis of its trade names as of December 31, 2017, and recorded an additional impairment charge of \$33.0 million. As part of the impairment analysis completed on December 31, 2017, the Company reconsidered the estimated useful lives of certain trade names and trademarks, and reduced the estimated useful life to one year. The fair value of the trade names was determined using the Relief from Royalty Method of the Income Approach. The impairment charges resulted in decreases to the carrying values of the ITPS, HS, and LLPS trade names of \$23.1 million, \$9.6 million, and \$6.6 million, respectively, and are included within Impairment of intangible assets in the consolidated statement of operations for the year ended December 31, 2017. The Company did not record any impairment related to its trade names for the year ended December 31, 2016.

Aggregate amortization expense related to intangibles was \$67.2 million, \$56.8 million, and \$48.0 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Estimated intangibles amortization expense for the next five years and thereafter consists of the following:

	Estimated Amortization Expense
2018	\$ 102,865
2019	59,953
2020	51,441
2021	43,616
2022	39,658
Thereafter	157,451
	<u>\$ 454,984</u>

## Goodwill

Goodwill by reporting segment consists of the following:

	Goodwill	Additions	Reductions	Currency translation adjustments	Goodwill(a)
ITPS	\$ 145,562	\$ 13,558	\$ —	\$ 274	\$ 159,394
HS	86,786	—	—	—	86,786
LLPS	127,111	—	—	—	127,111
<b>Balance as of December 31, 2016</b>	<u>\$ 359,459</u>	<u>\$ 13,558</u>	<u>\$ —</u>	<u>\$ 274</u>	<u>\$ 373,291</u>
ITPS	\$ 159,394	\$ 406,522(c)	\$ —	\$ 299	\$ 566,215
HS	86,786	—	—	—	86,786
LLPS	127,111	—	(32,787)(b)	—	94,324
<b>Balance as of December 31, 2017</b>	<u>\$ 373,291</u>	<u>\$ 406,522</u>	<u>\$ (32,787)</u>	<u>\$ 299</u>	<u>\$ 747,325</u>

- (a) The carrying amount of goodwill for all periods presented is net of accumulated impairment losses of \$137.9 million.
- (b) The reduction in goodwill is due to \$30.1 million for impairment recorded in the fourth quarter of 2017 and \$2.7 million for the sale of Meridian Consulting Group, LLC in the first quarter of 2017. Refer to Note 2—Basis of Presentation and Summary of Significant Accounting Policies for details of the impairment of goodwill.
- (c) Addition to goodwill is primarily the result of the Business Combination, which resulted in \$406.1 million of goodwill. Refer to Note 3—Business Combinations.

The Company recorded \$406.1 million of goodwill as a result of the allocation of the purchase price between assets acquired and liabilities assumed in the Business Combination. Of the total amount of goodwill recorded, \$47.0 million of goodwill is associated with net deferred tax liabilities recorded in connection with amortizable intangible assets acquired in the Business Combination. As of the annual impairment testing date in 2017, due to a decline in revenues and operations for the LLPS reporting unit, the Company recorded an impairment charge of \$30.1 million to the reporting unit's goodwill. No impairment charges were recorded for the year ended December 31, 2016.



## 8. Accrued Liabilities and Other Long-Term Liabilities

Accrued liabilities consist of the following:

	December 31,	
	2017	2016
Accrued taxes (exclusive of income taxes)	\$ 9,310	\$ 3,309
Accrued lease exit obligations	2,207	3,949
Accrued professional and legal fees	16,529	8,289
Deferred rent	1,204	989
Accrued interest	55,102	8,459
Accrued transaction costs	18,232	2,750
Other accruals	1,901	1,747
	<u>\$ 104,485</u>	<u>\$ 29,492</u>

Other Long-term liabilities consist of the following:

	December 31,	
	2017	2016
Deferred revenue	\$ 424	\$ 235
Deferred rent	7,112	6,110
Accrued lease exit obligations	1,144	672
Accrued compensation expense	2,776	3,783
Other	3,248	1,173
	<u>\$ 14,704</u>	<u>\$ 11,973</u>

## 9. Long-Term Debt and Credit Facilities

### Senior Secured Notes

Upon the closing of the 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 will mature on July 15, 2023.

### Debt Refinancing

Upon the closing of the Business Combination on July 12, 2017, the \$1,050.7 million outstanding balance of SourceHOV related debt facilities and the \$420.5 million outstanding balance of Novitex related debt facilities were paid off using proceeds from the Credit Agreement and issuance of the Notes.

In accordance with ASC 470—Debt—Modifications and Extinguishments, as a result of certain lenders that participated in SourceHOV's debt structure prior to the refinancing and the Company's debt structure after the refinancing, it was determined that a portion of the refinancing of SourceHOV's first lien secured term loan and second lien secured term loan ("Original SourceHOV Term Loans") would be accounted for as a debt modification, and the remaining would be accounted for as an extinguishment. The Company incurred \$28.9 million in debt issuance costs related to the new secured term loan, of which \$2.8 million was third party costs. The Company recorded \$7.0 million of original issue discount as part of the refinancing. The Company expensed \$1.1 million of costs related to the modified debt and capitalized the remaining \$27.8 million. The Company wrote off \$30.5 million

of the unamortized issuance costs and discounts associated with the retirement of SourceHOV's credit facilities. The Company retained approximately \$3.3 million and \$3.5 million of debt issuance costs and debt discounts, respectively, associated with the modified portion of the Original SourceHOV Term Loans that will be amortized over the term of the new term loan, which are presented on the balance sheet as a contra-debt liability. The Company incurred a \$5.0 million prepayment penalty related to the Original SourceHOV Term Loans that was recorded as a loss on extinguishment of debt.

The proceeds of the new debt financing were also used to pay fees and expenses incurred in connection with the Business Combination and for general corporate purposes.

#### **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, none of which is currently drawn. The Credit Agreement provides 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 is 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 is 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. As of December 31, 2017 the interest rate applicable for the first lien senior secured term loan was 9.064%.

## Long-Term Debt Outstanding

As of December 31, 2017 and 2016, the following long-term debt instruments were outstanding:

	December 31,	
	2017	2016
First lien revolving credit facility(a)	\$ —	\$ 63,337
First lien secured term loan(b)	—	687,884
Second lien secured term loan(c)	—	236,344
Transcentra revolving credit facility	—	5,000
Transcentra term loan	—	19,250
FTS unsecured term loan	—	15,911
Other(d)	17,534	11,609
First lien credit agreement(e)	308,825	—
Senior secured notes(f)	970,300	—
Senior secured revolving credit facility(g)	—	—
Total debt	1,296,659	1,039,335
Less: Current portion of long-term debt	(20,565)	(55,833)
Long-term debt, net of current maturities	<u>\$ 1,276,094</u>	<u>\$ 983,502</u>

- (a) Net of unamortized debt issuance costs of \$2.3 million as of December 31, 2016.
- (b) Net of unamortized original issue discount and debt issuance costs of \$14.6 million and \$14.2 million as of December 31, 2016.
- (c) Net of unamortized original issue discount and debt issuance costs of \$7.3 million and \$6.3 million as of December 31, 2016.
- (d) Other debt represents outstanding loan balances associated with various hardware and software purchases along with loans entered into by subsidiaries of the Company.
- (e) Net of unamortized original issue discount and debt issuance costs of \$9.9 million and \$29.1 million as of December 31, 2017.
- (f) Net of unamortized debt discount and debt issuance costs of \$21.2 million and \$8.5 million as of December 31, 2017.
- (g) Debt issuance costs of \$3.0 million were capitalized as an asset and will be amortized ratably over the term of the facility. Debt issuance costs are included in Other Non Current Assets on the balance sheet.

As of December 31, 2017, maturities of long-term debt are as follows:

	<u>Maturity</u>
2018	\$ 20,565
2019	12,547
2020	19,190
2021	19,865
2022	17,555
Thereafter	1,275,625
Total long-term debt	1,365,347
Less: Unamortized discount and debt issuance costs	(68,688)
	<u>\$ 1,296,659</u>

As of December 31, 2017 and 2016, the Company had outstanding irrevocable letters of credit totaling approximately \$20.9 million and \$9.3 million, respectively, under a revolving credit facility.

#### 10. Income Taxes

The Company provides for income taxes using an asset and liability approach, under which deferred income taxes are provided based upon enacted tax laws and rates applicable to periods in which the taxes become payable.

For financial reporting purposes, income/ (loss) before income taxes includes the following components:

	<u>Year Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
United States	\$ (279,822)	\$ (71,171)	\$ (79,054)
Foreign	15,291	11,281	7,338
	<u>\$ (264,531)</u>	<u>\$ (59,890)</u>	<u>\$ (71,716)</u>

The provision for federal, state, and foreign income taxes consists of the following:

	<u>Year Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Federal</b>			
Current	\$ (722)	\$ —	\$ (63)
Deferred	(59,425)	(8,961)	(27,931)
<b>State</b>			
Current	1,405	830	1,203
Deferred	(7,176)	(2,740)	(2,696)
<b>Foreign</b>			
Current	5,794	3,112	(774)
Deferred	(122)	(4,028)	3,449
<b>Income Tax Benefit</b>	<u>\$ (60,246)</u>	<u>\$ (11,787)</u>	<u>\$ (26,812)</u>

The differences between income taxes expected by applying the U.S. federal statutory tax rate of 35% and the amount of income taxes provided are as follows:

	Year Ended December 31,		
	2017	2016	2015
Tax at statutory rate	\$ (92,586)	\$ (20,962)	\$ (25,101)
<b>Add (deduct)</b>			
State income taxes	(4,219)	1,483	905
Foreign income taxes	(565)	(1,356)	2,654
Nondeductible transaction costs	27,311	—	—
Nondeductible goodwill impairment	10,497	—	—
Permanent differences	438	4,405	(172)
Changes in valuation allowance	(6,159)	6,075	(6,880)
Unremitted earnings	—	1,686	—
Changes in U.S. tax rates	(4,784)	—	—
Deemed mandatory repatriation	7,441	—	—
Other	2,380	(3,118)	1,782
<b>Income Tax Benefit</b>	<b>\$ (60,246)</b>	<b>\$ (11,787)</b>	<b>\$ (26,812)</b>

The Tax Cuts and Jobs Act ("TCJA") was signed by the President of the United States and enacted into law on December 22, 2017. The TCJA significantly changes U.S. tax law by reducing the U.S. corporate income tax rate to 21.0% from 35.0%, adopting a territorial tax regime, creating new taxes on certain foreign sourced earnings and imposing a one-time transition tax on the undistributed earnings of certain non-U.S. subsidiaries.

Accounting Standards Codification Topic 740, Income Taxes ("ASC 740") requires companies to account for the tax effects of changes in income tax rates and laws in the period in which legislation is enacted (December 22, 2017). ASC 740 does not specifically address accounting and disclosure guidance in connection with the income tax effects of the TCJA. Consequently, on December 22, 2017, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), to address the application of ASC 740 in the reporting period that includes the date the TCJA was enacted. SAB 118 allows companies a reasonable period of time to complete the accounting for the income tax effects of the TCJA.

At December 31 2017, the Company has not completed the accounting for the income tax effects of the TCJA. However, pursuant to SAB 118, the Company has made provisional estimates of the effects of existing deferred tax assets and liabilities and the one-time transition tax. The Company recognized a \$9.4 million provisional tax benefit to Continuing Operations on revaluing its existing net deferred tax liability at the reduced corporate tax rate of 21.0%. Also, the Company determined that a \$9.1 million provisional tax was due on estimated earnings and profits subject to the deemed mandatory repatriation. However, a payable was not recorded by the Company since the Company's net operating loss carryforward at December 31, 2017 can be used to offset the mandatory repatriation tax.

The TCJA subjects US stockholders to tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. Pursuant to FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, the Company can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in subsequent periods or recognize the tax expense related to GILTI as a period cost in the year the tax is incurred. The GILTI provisions are complex and the Company expects additional clarification and interpretive guidance to be released by the Treasury subsequent to the issuance of the Company's annual financial statements. The Company has not elected an accounting policy related to GILTI but will continue evaluating the application of the GILTI provisions during the SAB 118 measurement period.

The provisional tax effects reflected in the financial statements are subject to change due to, among other things, additional analysis and receipt of final data as well as the release of new authoritative and interpretive guidance. The Company expects to complete its accounting for the effects of the TCJA after the filing of the U.S. federal consolidated and state tax returns in 2018.

The components of deferred income tax liabilities and assets are as follows:

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
<b>Deferred income tax liabilities:</b>		
Book over tax basis of intangible and fixed assets	\$ (113,844)	\$ (108,419)
Unremitted foreign earnings	—	(1,686)
Other, net	\$ (2,684)	\$ (7,781)
<b>Total deferred income tax liabilities</b>	<b>(116,528)</b>	<b>(117,886)</b>
<b>Deferred income tax assets:</b>		
Allowance for doubtful accounts and receivable adjustments	\$ 1,401	\$ 2,112
Inventory	1,807	3,076
Accrued liabilities	9,586	9,554
Net operating loss and tax credit carryforwards	196,633	232,226
Tax deductible goodwill	3,862	6,806
Other, net	15,518	18,364
<b>Total deferred income tax assets</b>	<b>\$ 228,807</b>	<b>\$ 272,138</b>
Valuation allowance	(108,622)	(170,821)
<b>Total net deferred income tax assets (liabilities)</b>	<b>\$ 3,657</b>	<b>\$ (16,569)</b>

Gross deferred tax assets are reduced by valuation allowances to the extent the Company determines it is not more-likely-than-not the deferred tax assets are expected to be realized. At December 31, 2017, the Company recognized \$108.6 million of valuation allowances against gross deferred tax assets primarily related to net operating loss and tax credit carryforwards. Of this amount, approximately \$84.6 million and \$8.7 million of the total valuation allowance was related to U.S. federal and state limitations on the utilization of net operating loss carryforwards due to numerous changes in ownership. The remaining \$15.3 million of the valuation allowance was related to non-limited U.S. federal and non-US net operating losses and tax credits that are not expected to be realizable. In connection with the Novitex acquisition, the Company recorded additional taxable temporary differences that provided support for reducing \$14.0 million of valuation allowance established in the prior period, and resulted in an income tax benefit. The remaining reduction in the valuation allowance attributable to net deferred tax liabilities acquired in the Novitex acquisition was offset by an increase in valuation allowance on current year losses that are not more-likely-than-not to be realized.

The net change during the year in the total valuation allowance was a decrease of \$62.2 million primarily related to the revaluation of deferred tax assets and liabilities at the reduced corporate rate of 21.0%. The reduction of net deferred tax assets due to the rate revaluation also decreased the amount of the valuation allowance by the same amount resulting in no overall net impact to the Company's income tax provision.

Section 382 of the Internal Revenue Code of 1986, as amended (the Code), limits the amount of U.S. tax attributes (net operating loss and tax credit carryforwards) following a change in ownership. The Company has determined that an ownership change occurred under Section 382 on April 3, 2014 and October 31, 2014 for the Pangea group and on October 31, 2014 for the SourceHOV Holdings

group. The Section 382 limitations significantly limit the pre-acquisition Pangea net operating losses. Accordingly, upon the October 31, 2014 change in control, most of the historic Pangea federal net operating losses were limited and a valuation allowance has been established against the related deferred tax asset. Following the filing of the October 31, 2014, Pangea federal tax returns and further Section 382 analysis, management finalized the amount of the limitation and as a result, approximately \$3.5 million of the valuation allowance was released in 2015. Management has concluded that the U.S. tax attributes after Section 382 limitations were applied are more likely than not to be realized. With regard to Pangea's foreign subsidiaries, it was determined that most deferred tax assets are not likely to be realized and valuation allowances have been established. The Section 382 limit that applied to the historic SourceHOV LLC group is greater than the net operating losses and tax credits generated in the predecessor periods. Therefore, no additional valuation allowances were established relating to Section 382 limitations other than the pre-2011 Section 382 limitations that applied.

Included in deferred tax assets are federal, foreign and state net operating loss carryforwards, federal general business credit carryforwards and state tax credit carryforwards due to expire beginning in 2018 through 2037. As of December 31, 2017, the Company has federal and state income tax net operating loss (NOL) carryforwards of \$756.6 million and \$465.9 million, which will expire at various dates from 2018 through 2037. Such NOL carryforwards expire as follows:

	Federal NOL	State and Local NOL
2018 - 2021	\$ 116,285	\$ 30,400
2022 - 2026	117,314	79,355
2027 - 2037	523,025	356,172
	<u>\$ 756,624</u>	<u>\$ 465,927</u>

As of December 31, 2017, the Company has foreign net operating loss carryforwards of \$28.8 million, \$7.8 million of which were generated by BancTec Holding N.V. and BancTec B.V., and will expire at various dates from 2018 through 2026, and the rest of which can be carried forward indefinitely.

Since the 2014 Reorganization did not result in a new tax basis of assets and liabilities for the Company, some of the goodwill continues to be deductible over the remaining amortization period for tax purposes. At December 31, 2017, approximately \$63.9 million of the Company's goodwill is tax deductible, \$25.4 million of which is carried over from the 2014 Reorganization. Additionally, the Company has tax deductible goodwill of \$26.5 million in connection with the TransCentra acquisition, and \$12.0 million in connection with the Novitex acquisition as of December 31, 2017. These amounts were related to the tax basis carried over from the seller.

The Company adopted the provision of accounting for uncertainty in income taxes in the Topic of the ASC 740. ASC 740 clarifies the accounting for uncertain tax positions in the Company's financial statements and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on tax returns. The total amount of unrecognized tax benefits at December 31, 2017 is \$1.0 million, and if recognized \$0.5 million would benefit the effective tax rate. Total accrued interest and penalties recorded on the Consolidated Balance Sheet were \$3.0 million and \$2.6 million at December 31, 2017 and 2016, respectively. The total amount of interest and penalties recognized in the Consolidated Statement of Operations at December 31, 2017 was \$0.4 million. The Company does not anticipate a significant change in the amount of unrecognized tax benefits during 2017.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits:

	Year Ended December 31,		
	2017	2016	2015
<b>Unrecognized tax benefits—January 1</b>	\$ 999	\$ 1,287	\$ 2,760
Gross increases—tax positions in prior period	9	—	—
Gross decreases—tax positions in prior period	39	(31)	(916)
Gross increases—tax positions in current period	—	45	70
Settlement	—	(103)	(110)
Lapse of statute of limitations	—	(199)	(517)
<b>Unrecognized tax benefits—December 31</b>	<b>\$ 1,047</b>	<b>\$ 999</b>	<b>\$ 1,287</b>

The Company files income tax returns in the U.S. and various state and foreign jurisdictions. The statute of limitations for U.S. purposes is open for tax years ending on or after December 31, 2013. However, NOLs generated in years prior to 2013 and utilized in future periods may be subject to examination by U.S. tax authorities. State jurisdictions that remain subject to examination are not considered significant. The Company has significant foreign operations in India and Europe. The Company may be subject to examination by the India tax authorities for tax periods ending on or after March 31, 2011.

The Company recorded a provisional amount for the deemed mandatory repatriation of its total post-1986 earnings and profits that were previously deferred from US income taxes. The deemed mandatory repatriation was based in part on the amount of untaxed earnings held in cash and other specified assets. The Company notes the final amount of earnings and profits may change based on the completion of the Company's US federal tax return and the actual amounts held in cash and other specified assets. At December 31, 2017, the Company has not changed its prior indefinite reinvestment assertion on undistributed earnings related to certain foreign subsidiaries. As such, no additional taxes including foreign withholding taxes have been provided on these undistributed earnings. Additionally, the Company does not indefinitely reinvest earnings in Canada, China, India, Mexico and Philippines.

## 11. Employee Benefit Plans

### German Pension Plan

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

### U.K. Pension Plan

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

The German pension plan is an unfunded plan and therefore has no plan assets. The expected rate of return assumptions for plan assets relate solely to the UK plan and are based mainly on historical performance achieved over a long period of time (15 to 20 years) encompassing many business and



economic cycles. The Company assumed a weighted average expected long-term rate on plan assets of 4.25%.

### Funded Status

The change in benefit obligations, the change in the fair value of the plan assets and the funded status of the Company's pension plans (except for the German pension plan which is unfunded) and the amounts recognized in the Company's consolidated financial statements are as follows:

	Year ended December 31,	
	2017	2016
<b>Change in Benefit Obligation:</b>		
Benefit obligation at beginning of period	\$ 82,320	\$ 76,569
Service cost	8	11
Interest cost	2,288	2,667
Plan participants' contributions	—	—
Actuarial loss	1,021	19,330
Plan curtailment	—	—
Benefits paid	(1,797)	(2,042)
Foreign-exchange rate changes	7,674	(14,215)
Benefit obligation at end of year	<u>\$ 91,514</u>	<u>\$ 82,320</u>
<b>Change in Plan Assets:</b>		
Fair value of plan assets at beginning of period	\$ 52,538	\$ 55,909
Actual return on plan assets	6,579	6,790
Employer contributions	2,297	1,770
Plan participants' contributions	—	—
Benefits paid	(1,782)	(2,031)
Foreign-exchange rate changes	5,254	(9,900)
Fair value of plan assets at end of year	<u>64,886</u>	<u>52,538</u>
Funded status at end of year	<u>\$ (26,628)</u>	<u>\$ (29,782)</u>
<b>Net amount recognized in the Consolidated Balance Sheets:</b>		
Accrued compensation and benefits(a)	\$ (1,551)	(1,479)
Pension liability(b)	\$ (25,077)	\$ (28,303)
<b>Amounts recognized in accumulated other comprehensive loss, net of tax consist of:</b>		
Net actuarial loss	(11,054)	(12,339)
Net amount recognized in accumulated other comprehensive loss, net of tax	<u>\$ (11,054)</u>	<u>\$ (12,339)</u>
<b>Plans with underfunded or non-funded accumulated benefit obligation:</b>		
Aggregate projected benefit obligation	\$ 91,514	\$ 82,320
Aggregate accumulated benefit obligation	\$ 91,514	\$ 82,320
Aggregate fair value of plan assets	\$ 64,886	\$ 52,538

(a) Germany pension represents only a portion of the accrued compensation and benefits balance presented in the consolidated balance sheet.

(b) Consolidated balance of \$25,496 and \$28,712 includes UK pension of \$25,077 and \$28,303, for the years ended December 31, 2017 and 2016, respectively, and minimum regulatory benefit for a Philippines legal entity.

## Amounts in Accumulated Other Comprehensive Loss Expected to be Recognized in Net Periodic Benefit Costs in 2017

The liability recorded on the Company's consolidated balance sheets representing the net unfunded status of this plan is different than the cumulative expense recognized for this plan. The difference relates to losses that are deferred and that will be amortized into periodic benefit costs in future periods. These unamortized amounts are recorded in Accumulated Other Comprehensive Loss in the consolidated balance sheets.

As of December 31, 2017, the estimated pre-tax amount that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year will be net actuarial loss of \$3.1 million and prior service cost of \$0.1 million.

### Tax Effect on Accumulated Other Comprehensive Loss

As of December 31, 2017 and 2016, the Company recorded actuarial losses of \$11.1 million and \$12.3 million, respectively, which is net of a deferred tax benefit of \$2.0 million and \$2.5 million, respectively.

### Pension and Postretirement Expense

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

	Year ended December 31,		
	2017	2016	2015
Service cost	\$ 8	\$ 11	\$ 735
Interest cost	2,288	2,667	2,926
Expected return on plan assets	(2,392)	(2,623)	(2,696)
Curtailed recognized	—	—	(258)
Amortization:			
Amortization of prior service cost	(134)	(141)	(159)
Amortization of net (gain) loss	2,063	891	1,426
Net periodic benefit cost	<u>\$ 1,833</u>	<u>\$ 805</u>	<u>\$ 1,974</u>

### Valuation

The Company uses the corridor approach and projected unit credit method in the valuation of its defined benefit plans for the UK and Germany, respectively. The corridor approach defers all actuarial gains and losses resulting from variances between actual results and economic estimates or actuarial assumptions. For defined benefit pension plan, these unrecognized gains and losses are amortized when the net gains and losses exceed 10% of the greater of the market-related value of plan assets or the projected benefit obligation at the beginning of the year. The amount in excess of the corridor is amortized over 15 years. Similarly, the Company used the Projected Unit Credit Method for the German Plan, and evaluated the assumptions used to derive the related benefit obligations consisting primarily of financial and demographic assumptions including commencement of employment, biometric decrement tables, retirement age, staff turnover. The projected unit credit method determines the present value of the Company's defined benefit obligations and related service costs by taking into account each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately in building up the final obligation. Benefit is attributed to periods of service using the plan's benefit formula, unless an employee's service in later years will lead to a materially higher of benefit than in earlier years, in which case a straight-line basis is used.

The following tables set forth the principal actuarial assumptions used to determine benefit obligation and net periodic benefit costs:

	December 31,			
	2017	2016	2017	2016
	UK		Germany	
<b>Weighted-average assumptions used to determine benefit obligations:</b>				
Discount rate	2.50%	2.70%	2.40%	2.45%
Rate of compensation increase	N/A	N/A	1.00%	1.00%
<b>Weighted-average assumptions used to determine net periodic benefit cost:</b>				
Discount rate	2.70%	3.90%	N/A	N/A
Expected asset return	4.34%	5.15%	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A

The Germany plan is an unfunded plan and therefore has no plan assets. The expected rate of return assumptions for plan assets relates solely to the UK plan and are based mainly on historical performance achieved over a long period of time (15 to 20 years) encompassing many business and economic cycles. Adjustments, upward and downward, may be made to those historical returns to reflect future capital market expectations; these expectations are typically derived from expert advice from the investment community and surveys of peer company assumptions.

The Company assumed a weighted average expected long-term rate of return on plan assets for the overall scheme of 4.25%. The Company's expected rate of return for equities is derived by applying an equity risk premium to the expected yield on the fixed-interest 15-year U.K. government gilts. The Company evaluated a number of indicators including prevailing market valuations and conditions, corporate earnings expectations, and the estimates of long-term economic growth and inflations to derive the equity risk premium. The expected return on the gilts and corporate bonds typically reflect market conditions at the balance sheet date, and the nature of the bond holdings.

The discount rate assumption was developed considering the current yield on an investment grade non-gilt index with an adjustment to the yield to match the average duration of the index with the average duration of the plan's liabilities. The index utilized reflected the market's yield requirements for these types of investments.

The inflation rate assumption was developed considering the difference in yields between a long-term government stocks index and a long-term index-linked stocks index. This difference was modified to consider the depression of the yield on index-linked stocks due to the shortage of supply and high demand, the premium for inflation above the expectation built into the yield on fixed-interest stocks and the UK government's target rate for inflation (CPI) at 2.0%. The assumptions used are the best estimates chosen from a range of possible actuarial assumptions which, due to the time scale covered, may not necessarily be borne out in practice.

#### **Plan Assets**

The investment objective for the plan is to earn, over moving fifteen to twenty year periods, the long-term expected rate of return, net of investment fees and transaction costs, to satisfy the benefit obligations of the plan, while at the same time maintaining sufficient liquidity to pay benefit obligations and proper expenses, and meet any other cash needs, in the short-to medium-term.

The Company's investment policy related to the defined benefit plan is to continue to maintain investments in government gilts and highly rated bonds as a means to reduce the overall risk of assets held in the fund. No specific targeted allocation percentages have been set by category, but are at the direction and discretion of the plan trustees. During 2017 and 2016, all contributions made to the fund were in these categories.

The weighted average allocation of plan assets by asset category is as follows:

	December 31,		
	2017	2016	2015
U.S. and international equities	45.0%	42.0%	41.0%
UK government and corporate bonds	20.0%	21.0%	20.0%
Diversified growth fund	35.0%	37.0%	39.0%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The following tables set forth, by category and within the fair value hierarchy, the fair value of the Company's pension assets at December 31, 2017 and 2016:

Asset Category:	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Cash	\$ 256	\$ 256	\$ —	\$ —
Equities:	—	—	—	—
U.S.	17,307	17,307	—	—
International	11,539	11,539	—	—
Fixed Income Securities:	—	—	—	—
Corporate bonds	12,884	12,884	—	—
Other investments:	—	—	—	—
Diversified growth fund	22,900	22,900	—	—
Total fair value	<u>\$ 64,886</u>	<u>\$ 64,886</u>	<u>\$ —</u>	<u>\$ —</u>

Asset Category:	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Cash	\$ 315	\$ 315	\$ —	\$ —
Equities:	—	—	—	—
U.S.	13,171	13,171	—	—
International	8,781	8,781	—	—
Fixed Income Securities:	—	—	—	—
UK Gilts	10,962	10,962	—	—
Other investments:	—	—	—	—
Diversified growth fund	19,309	19,309	—	—
Total fair value	<u>\$ 52,538</u>	<u>\$ 52,538</u>	<u>\$ —</u>	<u>\$ —</u>

The plan assets for the UK are categorized as follows, as applicable:

Level 1: Any asset for which a unit price is available and used without adjustment, cash balances, etc.

Level 2: Any asset for which the amount disclosed is based on market data, for example a fair value measurement based on a present value technique (where all calculation inputs are based on data).

Level 3: Other assets. For example, any asset value with a fair value adjustment made not based on available indices or data.

## Employer Contributions

The Company's funding is based on governmental requirements and differs from those methods used to recognize pension expense. The Company made contributions of \$2.3 million to its pension plans during the year ended December 31, 2017. The Company has fully funded the pension plans for 2017 based on current plan provisions. The Company expects to contribute \$2.5 million to the pension plans during 2018, based on current plan provisions.

## Estimated Future Benefit Payments

The estimated future pension benefit payments expected to be paid to plan participants are as follows:

<b>Year ended December 31,</b>	<b>Estimated Benefit Payments</b>
2018	\$ 1,126
2019	1,364
2020	1,578
2021	1,739
2022	1,937
2023 - 2027	13,284
Total	<u>\$ 21,028</u>

## 12. Commitments and Contingencies

### Litigation

The Company is, from time to time, involved in certain legal proceedings, inquiries, claims and disputes, which arise in the ordinary course of business. Although management cannot predict the outcomes of these matters, management does not believe these actions will have a material, adverse effect on the Company's consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

#### *Appraisal Demand*

On September 21, 2017, former stockholders of the wholly-owned subsidiary SourceHOV, who allege combined ownership of 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 arises out of the Business Combination, which gave rise to appraisal rights pursuant to 8 Del. C. § 262. In the Appraisal Action, the petitioners seek, among other things, a determination of the fair value of their shares at the time of the 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.

On October 12, 2017, SourceHOV filed its answer to the petition and a verified list pursuant to 8 Del. C. § 262(f). At this early stage of the litigation, the Company is unable to predict the outcome of the Appraisal Action or estimate any loss or range of loss that may arise from the Appraisal Action.

## Lease Commitments

The Company leases various office buildings, machinery, equipment, and vehicles. Future minimum lease payments under capital leases, included in long-term obligations, and non-cancelable operating leases at December 31, 2017 are as follows:

	Capital Leases	Operating Lease	Total
2018	\$ 18,268	\$ 36,945	\$ 55,213
2019	11,260	27,143	38,403
2020	6,637	21,786	28,423
2021	5,611	15,970	21,581
2022	2,070	11,424	13,494
Thereafter	4,880	16,361	21,241
Total minimum lease payments	\$ 48,726	\$ 129,629	\$ 178,355
Less: Amounts representing interest	(7,157)		
Total net minimum lease payments	41,569		
Less: Current portion of obligations under capital leases	(15,611)		
Long-term portion of obligations under capital leases	\$ 25,958		

Rent expense for all operating leases was \$60.3 million, \$36.7 million, and \$30.7 million for the years ended December 31, 2017, 2016, and 2015, respectively.

## Contract-Related Contingencies

The Company has certain contingent liabilities 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 by a specified deadline. The Company believes the liability, if any, incurred under these contract provisions will not have a material adverse effect on the Company's consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

The Company has certain contingent liabilities related to prior acquisitions. The Company adjusts these liabilities to fair value at each reporting period. The Company had a \$0.7 million liability related to HandsOn Global Management's ("HGM") acquisition of BancTec, Inc. for both December 31, 2017 and 2016, respectively. The fair value is determined using an earn out method based on the agreement terms. This fair value measurement represents a Level 3 measurement as it is based on significant inputs not observable in the market. Significant judgment is employed in determining the appropriateness of these assumptions.

## 13. Fair Value Measurement

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

The carrying amount of assets and liabilities including cash and cash equivalents, accounts receivable and accounts payable approximated their fair value as of December 31, 2017 and December 31, 2016 due to the relative short maturity of these instruments. Management estimates the fair values of the secured term loan and secured notes at approximately 96.8% and 97.5%, respectively, of the respective principal balance outstanding as of December 30, 2017. The carrying value approximates the fair value for the long-term debt. The Company acquired \$11.7 million of other

long-term debt from Novitex (refer to Note 3), which primarily relates to the financing of equipment. Other debt represents the Company's outstanding loan balances associated with various hardware and software purchases along with loans entered into by subsidiaries of the Company and as such, the cost incurred would approximate fair value. Property and equipment, intangible assets, 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. (Refer to Note 2—Basis of Presentation and Summary of Significant Accounting Policies).

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

As of December 31, 2017	Carrying Amount	Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
Recurring and nonrecurring assets and liabilities:					
Acquisition contingent liability	\$ 721	\$ 721	\$ —	\$ —	\$ 721
Long-term debt	1,276,094	1,308,478	—	1,308,478	—
Interest rate swap	1,297	1,297	—	1,297	—
	<b>\$ 1,278,112</b>	<b>\$ 1,310,496</b>	<b>\$ —</b>	<b>\$ 1,309,775</b>	<b>\$ 721</b>

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

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:

	December 31,	
	2017	2016
Balance as of January 1,	\$ 721	\$ 1,513
Payments/Reductions	—	(792)
Balance as of December 31,	<u>\$ 721</u>	<u>\$ 721</u>

#### 14. Stock-Based Compensation

At Closing, SourceHOV had 24,535 restricted stock units ("RSUs") outstanding under its 2013 Long Term Incentive Plan ("2013 Plan"). 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"), an entity formed by the former SourceHOV equity holders, which is also the Company's principal stockholder. In accordance with U.S. GAAP, the Company will continue to incur compensation expense 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 are employees of the Company. Subject to continuous employment and other terms of the 2013 Plan, all remaining unvested RSUs with an initial vesting period of 3 or 4 years will vest by April 2019. Stock-based compensation expense is recorded as personnel and related costs within Selling, general, and administrative expenses. The Company incurred total compensation expense of \$6.7 million and \$7.1 million related to these awards for the years ended December 31, 2017 and 2016, respectively.

#### Exela 2018 Stock Incentive Plan

On December 20, 2017, 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. 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 plan administrator determines the vesting period for each option award on the grant date, and the options generally expire 10 years from the grant date. The Company will be authorized to issue up to 8,323,764 shares of Common Stock. No awards have been issued under the 2018 Plan as of December 31, 2017.

A summary of the status of restricted stock units as of December 31, 2017 and 2016, and the changes during the years then ended is presented as follows:

	Number of Shares	Weighted Remaining Contractual Life (Years)	Aggregate Intrinsic Value (\$)
Nonvested as of January 1, 2016	7,301	2.13	\$ 1,587
Shares granted	6,375		—
Shares forfeited	(250)		—
Shares vested	(4,539)		—
Nonvested as of December 31, 2016	<u>8,887</u>	<u>2.01</u>	<u>1,567</u>
Shares granted	—		—
Shares forfeited	(1,192)		—
Shares vested	(2,295)		—
Nonvested as of December 31, 2017	<u>5,400</u>	<u>1.33</u>	<u>\$ 1,633</u>



For the 6,375 restricted stock units issued during 2016, the fair value of the awards was estimated based on the estimated enterprise value of SourceHOV, determined under a market approach. SourceHOV determined the enterprise value by performing a guideline public company analysis, and determining multiples to apply based on guideline public companies' enterprise value ratios, in accordance with the Guideline Public Company Method. The enterprise value was reduced by outstanding debt to determine the fair value of the Company's equity, which was adjusted for discounts attributable to lack of control and marketability.

As of December 31, 2017, there was approximately \$6.0 million of total unrecognized compensation expense related to restricted stock of which will be recognized over the respective service period, approximately 1.33 years. There were 24,535 restricted stock units outstanding, of which 5,400 were unvested. As of December 31, 2016, there were 25,727 restricted stock units outstanding, of which 8,887 were unvested.

#### *Awards to Non-employees*

At Closing, the Company issued 3,609,375 shares of Common Stock to advisors who are not affiliates of the Company at the Closing in exchange for services provided. The shares issued were fully vested at the Closing. The Company records equity instruments issued to non-employees as expense at the fair value. For the year ended December 31, 2017, the Company recorded expense related to these non-employee advisors of \$28.6 million in Selling, general and administrative expense, based on the fair value of \$8.00 per share.

### **15. 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. At Closing, the Company had 146,910,648 shares of Common Stock outstanding, of which: a) 80,600,000 shares were issued to Ex-Sigma 2, LLC, b) 30,600,000 shares were issued to the sole stockholder of Novitex, c) 12,093,331 shares were issued to the stockholders of Quinpario who did not redeem their shares, d) 3,609,375 shares were issued to certain third party advisors involved in the Business Combination, and e) 16,358,389 shares were issued to holders as part of a secondary offering at \$8.00 per share with an additional 2,399,553 bonus shares issued. Certain stockholders of Quinpario were offered 25% Common Stock bonuses if they executed conversion agreements within a specified time limit. Seven Quinpario stockholders returned the agreements and were awarded 841,876 additional shares. As of December 31, 2017, there were no additional issuances of Common Stock other than the conversion of 3,000,000 shares of Series A Preferred Stock being converted into 3,667,803 shares of Common Stock. In January 2018, 1,625,000 shares of Series A Preferred Stock were converted into 1,986,767 shares of Common Stock. As of December 31, 2017, there were 150,578,451 shares of Common Stock issued and 150,529,151 shares outstanding.

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 Exela Common Stock possess all voting power for the election of Exela's 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 Exela Common Stock are entitled to one vote per share on matters to be voted on by stockholders. Holders of Exela 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.

#### *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 the Closing, the Company issued 9,194,233 shares of Series A Preferred Stock. *Refer to Note 3* for additional details about the Business Combination. 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 (assuming a conversion price of \$8.80 per share and a third anniversary expected liquidation preference of \$10.75911 per the below). Due to a Fundamental Change (as defined in the Certificate of Designations, Preferences, Rights and Limitations of the Series A Preferred Stock) that occurred on August 1, 2017 as described in the beneficial conversion feature section of Note 2, holders of the Series A Preferred Stock were able to convert their shares prior to the six month anniversary. Based on such assumed conversion rate, approximately 11,240,869 shares of Exela Common Stock would be issuable upon conversion of all of the shares of Series A Preferred Stock at the six month anniversary of the issue date. As 3,000,000 shares of Series A Preferred Stock converted into 3,667,803 shares of Common Stock upon the occurrence of a fundamental change, as of December 31, 2017, an additional 7,573,066 shares of Common Stock are issuable upon conversion of the remaining 6,194,233 shares of Series A Preferred Stock.

Holders of the Series A Preferred Stock will 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. For the year ended December 31, 2017, this amount was \$2.5 million as reflected on the Consolidated Statement of Operations.

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 may, from time to time, purchase up to 5,000,000 shares of its Common Stock. Share repurchases may be executed through various means, including, without limitation, open market transactions, privately negotiated transactions or otherwise. The decision as to whether to purchase any shares and the timing of purchases, if any, will be based on the price of the Company's Common Stock, general business and market conditions and other investment considerations and factors. The Share Buyback Program does not obligate the Company to purchase any shares and expires in 24 months. The Share Buyback Program may be terminated or amended by the Company's board of directors in its discretion at any time. As of December 31, 2017,

49,300 shares had been repurchased under the share buyback program. The Company records treasury stock using the cost method.

#### *Warrants*

At December 31, 2017, there were a total of 35,000,000 warrants outstanding. As part of its IPO, Quinpario had issued 35,000,000 units including one share of Common Stock and one warrant. As of December 31, 2017, there are 35,000,000 warrants outstanding. The warrants are traded on the OTC Bulletin board as of December 31, 2017.

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 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.

### **16. Related-Party Transactions**

#### *Leasing Transactions*

Certain operating companies lease their operating facilities from HOV RE, LLC and HOV Services Limited, which are affiliates through common interest held by Ex-Sigma 2 LLC, our largest stockholder. The rental expense for these operating leases was \$0.7 million, \$0.6 million, and \$0.2 million for the years ended December 31, 2017, 2016, and 2015.

#### *Consulting Agreements*

The Company receives services from Oakana Holdings, Inc. The Company and Oakana Holdings, Inc. are related through a family relationship between certain stockholders and the president of Oakana Holdings, Inc. The expense recognized for these services was approximately \$0.1 million for the year ended December 31, 2017. For the years ended December 31, 2016, and 2015, the Company incurred no expenses for these services.

The Company receives consulting services from Shadow Pond, LLC. Shadow Pond, LLC is wholly-owned and controlled by Vik Negi, our Executive Vice President Treasury and Business Affairs. The consulting arrangement was established to compensate Mr. Negi for his services to the Company prior to becoming an employee. The expense recognized for these services was approximately \$0.5 million, \$0.5 million, and \$0.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. We expect the consulting arrangement with Shadow Pond, LLC to terminate on April 1, 2018 and for Mr. Negi to continue to provide services as an employee of the Company.

#### *Relationship with HandsOn Global Management*

The Company incurred management fees to HGM, SourceHOV's former owner, of \$6.0 million for all years ended December 31, 2017, 2016, and 2015. The contract with HGM was terminated upon consummation of the Business Combination, and no fees were payable after July 12, 2017.

The Company incurred reimbursable travel expenses to HGM of \$0.9 million, \$1.7 million, and \$0.8 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Pursuant to a master agreement dated January 1, 2015 between Rule 14, LLC and SourceHOV, the Company incurs marketing fees to Rule 14, LLC, a portfolio company of HGM. Similarly, SourceHOV is party to ten master agreements with entities affiliated with HGM's ventures portfolio, each of which were entered into during 2015 and 2016. Each master agreement provides SourceHOV with free use of technology and includes a reseller arrangement pursuant to which SourceHOV is entitled to sell these services to third parties. Any revenue earned by SourceHOV in such third-party sale is shared 75%/25% with each of HGM's venture affiliates in favor of SourceHOV. The brands Zuma, Athena, Peri, BancMate, Spring, Jet, Teletype, CourtQ and Rewardio are part of the HGM ventures portfolio. SourceHOV has the license to use and resell such brands, as described therein. We incurred fees relating to these agreements of \$0.6 million and \$0.5 million for the years ended December 31, 2017 and 2016, respectively. No expenses were incurred for the year ended December 31, 2015.

During 2017, the Company incurred contract cancellation and advising fees to HGM of \$23.0 million, \$10.0 million of which was paid by the issuance of 1,250,000 shares of Common Stock, relating to the Business Combination.

*Relationship with HOV Services, Ltd.*

HOV Services, Ltd., a former stockholder of SourceHOV who currently owns equity interest in the Company through Ex-Sigma, provides the Company data capture and technology services. The expense recognized for these services was approximately \$1.7 million, \$1.7 million, and \$1.4 million for the years ended December 31, 2017, 2016, and 2015 and is included in cost of revenue in the consolidated statements of operations.

*Relationship with Apollo Global Management, LLC*

The Company provides services to and receives services from certain companies controlled by investment funds affiliated with Apollo Global Management, LLC (together with its subsidiaries and affiliates, as applicable, "Apollo"). Investment funds affiliated with Apollo also control one of our largest stockholders, Novitex Holdings, which has the right to designate two of the Company's directors and has certain other consent rights under the Director Nomination Agreement. For the year ended December 31, 2017 there were related party expenses of \$0.3 million for services received from an Apollo affiliated company with a common Apollo designated director. For the years ended December 31, 2016 and 2015, the Company incurred no expenses for these services.

On November 18, 2014, Novitex Solutions, entered into a master services agreement with Management Holdings, an indirect wholly-owned subsidiary of Apollo. Pursuant to this master services agreement, Novitex Solutions provides Management Holdings printer supplies and maintenance services, including toner maintenance, training, quarterly business review and printer procurement. We recognized revenue of approximately \$0.3 million in our consolidated statements of operations from Apollo Holdings under this agreement for the year ended December 31, 2017. For the years ended December 31, 2016 and 2015, there were no revenues from this agreement.

On January 18, 2017, Novitex Solutions 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, Novitex Solutions provides managed print services to Caesars, including general equipment operation, supply management, support services and technical support. We recognized revenue of approximately \$1.2 million in our consolidated statements of operations from Caesars under this master purchase and professional services agreement for the year ended December 31, 2017. For the years ended December 31, 2016 and 2015, there were no revenues from this agreement.

On May 5, 2017, Novitex Solutions 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, Novitex Solutions 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. We recognized revenue of less than \$0.1 million in our consolidated statements of operations from ADT LLC under this master services agreement for the year ended December 31, 2017.

*Payable Balances with Affiliates*

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

	December 31,	
	2017	2016
	Payable	Payable
HOV Services, Ltd	\$ 286	\$ 352
Rule 14	158	134
HGM	13,689	8,858
Apollo affiliated company	312	—
	<u>\$ 14,445</u>	<u>\$ 9,344</u>

**17. Segment and Geographic Area Information**

The Company's operating segments are significant strategic business units that align its products and services with how it manages its business, approach the markets and interacts with its customers. 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 operating segment revenue and cost of revenue. 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.

	Year December 31, 2017			
	ITPS	HS	LLPS	Total
Revenue	827,110	233,595	91,619	1,152,324
Cost of revenue	620,719	152,864	55,560	829,143
Selling, general and administrative expenses				220,955
Depreciation and amortization				98,890
Impairment of goodwill and other intangible assets				69,437
Related party expense				33,431
Interest expense, net				128,489
Loss on extinguishment of debt				35,512
Sundry expense, net				2,295
Other income, net				(1,297)
<b>Net loss before income taxes</b>				<b>\$ (264,531)</b>

	Year ended December 31, 2016			
	ITPS	HS	LLPS	Total
Revenue	439,924	247,796	102,206	789,926
Cost of revenue	296,848	158,800	63,473	519,121
Selling, general and administrative expenses				130,437
Depreciation and amortization				79,639
Related party expense				10,493
Interest expense, net				109,414
Sundry expense, net				712
<b>Net loss before income taxes</b>				<b>\$ (59,890)</b>

	Year December 31, 2015			
	ITPS	HS	LLPS	Total
Revenue	421,409	251,685	132,138	805,232
Cost of revenue	303,067	174,380	82,399	559,846
Selling, general and administrative expenses				120,691
Depreciation and amortization				75,408
Related party expense				8,977
Interest expense, net				108,779
Sundry expense, net				3,247
<b>Net loss before income taxes</b>				<b>\$ (71,716)</b>

The following table presents revenues by principal geographic area where the Company's customers are located for the years ended December 31, 2017 and 2016:

	Years ended December 31,		
	2017	2016	2015
United States	\$ 1,001,766	\$ 654,565	\$ 664,795
Europe	135,575	131,303	136,711
Other	14,983	4,058	3,726
<b>Total Consolidated Revenue</b>	<b>\$ 1,152,324</b>	<b>\$ 789,926</b>	<b>\$ 805,232</b>

## 18. Selected Quarterly Financial Results (Unaudited)

The following tables show a summary of the Company's quarterly financial information for each of the four quarters of 2017 and 2016. Significant items impacting the fourth quarter of 2017 compared to other interim periods in 2017 relate to the Business Combination of SourceHOV Holdings, Inc. and Novitex Holdings, Inc. as described in Note 3 to the consolidated financial statements and impairment charges as described in Note 7 to the consolidated financial statements.

	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Revenue	\$ 218,260	\$ 209,382	\$ 338,393	\$ 386,289
Cost of revenue (exclusive of depreciation and amortization)	143,708	140,418	255,116	289,901
Selling, general and administrative expenses	35,581	34,998	102,048	48,328
Depreciation and amortization	21,320	21,406	28,052	28,112
Impairment of goodwill and other intangible assets	—	—	—	69,437
Related party expense	2,385	2,456	26,892	1,698
<b>Operating income (loss)</b>	<b>15,266</b>	<b>10,104</b>	<b>(73,715)</b>	<b>(51,187)</b>
<b>Other expense (income), net:</b>				
Interest expense, net	26,219	27,869	37,652	36,749
Loss on extinguishment of debt	—	—	35,512	—
Sundry expense (income), net	2,724	(327)	563	(665)
Other income, net	—	—	—	(1,297)
<b>Net loss before income taxes</b>	<b>(13,677)</b>	<b>(17,438)</b>	<b>(147,442)</b>	<b>(85,974)</b>
Income tax (expense) benefit	(2,004)	(2,074)	37,002	27,322
<b>Net loss</b>	<b>(15,681)</b>	<b>(19,512)</b>	<b>(110,440)</b>	<b>(58,652)</b>
Dividend equivalent on Series A Preferred Stock related to beneficial conversion feature	—	—	(16,375)	—
Cumulative dividends for Series A Preferred Stock	—	—	(1,225)	(1,264)
<b>Net loss attributable to common stockholders</b>	<b>\$ (15,681)</b>	<b>\$ (19,512)</b>	<b>\$ (128,040)</b>	<b>\$ (59,916)</b>
Weighted average outstanding common shares	67,827,401	69,721,078	138,895,681	150,569,877
<b>Earnings per share:</b>				
Basic and diluted	\$ (0.23)	\$ (0.28)	\$ (0.92)	\$ (0.40)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Revenue	\$ 199,690	\$ 191,464	\$ 186,373	\$ 212,399
Cost of revenue (exclusive of depreciation and amortization)	133,343	122,577	121,780	141,421
Selling, general and administrative expenses	31,028	33,528	30,829	35,052
Depreciation and amortization	18,759	20,943	18,761	21,176
Related party expense	2,335	2,589	2,448	3,121
<b>Operating income (loss)</b>	<u>14,225</u>	<u>11,827</u>	<u>12,555</u>	<u>11,629</u>
<b>Other expense (income), net:</b>				
Interest expense, net	27,400	26,913	27,399	27,702
Sundry expense (income), net	(1,931)	1,503	711	429
<b>Net loss before income taxes</b>	<u>(11,244)</u>	<u>(16,589)</u>	<u>(15,555)</u>	<u>(16,502)</u>
Income tax benefit	3,082	3,130	3,757	1,818
<b>Net loss</b>	<u>(8,162)</u>	<u>(13,459)</u>	<u>(11,798)</u>	<u>(14,684)</u>
<b>Net loss attributable to common stockholders</b>	<u>\$ (8,162)</u>	<u>\$ (13,459)</u>	<u>\$ (11,798)</u>	<u>\$ (14,684)</u>
Weighted average outstanding common shares	64,024,557	64,024,557	64,024,557	64,024,557
<b>Earnings per share:</b>				
Basic and diluted	\$ (0.13)	\$ (0.21)	\$ (0.18)	\$ (0.23)



**PART III**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a)(1) Financial Statements**

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 31, 2017 and 2016

Consolidated Statements of Operations for each of the three years in the period ended December 31, 2017

Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2017

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2017

Notes to Consolidated Financial Statements Notes to Consolidated Financial Statements

**(2) Financial Statement Schedules**

Schedule II—Valuation and Qualifying Accounts

All other schedules for which provision is made in Regulation S-X either (i) are not required under the related instructions or are inapplicable and, therefore, have been omitted, or (ii) the information required is included in the consolidated financial statements or the notes thereto that are a part hereof.

**(3) Exhibits**

Exhibit No.	Description	Filed or Furnished Herewith
2.1	<a href="#"><u>Business Combination Agreement, dated as of February 21, 2017, by and among Quinpario Acquisition Corp. 2, Quinpario Merger Sub I, Inc., Quinpario Merger Sub II, Inc., Novitex Holdings, Inc., SourceHOV Holdings, Inc., Novitex Parent, L.P, HOVS LLC and HandsOn Fund 4 I, LLC(2)</u></a>	
3.1	<a href="#"><u>Restated Certificate of Incorporation, dated July 12, 2017(4)</u></a>	
3.2	<a href="#"><u>Amended and Restated Bylaws, dated July 12, 2017(4)</u></a>	
3.3	<a href="#"><u>Certificate of Designations, Preferences, Rights and Limitations of Series A Perpetual Convertible Preferred Stock(4)</u></a>	
3.4	<a href="#"><u>Waiver of Bylaws(5)</u></a>	
4.1	<a href="#"><u>Specimen Common Stock Certificate(1)</u></a>	
4.2	<a href="#"><u>Specimen Warrant Certificate(1)</u></a>	
4.3	<a href="#"><u>Form of Warrant Agreement between Continental Stock Transfer &amp; Trust Company and the Registrant(1)</u></a>	
4.4	<a href="#"><u>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(4)</u></a>	

Exhibit No.	Description	Filed or Furnished Herewith
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(4)</a>	
10.1	<a href="#">Modification Agreement, dated as of June 15, 2017(3)</a>	
10.2	<a href="#">Amended &amp; Restated Registration Rights Agreement, dated July 12, 2017, by and among the Company and the Holders(4)</a>	
10.3	<a href="#">First Lien Credit Agreement, dated July 12, 2017, by and among Exela Intermediate Holdings LLC, Exela Intermediate LLC, the Lenders Party Thereto, Royal Bank of Canada, RBC Capital Markets, Credit Suisse Securities (USA) LLC, Natixis, New York Branch and KKR Capital Markets LLC(4)</a>	
10.4	<a href="#">Director Nomination Agreement, dated July 12, 2017, by and between the Company and Apollo Novitex Holdings, L.P.(4)</a>	
10.5	<a href="#">Exela Technologies, Inc. Director Nomination Agreement, dated July 12, 2017, by and among the Company, the HGM Group and Ex-Sigma 2 LLC(4)</a>	
10.6	<a href="#">Employment Agreement dated as of May 27, 2007, between BancTec, Inc. and Mark D. Fairchild as amended October, 2007, May 26, 2008, June 1, 2009, March 9, 2011 and November 30, 2012 Filed on March 16, 2018 on Form 10-K.(6)</a>	
10.7	<a href="#">Letter Agreement between SourceHOV and its affiliates and Ron Cogburn Filed on March 16, 2018 on Form 10-K.(6)</a>	
10.8	<a href="#">Letter Agreement between SourceHOV and its affiliates and Suresh Yannamani Filed on March 16, 2018 on Form 10-K.(6)</a>	
10.9	<a href="#">Letter Agreement between SourceHOV and its affiliates and Mark Fairchild(6)</a>	
21.1	<a href="#">Subsidiaries of Exela Technologies Inc.(6)</a>	
23.1	<a href="#">Consent of KPMG LLP</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>	Furnished
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>	Furnished
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>	Furnished
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>	Furnished
101.INS	XBRL Instance Document	Filed
101.SCH	XBRL Taxonomy Extension Schema	Filed

Exhibit No.	Description	Filed or Furnished Herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed

- (1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-198988).
- (2) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on February 22, 2017.
- (3) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed on June 21, 2017.
- (4) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed on July 18, 2017.
- (5) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed on December 21, 2017.
- (6) Incorporated by reference to the Registrant's Form 10-K, filed on March 16, 2018.

**Schedule II**

**Valuation and Qualifying Accounts  
For the years ended December 31, 2017, 2016, and 2015  
(Dollars in Thousands)**

	Balance at Beginning of Year	Additions			Goodwill	Deductions from Reserves	Balance at End of Year
		Charges to Costs and Expenses	Other Comprehensive Income (Loss)				
<b>2017</b>							
Allowance for doubtful accounts receivable	\$ 3,219	\$ 15	\$ —	\$ —	\$ 491	\$ 3,725	
Valuation allowances for deferred tax assets	(170,821)	(9,747)	—	(730)	72,676	(108,622)	
<b>2016</b>							
Allowance for doubtful accounts receivable	\$ 3,164	\$ 188	\$ —	\$ —	\$ (132)	\$ 3,219	
Valuation allowances for deferred tax assets	(147,758)	(8,517)	—	(16,880)	2,334	(170,821)	
<b>2015</b>							
Allowance for doubtful accounts receivable	\$ 2,199	\$ 196	\$ —	\$ —	\$ 769	\$ 3,164	
Valuation allowances for deferred tax assets	(149,376)	(4,143)	—	—	5,761	(147,758)	

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated:  
April 10, 2018

By: \_\_\_\_\_  
/s/ RONALD COGBURN  
Ronald Cogburn,  
*Chief Executive Officer*



**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
Exela Technologies, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-222973), (No. 333-219494), and (No. 333-219157) on Form S-3 and the registration statement (No. 333-222743) on Form S-8 of Exela Technologies, Inc. of our report dated March 16, 2018, with respect to the consolidated balance sheets of Exela Technologies, Inc. as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement schedule II (collectively, the "consolidated financial statements"), which report appears in the December 31, 2017 annual report on Form 10-K of Exela Technologies, Inc..

Dallas, Texas  
April 10, 2018

---





**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 annual report on Form 10-K/A for the year ended December 31, 2017 (the "Report") of Exela Technologies, Inc.;
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: April 10, 2018

/s/ Ronald Cogburn

Name: Ronald Cogburn  
Title: Chief Executive Officer  
(Principal Executive Officer)

---

QuickLinks

[Exhibit 31.1](#)

**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, James G. Reynolds, certify that:

1. I have reviewed this annual report on Form 10-K/A for the year ended December 31, 2017 (the "Report") of the Company;
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: April 10, 2018

/s/ James G. Reynolds

Name: James G. Reynolds  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)

---

QuickLinks

[Exhibit 31.2](#)

[QuickLinks](#) -- Click here to rapidly navigate through this document

Exhibit 32.1

**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 Annual Report of Exela Technologies, Inc. (the "Company") on Form 10-K/A for the year ended December 31, 2017 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: April 10, 2018

/s/ Ronald Cogburn

Name: Ronald Cogburn  
Title: *Chief Executive Officer*  
*(Principal Executive Officer)*

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

---

QuickLinks

[Exhibit 32.1](#)

**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 Annual Report of Exela Technologies, Inc. (the "Company") on Form 10-K/A for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James G. Reynolds, 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: April 10, 2018

/s/ James G. Reynolds

Name: James G. Reynolds  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

---

QuickLinks

[Exhibit 32.2](#)