

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **March 29, 2023**

EXELA TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

001-36788

(Commission File Number)

47-1347291

(I.R.S. Employer
Identification Number)

**2701 E. Grauwlyer Rd.
Irving, TX**

(Address of principal executive offices)

75061

(Zip Code)

Company'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>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$0.0001 per share	XELA	The Nasdaq Stock Market LLC
6.00% Series B Cumulative Convertible Perpetual Preferred Stock, par value \$0.0001 per share	XELAP	The Nasdaq Stock Market LLC

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

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

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

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

Item 8.01 Other Events

From time to time since January 23, 2023, Exela Technologies, Inc. (the “Company”) has been engaged in discussions with certain beneficial holders, or investment advisors, sub-advisors or managers of funds or accounts that are beneficial holders, of 11.5% Secured Notes due 2026 (the “Notes”) issued under the Indenture, dated as of December 9, 2021, among Exela Intermediate LLC (“Exela Intermediate”), as Issuer, Exela Finance, Inc. as Co-Issuer, and US Bank Trust Company National Association, as Trustee (as amended, supplemented or otherwise modified from time to time, the “Indenture”) with respect to potential deleveraging or restructuring transactions. Exela Intermediate entered into confidentiality agreements (the “NDAs”) with such parties (the “NDA Parties”) in connection with those discussions.

Pursuant to the terms of the NDAs, Exela Intermediate agreed to publicly disclose certain confidential information provided to the NDA Parties (the “Cleansing Material”) upon the occurrence of certain events, including if an agreement had not been reached by March 29, 2023. While the Company and the NDA Parties exchanged several communications and reached agreement on a number of terms, as outlined on Exhibit 99.1 hereto, no definitive agreement was reached on all terms. The parties are continuing their negotiations; however, the Company can offer no assurances that any transaction will be agreed or, if agreed, as to the terms of any such transaction, which may differ from the terms set forth in the term sheet referenced below.

Attached as Exhibit 99.1 hereto are forms of the latest bona fide term sheets exchanged by Exela Intermediate and the NDA Parties on March 14, 2023 and March 24, 2023, respectively, and attached as Exhibit 99.2 hereto is a copy of the Cleansing Materials.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Exhibit Description
99.1	Terms Sheets
99.2	Pro Forma Information Regarding Sierra and Neon
104	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL.

SIGNATURE

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

Dated: March 30, 2023

EXELA TECHNOLOGIES, INC.

By: /s/ Erik Mengwall

Name: Erik Mengwall

Title: Secretary

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SUBJECT TO FRE 408 AND STATE LAW EQUIVALENTS

Category	Company Proposal (3/16/23)	Noteholder Proposal (3/24/23)
Conditions	<p>This term sheet is expressly subject to:</p> <ul style="list-style-type: none"> · A representation that, other than Neon and XBP, no other assets have been transferred from Intermediate to ETI; · A representation that the consolidating balance sheet as of September 30, 2022 has not materially changed prior to closing of the exchange; and · Review of the 10-K when filed. 	Agreed
Coupon	<p>Consenting holders (including ETI) agree to:</p> <ul style="list-style-type: none"> · PIK 100% of coupon due July 15, 2023 · PIK 50% of coupons due January 15, 2024 and July 15, 2024; provided, however, for each 2024 coupon payment, the PIK portion of the coupon shall be paid in cash subject to liquidity at Intermediate being in excess of a to be determined pro forma for the cash payment of interest (subject to discussion of cash portion of interest payments being paid monthly or quarterly starting in August 2023) · Thereafter, 100% cash pay <p>Affiliate notes PIK 100% of coupon through January 15, 2025</p>	Agreed, except liquidity threshold for determining cash interest payments set at \$15 million
Exchange & Terms of New Notes	<ul style="list-style-type: none"> · Consenting holders exchange existing notes for new senior secured notes (the “New Notes”) at a 20% discount · Terms of New Notes to be acceptable to the Steering Committee, provided, that new indenture will restrict sales or distributions of assets subject to liens and equity pledges (as well as all transactions that result in the release of liens on collateral) · Allow for asset sales to affiliates, subject to such asset sales being approved by Exela Intermediate LLC independent director, obtaining a fairness opinion, sold for no less than fair market value, on terms no less favorable than a third-party sale, and proceeds paid in full in cash · Additional changes to the indenture to prohibit, among other things, dividends, restricted payments, unrestricted subsidiaries, distributions, investments, additional indebtedness, affiliate transactions, intercompany transfers (including any transfer of cash or assets and any payments on intercompany debt), etc., until the New Notes are paid in full · New Notes Maturity: 4/15/2026 but spring to 7/12/23 if 2023 Notes or 2023 Term Loan is not repaid 	Agreed
Minimum Participation	<p>Subject to participation of at least 2/3rds of Existing Secured Notes not held by ETI</p> <p>ETI held Existing Notes must participate in the exchange</p> <p>MFN on private exchanges of Existing Secured Notes and any exchange/refinancing of non-participating Existing Secured Notes, including with respect to additional guarantees, additional collateral, or an earlier maturity than the New Secured Notes</p>	Agreed, except Term Loans held by the Company, including up to approximately \$21 million of Term Loans subject to agreed trades, and approximately \$13.4 million in 2023 Notes held by the Company, must participate in the exchange at 20% discount
Priority Debt Basket	New \$50 million super senior secured debt basket to raise new capital on terms TBD; subject to ROFR to holders of New Notes	\$30 million super senior debt basket
New Notes	ETI entity to receive \$15 million in New Notes as credit for \$15 million in prior cash infusions and \$25 million in New Notes as credit for \$47mm cash infusion to make approximately \$58 million 1/15/23 coupon payment (no other credit for any other cash infusions)	Agreed

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Category	Company Proposal (3/16/23)	Noteholder Proposal (3/24/23)
Exit Consent	Per terms of the existing Indenture, will release collateral and remove other covenants, etc. from Existing Secured Notes	Agreed
Credit Support	New Notes will be secured by Neon assets, ¹ and pledge of stock in the immediate parent of XBP Europe (currently BTC International Holdings, Inc. (“BTC”)), with customary and appropriate protections and covenants on BTC to ensure no leakage of the credit support from XBP Europe, including: (i) all asset sale proceeds by BTC (including through sale of XBP stock) applied per indenture; (ii) BTC may not, directly or indirectly, including through any other subsidiary, incur any debt or liens or make restricted payments, investments, distributions, or any intercompany transfers (including any transfer of cash or assets and any payments on intercompany debt), and (iii) BTC may not issue additional equity interests, common or preferred	Agreed
New Directors	Immediate appointment of independent director (acceptable to the Steering Committee) at Exela Intermediate LLC on or prior to closing	Agreed
Asset Sale Offers	<p>Net proceeds from the sale of Neon assets up to \$150 million to be used to finance asset sale offers:</p> <ul style="list-style-type: none"> · Through year 1: 60% · Through year 2: 70% · Year 3 and beyond: through a customary Dutch auction mechanism <ul style="list-style-type: none"> o Any declined proceeds to be retained by ETI (free and clear of any liens) <p>First \$75 million of net proceeds from the sale of XBP Europe to finance repurchases of New Notes through a customary Dutch auction mechanism</p> <ul style="list-style-type: none"> · Any proceeds in excess of \$75 million and any declined proceeds to be retained by ETI (free and clear of any credit support) <p>All asset sale offers must be made pro rata to New Notes, excluding any notes held by ETI and affiliates</p>	Agreed
2023 Maturities	<p>2023 Notes, 2023 Term Loans, and [2023 amortization payments under the BRCC facility]² may be satisfied with:</p> <ul style="list-style-type: none"> · Up to \$50 million value of additional New Notes and/or cash; provided, that will only allow for additional \$100mm of New Notes to refinance 2023 Notes and 2023 Term Loan · Modifications subject to the approval of the majority (by holdings) of the Steering Committee <p>Subject to confirmatory due diligence; Company to disclose terms of all ongoing discussions with holders of 2023 Notes and 2023 Term Loans</p>	Agreed, except baskets to be renegotiated following outreach to holders of indebtedness with 2023 maturities
Releases	Mutual Releases solely with respect to transfer of Neon and XBP Europe assets	Agreed
Ropes & Gray Fees	Payment of all accrued fees and expenses of Ropes & Gray	Agreed

¹ On October 24, 2022, in a transaction known as “Project Neon” a subsidiary of Intermediate closed on the sale of its former Novitex onsite business operated by Exela Enterprise Solutions, Inc. (“EES”) along with certain other assets to a subsidiary of Exela TopCo that is not a Subsidiary Guarantor. Immediately prior to this transaction EES distributed several of its other business to a subsidiary of Intermediate that remains a Subsidiary Guarantor (the distributed businesses constitute approximately 50% of the pre-existing EES business). Neon had September 30, 2022 TTM revenues of \$142 million and adjusted EBITDA of \$30 million.

² Subject to responses on Noteholders’ diligence requests.

Pro Forma Financial Information

Reconciliation of financial information of Exela Technologies, Inc., as “Parent” and “Reporting Entity” and pro forma financial information of Exela Intermediate LLC, as “Company”, for the period ended September 30, 2022. Capitalized terms used but not defined herein shall have the meanings given in the INDENTURE, dated as of December 9, 2021 (as amended, supplemented or otherwise modified from time to time, the “Indenture”), by and among the Company, Exela Finance, Inc., the Subsidiary Guarantors party hereto from time to time and U.S. Bank National Association, as trustee.

Notes:

- 1) Refer to the form 10-Q filed with the SEC on November 14, 2022 for Exela Technologies, Inc., quarterly filing for the period ended September 30, 2022 (<https://www.sec.gov/ix?doc=/Archives/edgar/data/1620179/000155837022017856/xela-20220930x10q.htm>).
 - 2) A Consolidated Balance Sheet and Consolidated Statements of Operations are provided for the Reporting Entity and the Company to reflect the quantitative pro forma differences between the two as of September 30, 2022. These differences are caused by (i) cash held at the Reporting Entity and Subsidiaries that are not Subsidiaries of the Company (each an “Independent Subsidiary”)(ii) \$298 million of Notes held by Independent Subsidiaries (the amounts reflected in current portion of long-term debts for the Company also include \$13.4 million of Old Notes now held by Independent Subsidiaries as of February 20, 2023, but not as of September 30, 2022), and (iii)(x) the exclusion of items relating to XBP Europe, Inc. (“XBP Europe”) and (y) the exclusion on a pro forma basis of items related to Exela Enterprise Solutions, Inc. (“EES”), as further described below.
 - a) Parent announced on October 10, 2022 that it had entered into a merger agreement relating to XBP Europe (https://www.sec.gov/ix?doc=/Archives/edgar/data/1620179/000110465922107470/tm2227875d1_8k.htm). Prior to entering into this agreement, during the third quarter of 2022, a subsidiary of the Company sold its EMEA business to an Independent Subsidiary and established XBP Europe. Thus XBP Europe and its subsidiaries’ results are excluded from the Company’s Balance Sheet and Consolidated Statements of Operations as shown in the attached. The enterprise value for the sold business was approximately \$109.2 million.
 - b) On October 24, 2022, a subsidiary of the Company closed on the sale of its onsite business operated by EES along with certain other assets to an Independent Subsidiary. Immediately prior to this transaction EES distributed its business related to (1) federal, state, and local government customers, (2) certain finance and healthcare customers and (3) its digital assets group business to a Subsidiary of the Company that remains a Subsidiary Guarantor. The Company’s Balance Sheet and Consolidated Statements of Operations as shown in the attached have been modified on a pro forma basis to give effect to these EES-related transactions, which occurred after September 30, 2022. The enterprise value for these sold assets was approximately \$148.8 million.
 - 3) The accompanying reconciliation is extracted from the Reporting Entity’s “consolidating” financials and is subject to the following notes:
 - a) The financial statements presented are unaudited results.
 - b) The financial statements presented are not consolidating financial statements. Consolidation and elimination entries, in particular account categories such as intercompany, investment in subsidiaries, equity and retained earnings and certain other items are not adjusted or eliminated at the levels presented for the Company, XBP Europe and EES.
 - c) Push down accounting for past mergers or acquisitions, including goodwill and intangible assets are recorded either at the segment level or Parent level and not at the levels presented for the Company XBP Europe and EES.
 - d) EES financials are preliminary and subject to change with regard to grouping and reclassification of account categories and/or updates for additional allocation and related changes within the consolidating financials.
 - e) Accounting considerations related to a carve-out entity’s statement of financial position or statement of comprehensive income has not been applied to EES financials, instead, for the purposes of this reconciliation, revenue ratio-based percentage allocation was used to report the balance sheet and specific identification method used for statement of income.
 - f) Each of the transactions with Independent Subsidiaries described above are subject to a look back whereby if within six (6) months following their respective closings, (x) the buyer sells, transfers or otherwise exchanges one or more equity interests in a transaction where the price on an aggregate basis would be greater than the purchase price or (y) the Seller presents a report of the fair market value thereof that is greater than the purchase price, then in either event, Buyer shall at its option (i) pay to Seller the amount of such difference in cash within twelve months of the Closing, (ii) return a number of equity interests of equivalent value, or (iii) if the equity has been exchanged for other consideration, an equivalent portion of such other consideration. No accounting entries have been made to reflect these potential transactions.
 - 4) Rounding: Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.
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Consolidated Balance Sheet (Unaudited)

As of September 30, 2022

(in thousands of United States dollars)

	Exela Technologies, Inc. Consolidated (Reported)	Exela Intermediate LLC ("Company") Subsidiaries with XBP Europe & EES	XBP Europe and Subsidiaries	EES and Subsidiaries	Proforma Company and Subsidiaries without XBP Europe & EES
Assets					
Current assets					
Cash and cash equivalents	\$ 10,401	\$ 5,808	\$ 1,506	\$ 376	\$ 3,927
Restricted cash	34,402	34,402			34,402
Related party receivables	504	(11,645)	12,149		(11,645)
Accounts receivable, net of allowance for doubtful accounts	93,600	105,751	31,700		74,051
Inventories, net	17,234	17,234	4,779	295	12,160
Prepaid expenses and other current assets	28,551	28,551	9,412	1,393	17,746
Total current assets	184,690	180,100	59,546	2,064	130,639
Property, plant and equipment, net of accumulated depreciation					
	68,788	65,013	13,716	1,142	50,154
Operating lease right-of-use assets, net	44,943	44,943	6,135	296	38,513
Goodwill	328,071	328,071	20,295	61,557	246,220
Intangible assets, net	211,659	211,659	1,533	51,693	158,433
Deferred income tax assets	1,279	1,279	8,864		(7,585)
Other noncurrent assets	25,839	23,812	619	1,057	22,136
Total assets	865,270	854,877	110,708	117,808	638,510
Liabilities and Stockholders' Equity (Deficit)					
Liabilities					
Current liabilities					
Accounts payables	\$ 80,783	\$ 80,783	\$ 13,198	\$ 4,272	\$ 63,313
Related party payables	1,698	(22,464)	24,162		(22,464)
Income tax payable	1,178	1,178		72	1,106
Accrued liabilities	52,795	52,545	18,929	5,753	27,863
Accrued compensation and benefits	52,925	52,817	13,738	208	38,871
Accrued interest	29,430	34,341		179	34,161
Customer deposits	18,278	18,278	929	2,994	14,356
Obligation for claim payment	50,780	50,780			50,780
Deferred revenue	15,681	15,681	6,247	155	9,279
Current portion of finance lease liabilities	4,902	4,902	659	13	4,230
Current portion of operating lease liabilities	13,127	13,127	2,120	223	10,784
Current portion of long-term debts	195,043	122,089	15,684	84	106,321
Total current liabilities	516,620	424,057	95,666	13,951	338,602
Long-term debt, net of current maturities					
	909,506	1,227,178	3,516		1,223,662
Finance lease liabilities, net of current portion	7,276	7,276	709	10	6,557
Pension liabilities, net	23,165	23,165	22,087		1,078
Deferred income tax liabilities	14,046	14,046			14,046
Long-term income tax liabilities	2,757	2,757			2,757
Operating lease liabilities, net of current portion	34,573	34,573	3,938	111	30,524
Other long-term liabilities	4,888	4,888	1,451	405	3,032
Related party notes payable		(11,164)	11,164		(11,164)
Total liabilities	1,512,831	1,726,776	138,531	14,478	1,609,093
Stockholders' equity (deficit)					
Total stockholders' deficit	(647,560)	(871,899)	(27,823)	103,330	(970,583)
Total liabilities and stockholders' deficit	\$ 865,270	\$ 854,877	\$ 110,708	\$ 117,808	\$ 638,510

Consolidated Statements of Income (Unaudited)

Nine months ended September 30, 2022

(in thousands of United States dollars)

	Exela Technologies, Inc. Consolidated (Reported)	Exela Intermediate LLC ("Company") Subsidiaries with XBP Europe & EES	XBP Europe and Subsidiaries	EES and Subsidiaries	Proforma Company and Subsidiaries without XBP Europe & EES
Revenue	\$ 810,205	\$ 809,956	\$ 136,722	\$ 106,060	\$ 567,174
Cost of Revenue (exclusive of depreciation and amortization)	658,623	658,623	103,172	77,424	478,027
Selling, general and administrative expenses	137,604	132,557	22,721	7,255	102,580
Depreciation and amortization	53,942	53,824	3,357	2,895	47,572
Impairment of goodwill and other intangible assets	29,565	29,565			29,565
Related party expense, net	6,189	6,189	7,326		(1,137)
Operating profit (loss)	(75,718)	(70,801)	146	18,485	(89,433)
Other expense (income), net:					
Interest expense, net	122,927	136,336	2,094	14	134,228
Other expense (income), net & Debt modification and extinguishment costs (gain), net	16,724	20,284	52		20,232
Sundry expense (income), net	348	348	2,863		(2,515)
Net income (loss) before income taxes	(215,716)	(227,769)	(4,863)	18,472	(241,378)
Income tax expense (benefit)	5,721	5,721	1,933		3,788
Net income / (loss)	\$ (221,437)	\$ (233,490)	\$ (6,796)	\$ 18,472	\$ (245,166)