UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A
(Amendment No. 2)

(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, 2021

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. Grauwyler 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:

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ☐	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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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, 2021, was approximately $111,882,262 (based on a closing price of $2.39).

As of March 15, 2022, the Registrant had 380,139,589 shares of common stock outstanding.

EXPLANATORY NOTE

References throughout this Amendment No. 2 to the Annual Report on Form 10-K to "we," "us," the "Company" or "our company" are to Exela Technologies, Inc. and its consolidated subsidiaries, unless the context otherwise indicates.

This Amendment No. 2 on Form 10-K/A (the "Amendment") amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which was originally filed with the Securities and Exchange Commission (the "SEC") on March 16, 2022 (the "Original Report") and amended on May 2, 2022 to include the Part III information omitted from the Original Report in reliance on General Instruction G(3) to Form 10-K. This Amendment is being filed solely to include a restatement of our consolidated balance sheet and financial statement footnotes for the fiscal year ended December 31, 2021 in Part II, Item 8. Financial Statements and Supplementary Data (the "Restatement") and to make related changes to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and Part II, Item 9A. Controls and Procedures.

Except for the one item described below, the Restatement does not have an effect on retained earnings, or other components of equity, net assets or per share amounts disclosed in the Original Report. The Restatement arises from the inclusion of disclosures related to the existence of substantial doubt about the entity's ability to continue as a going concern under the standards of ASC Subtopic 205-40, *Presentation of Financial Statements—Going Concern* ("ASC 205-40"). The Amendment includes reissued audit reports from KPMG, LLP, the Company's independent registered public accounting firm, due to the Restatement. As a result of the issuance of an amended audit report including a going concern explanatory paragraph, indebtedness under one the Company's borrowing facilities would have become current and we reclassified it from long term to current in the restated balance sheet as of December 31, 2021. The Amendment has not been updated to give retroactive effect to the 1-for-20 reverse stock split implemented on July 25, 2022.

In accordance with ASC 205-40, the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its obligations as they become due within one year after the date that the financial statements are issued. As required under ASC 205-40, management's evaluation should initially not take into consideration the potential mitigating effects of management's plans that have not been fully implemented as of the date the financial statements are issued. In performing this evaluation, as of March 16, 2022, in connection with the Original Report, we concluded that under the standards of ASC 205-40 there were no conditions which raised substantial doubt about our ability to continue as a going concern within one year after the date that the financial statements were issued, and as a result our Original Report did not contain any such disclosures.

However, in re-performing this evaluation as of the date of the Original Report we subsequently determined the need to take into account the potential impact of certain true-up guaranties that we had issued in connection with the Revolving Loan Exchange and Prepayment Agreement dated March 7, 2022, pursuant to which we agreed to exchange $100.0 million of our outstanding revolving credit facility owed by our subsidiary, Exela Intermediate LLC, for (i) $50.0 million in cash, and (ii) $50.0 million of 11.500% First-Priority Senior Secured Notes due 2026 (the "Exchange Notes"), and thereby extinguishing all material near-term non-contingent maturities as of the date of the Original Report. This true-up guaranty created a potential obligation to make a payment to the holders of the Exchange Notes, if the holders were to sell their notes at a price below an agreed threshold during agreed periods in 2022 beginning after April 15, 2022.

Under U.S. generally accepted accounting principles, the Company is required to measure the fair value of the true-up guaranty on the date of issuance, and at the end of each reporting period, and recognize any change in fair value in the Company's operating results for the current period. In preparing our financial statements for the quarter ended March 31, 2022 (filed with the SEC on Form 10-Q on May 10, 2022), we recognized $17.4 million (the fair value of the true-up obligation as accounted for under ASC 450, *Contingencies* and ASC 460, *Guarantees*) as a liability as of March 7, 2022, with an offsetting debit to the original issuance discount of the issued Exchange Notes. As of the date of this Amendment, the true-up guaranty has been satisfied.

The Company did not consider this true-up obligation as part of its going concern assessment for the Original Report, even though it should have given the obligation was incurred prior to the issuance of the financial statements. If it had done so, and considering a history of net losses, net operating cash outflows, working capital deficits, and significant cash payments for interest on our long-term debt, and a decline in financial performance for the first two months of 2022, the Company may not have had sufficient liquidity under its financial model to fund payment of this true-up obligation in addition to its other commitments for the twelve months following the date of the Original Report. Based on this analysis, management has determined that as of the date of the Original Report substantial doubt existed under the standards of ASC 205-40 about the Company's ability to continue as a going concern for the twelve months following the date of the Original Report, similar to the disclosures the Company made in its quarterly reports on Form 10-Q filed with the SEC for the quarters ended March 31, 2022 and June 30, 2022, respectively.

As previously reported, the Company has undertaken plans to improve its available cash balances, liquidity and cash generated from operations; despite these actions, the Company would need to take further action to raise additional funds in the capital markets or otherwise to fund the true-up guaranty in addition to its other obligations over the period. However, the Company's ability to obtain additional financing in the debt and equity capital markets is subject to several factors, including market and economic conditions, the Company's performance and investor sentiment with respect to the Company and its industry and considering these factors are outside of the Company's control, substantial doubt about the Company's ability to continue as a going concern existed under the standards of ASC 205-40 as of the date of the Original Report. Going concern matters are now more fully discussed in Note 2, *Basis of Presentation and Summary of Significant Accounting Policies of the Consolidated Financial Statements* in the Restatement.

The following items have been amended to reflect the Restatement:

Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Item was amended to add a descriptive paragraph under the heading "Liquidity and Capital Resources."

Part II, Item 8. Financial Statements and Supplementary Data

This Item was amended to delete a reference to removing substantial doubt and to add disclosure about the existence of substantial doubt that the entity will continue as a going concern to Note 2, to change classification of one of the Company's borrowing from noncurrent to current in the consolidated balance sheet and in Note 11, to update the carrying amount and fair value of long-term debt in Note 15, to add Note 21 describing the restatement, and to renumber the Subsequent Event note as Note 22.

Part II, Item 9A. Controls and Procedures

This Item was amended to add references to going concern and subsequent events in the listing of material weaknesses.

In addition, we are filing with this Amendment new certifications of the Company's Executive Chairman (Principal Executive Officer) and Chief Financial Officer dated as of the date of this filing in connection with this Amendment (Exhibits 31.1, 31.2, 32.1 and 32.2).

Except as described above, no other information included in the Company's Original Report is being amended or updated by this Amendment, and this Amendment does not purport to reflect any information or events subsequent to the Original Report. This Amendment continues to describe the conditions as of the date of the Original Report, except as expressly described herein, and we have not updated, modified or supplemented the disclosures contained in the Original Report. Accordingly, this Amendment should be read in conjunction with our filings with the SEC subsequent to the Original Report.

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[Part I Items 1 through 4 and Part II, Items 5 and 6 intentionally omitted as they are not amended by this Amendment.]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with a review of the other Items included in this Annual Report and our December 31, 2021 Consolidated Financial Statements included elsewhere in this report. Certain statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" may be deemed to be forward-looking statements. See "Special Note Regarding Forward-Looking Statements."

Overview

We are a global provider of transaction processing solutions, enterprise information management, document management and digital business process services. Our technology-enabled solutions allow global organizations to address critical challenges resulting from the massive amounts of data obtained and created through their daily operations. Our solutions address the life cycle of transaction processing and enterprise information management, from enabling payment gateways and data exchanges across multiple systems, to matching inputs against contracts and handling exceptions, to ultimately depositing payments and distributing communications. We believe our process expertise, information technology capabilities and operational insights enable our customers' organizations to more efficiently and effectively execute transactions, make decisions, drive revenue and profitability, and communicate critical information to their employees, customers, partners, and vendors.

History

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

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

Sale of Non-core Assets

On March 16, 2020, the Company and its indirect wholly owned subsidiaries, Merco Holdings, LLC and SourceHOV Tax, LLC entered into a Membership Interest Purchase Agreement with Gainline Source Intermediate Holdings LLC at which time Gainline Source Intermediate Holdings LLC acquired all of the outstanding membership interests of SourceHov Tax, LLC for $40.0 million subject to adjustment as set forth in the purchase agreement. On July 22, 2020, the Company completed the sale of its physical records storage and logistics business for a purchase price of $12.3 million.

Reverse Stock Split

On January 25, 2021, we effected a one-for-three reverse split of our issued and outstanding shares of our Common Stock. At the effective time of the reverse split, every three (3) shares of Common Stock issued and outstanding were automatically combined into one (1) share of issued and outstanding Common Stock, without any change in the par value per share. Our Common Stock began trading on the Nasdaq on a Reverse Stock Split-adjusted basis on January 26, 2021. There was no change in our ticker symbol as a result of the Reverse Stock Split.

Our Segments

Our three reportable segments are Information & Transaction Processing Solutions (“ITPS”), Healthcare Solutions (“HS”), and Legal & Loss Prevention Services (“LLPS”). These segments are comprised of significant strategic business units that align our TPS and EIM products and services with how we manage our business, approach our key markets and interact with our customers based on their respective industries.

ITPS: Our largest segment, ITPS, provides a wide range of solutions and services designed to aid businesses in information capture, processing, decisioning and distribution to customers primarily in the financial services, commercial, public sector and legal industries. Our major customers include many leading banks, insurance companies, and utilities, as well as hundreds of federal, state and government entities. Our ITPS offerings enable companies to increase availability of working capital, reduce turnaround times for application processes, increase regulatory compliance and enhance consumer engagement.

HS: HS operates and maintains a consulting and outsourcing business specializing in both the healthcare provider and payer markets. We serve the top healthcare insurance payers and hundreds of healthcare providers.

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

Revenues

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

People

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

As of December 31, 2021, we had approximately 17,000 employees globally, with 54% located in Americas and EMEA, and the remainder located primarily in India, the Philippines and China.

Costs associated with our employees represent the most significant expense for our business. We incurred personnel costs of $542.6 million, $632.4 million and $721.9 million for the years ended December 31, 2021, 2020 and 2019, respectively. The majority of our personnel costs are variable and are incurred only while we are providing our services.

Facilities

We lease and own numerous facilities worldwide with larger concentrations of space in Texas, Michigan, Connecticut, California, India, Mexico, the Philippines, and China. Our owned and leased facilities house general offices, sales offices, service locations, and production facilities.

The size of our active property portfolio as of December 31, 2021 was approximately 3 million square feet, down by approximately 0.9 million square feet compared to December 31, 2020. As of December 31, 2021, our active property portfolio comprised of 122 leased properties and 8 owned properties. We reduced our active portfolio of leased properties by 21 properties during 2021 with the adoption of our work from anywhere program.

We believe that our current facilities are suitable and adequate for our current businesses. Because of the interrelation of our business segments, each of the segments uses substantially all of these properties at least in part.

Key Performance Indicators

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

- Revenue by segment;
- EBITDA; and
- Adjusted EBITDA.

Revenue

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

EBITDA and Adjusted EBITDA

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

Results of Operations

Year Ended December 31, 2021, Compared to Year Ended December 31, 2020

	Year Ended December 31,	
	2021	2020
Revenue:		
ITPS	$ 874,126	$ 1,005,043
HS	217,839	219,047
LLPS	74,641	68,472
Total revenue	1,166,606	1,292,562
Cost of revenue (exclusive of depreciation and amortization):		
ITPS	672,191	815,013
HS	163,445	159,917
LLPS	53,459	48,614
Total cost of revenues	889,095	1,023,544
Selling, general and administrative expenses (exclusive of depreciation and amortization)	169,781	186,104
Depreciation and amortization	77,150	93,953
Related party expense	9,191	5,381
Operating profit (loss)	21,389	(16,420)
Interest expense, net	168,048	173,878
Debt modification and extinguishment costs (gain), net	(16,689)	9,589
Sundry expense (income), net	363	(153)
Other expense (income), net	401	(34,788)
Net loss before income taxes	(130,734)	(164,946)
Income tax expense	(11,656)	(13,584)
Net loss	$ (142,390)	$ (178,530)

Revenue

For the year ended December 31, 2021, our revenue on a consolidated basis decreased by $126.0 million, or 9.7%, to $1,166.6 million from $1,292.6 million for the year ended December 31, 2020. We experienced revenue decline in our ITPS segment and HS segment of $130.9 million and $1.2 million, respectively while revenue increased in our LLPS segment by $6.2 million. Our ITPS, HS, and LLPS segments constituted 74.9%, 18.7%, and 6.4% of total revenue, respectively, for the year ended December 31, 2021, compared to 77.8%, 16.9%, and 5.3%, respectively, for the year ended December 31, 2020. The revenue changes by reporting segment were as follows:

ITPS—Revenue attributable to our ITPS segment was $874.1 million for the year ended December 31, 2021 compared to $1,005.0 million for the year ended December 31, 2020. The revenue decline of $130.9 million, or 13.0%, is primarily attributable to lower volumes and underutilization of resources as a result of COVID-19 in addition to the impact of exiting contracts and statements of work with certain customers that we believe was unpredictable, non-recurring and were not a strategic fit to Company's long-term success or unlikely to achieve the Company's long-term target margins ("transition revenue").

HS—For the year ended December 31, 2021, revenue attributable to our HS segment decreased by $1.2 million, or 0.6%, to $217.8 million from $219.0 million for the year ended December 31, 2020. The decrease in revenue was primarily driven by lower transaction volumes from the impact of COVID-19 on our healthcare customers.

LLPS—Revenue attributable to our LLPS segment was $74.6 million for the year ended December 31, 2021 compared to $68.5 million for the year ended December 31, 2020. The increase in revenue by $6.2 million, or 9.0%, is primarily due to an increase in legal claims administration services.

Cost of Revenue

For the year ended December 31, 2021, our cost of revenue decreased by $134.4 million, or 13.1%, compared to the year ended December 31, 2020. In our ITPS and HS segments, the decrease was primarily attributable to the corresponding decline in revenues and operational efficiencies. Costs to our ITPS segment decreased by $142.8 million, or 17.5% while costs related to our HS and LLPS segments increased by $3.5 million, or 2.2% and $4.8 million, or 10.0%, respectively.

The decrease in cost of revenues on a consolidated basis was primarily due to a decrease in employee-related costs of $77.7 million, lower travel costs of $1.2 million, lower infrastructure and maintenance costs of $26.0 million and lower pass through and other operating costs of $29.6 million which primarily include supplies, cost of products, service expenses, postage and delivery. The lower costs were attributable to cost and capacity management as a result of COVID-19 and transition revenue impact during the year ended December 31, 2021.

Cost of revenue for the year ended December 31, 2021 was 76.2% of revenue compared to the 79.2% of revenue for the comparable same period in the prior year. The decrease in cost of revenues, as a percentage of revenues by 3.0% was primarily due to the impact of lower costs related to transition revenue that continues to be gradually removed to further improve the gross margin profile of the business.

Selling, General and Administrative Expenses

SG&A expenses decreased $16.3 million, or 8.8%, to $169.8 million for the year ended December 31, 2021, compared to $186.1 million for the year ended December 31, 2020. The decrease was primarily attributable to lower employee related costs by $15.5 million, lower travel costs of $0.5 million, lower legal and professional fees of $2.0 million, lower infrastructure, maintenance and operating costs of $6.3 million, offset by higher other costs of $7.9 million that included a charge of $3.8 million for a settlement loss on our LLPS segment. SG&A expenses increased as a percentage of revenues to 14.6% for the year ended December 31, 2021 as compared to 14.4% for the year ended December 31, 2020.

Depreciation & Amortization

Total depreciation and amortization expense was $77.1 million and $94.0 million for the years ended December 31, 2021 and 2020, respectively. The decrease in total depreciation and amortization expense by $16.8 million was primarily due to a reduction in depreciation expense as a result of the expiration of the lives of assets acquired in prior periods and decrease in intangibles amortization expense due to end of useful lives for certain intangible assets during the year ended December 31, 2021 compared to the year ended December 31, 2020.

Related Party Expenses

Related party expense was $9.2 million for the year ended December 31, 2021 compared to $5.4 million for the year ended December 31, 2020. The increase in expense is due to higher amount of fees payable to Rule 14, LLC under the master service agreement for higher usage of services.

Interest Expense

Interest expense was $168.0 million for the year ended December 31, 2021 compared to $173.9 million for the year ended December 31, 2020. The decrease in interest costs was partially attributable to lower interest on senior secured term loan facility and other interest accruals incurred during the year ended December 31, 2020.

Debt Modification and Extinguishment Costs (Gain), net

A net gain of $16.7 million for the year ended December 31, 2021 compared to a net loss of $9.6 million for the year ended December 31, 2020.

For the year ended December 31, 2021, the Company recorded a gain on early extinguishment of debt of $30.6 million in connection with the repurchases of senior secured term loans and secured 2023 notes. This gain was offset by $12.9 million in modification of debt under ASC 470-50 for the cost of exchange of notes under the Public Exchange in December of 2021.

The Company recognized $1.3 million and $8.3 million in debt extinguishment costs during 2020, for the partial debt extinguishment resulting from amendment to the senior secured term loan in 2020 and the extinguishment of A/R Facility, respectively.

Sundry Expense (Income), net

The increase in income by $0.5 million over the prior year period was primarily attributable to exchange rate fluctuations on foreign currency transactions.

Other Expense (Income), net

Other expense, net was $0.4 million for the year ended December 31, 2021 compared to other income of $34.8 million for the year ended December 31, 2020. Other income for the year ended December 31, 2020 was primarily due to the Company's divestment in SourceHOV Tax, LLC as part of our strategic plan to sell non-core business assets as well as gains on the sale of physical records storage and logistics business.

Income Tax Expense

We had an income tax expense of $11.7 million for the year ended December 31, 2021 compared to income tax expense of $13.6 million for the year ended December 31, 2020. The decrease in tax expense from the prior year was attributable to the impact of the change in our judgment in 2021 related to the realizability of deferred tax assets in certain state and foreign jurisdictions.

Results of Operations

Year Ended December 31, 2020, Compared to Year Ended December 31, 2019

	Year Ended December 31,	
	2020	2019
Revenue:		
ITPS	$ 1,005,043	$ 1,234,284
HS	219,047	256,721
LLPS	68,472	71,332
Total revenue	1,292,562	1,562,337
Cost of revenue (exclusive of depreciation and amortization):		
ITPS	815,013	1,001,655
HS	159,917	180,045
LLPS	48,614	43,035
Total cost of revenues	1,023,544	1,224,735
Selling, general and administrative expenses (exclusive of depreciation and amortization)	186,104	198,864
Depreciation and amortization	93,953	100,903
Impairment of goodwill and other intangible assets	—	349,557
Related party expense	5,381	9,501
Operating profit (loss)	(16,420)	(321,223)
Interest expense, net	173,878	163,449
Debt modification and extinguishment costs (gain), net	9,589	1,404
Sundry expense (income), net	(153)	969
Other expense (income), net	(34,788)	14,429
Net loss before income taxes	(164,946)	(501,474)
Income tax expense	(13,584)	(7,642)
Net loss	$ (178,530)	$ (509,116)

Revenue

For the year ended December 31, 2020, our revenue decreased by $269.8 million, or 17.3%, to $1,292.6 million from $1,562.3 million for the year ended December 31, 2019. We experienced revenue declines in all of our segments primarily due to lower transaction volumes since mid-March as a result of COVID-19. Our ITPS, HS, and LLPS segments constituted 77.8%, 16.9%, and 5.3% of total revenue, respectively, for the year ended December 31, 2020, compared to 79.0%, 16.4%, and 4.6%, respectively, for the year ended December 31, 2019. The revenue changes by reporting segment were as follows:

ITPS— For the year ended December 31, 2020, revenue attributable to our ITPS segment decreased by $229.2 million, or 18.6% compared to the same period in the prior year. The majority of this revenue decline is attributable to exiting contracts and statements of work in late 2019 from certain customers with revenue that we believe was unpredictable, non-recurring and were not a strategic fit to Company’s long-term success or unlikely to achieve the Company’s long-term target margins (“transition revenue”) in addition to lower transaction volumes since mid-March as a result of COVID-19.

HS— For the year ended December 31, 2020, revenue attributable to our HS segment decreased by $37.7 million, or 14.7% compared to the same period in the prior year primarily due to impact of COVID-19 on our healthcare customers.

LLPS— For the year ended December 31, 2020, revenue attributable to our LLPS segment decreased by $2.9 million, or 4.0% compared to the same period in the prior year primarily due to a decline in legal claims administration services.

Cost of Revenue

For the year ended December 31, 2020, our direct costs decreased by $201.2 million, or 16.4%, compared to the year ended December 31, 2019. In our ITPS and HS segments, the decrease was primarily attributable to the corresponding decline in revenues. Costs on ITPS segment decreased by $186.6 million, or 18.6%, and HS segment decreased by $20.1 million, or 11.2%. Costs on LLPS segment increased by $5.6 million, or 13.0%.

The decrease in cost of revenues was primarily due to a decrease in employee-related costs of $103.1 million, lower travel costs of $4.4 million, lower infrastructure and maintenance costs of $17.6 million and other operating costs of $29.5 million. The lower costs were attributable to cost and capacity management as a result of COVID-19 and transition revenue impact during the year ended December 31, 2020. Cost of revenue includes accelerated amortization of $3.7 million for an operating lease right-of-use asset as the Company decided to permanently close one of its production facilities.

Cost of revenue for the year ended December 31, 2020 was 79.2% compared to 78.4% for the comparable same period in the prior year. The increase in cost of revenues, as a percentage of revenues by 0.8% was primarily due to the impact of costs related to the transition revenue that we expect to be gradually removed to further improve the gross margin profile of the business.

Selling, General and Administrative Expenses

SG&A expenses decreased $12.7 million, or 6.4%, to $186.1 million for the year ended December 31, 2020, compared to $198.9 million for the year ended December 31, 2019. The decrease was primarily attributable to lower employee related costs by $13.0 million, lower travel costs of $4.0 million, lower infrastructure and maintenance costs of $1.8 million and lower other costs of $4.3 million offset by higher professional fees of $10.4 million.

SG&A expenses increased as a percentage of revenues to 14.4% in 2020 as compared to 12.7% in 2019. The increase, as a percentage of revenues by 1.7%, was primarily due to the decline in revenues brought on by the COVID-19 pandemic and the transition revenue.

Depreciation & Amortization

Total depreciation and amortization expense was $94.0 million and $100.9 million for the year ended December 31, 2020 and 2019, respectively. The decrease in total depreciation and amortization expense by $7.0 million was primarily due to a reduction in depreciation expense as a result of the expiration of the lives of assets acquired in prior periods and decrease in intangibles amortization expense due to end of useful lives for certain intangible assets during the year ended December 31, 2020 compared to the year ended December 31, 2019.

Impairment of Goodwill and Other Intangible Assets

The Company recorded no impairment of goodwill and other intangible assets during the year 2020. Impairment of goodwill and other intangible assets for the year ended December 31, 2019 was $349.6 million.

Related Party Expenses

Related party expense was $5.4 million and $9.5 million for the year ended December 31, 2020 and 2019, respectively. The lower related party expense in 2020 is attributable to lower reimbursements made to Ex-Sigma and Ex-Sigma 2. In 2019 the Company paid approximately $4.3 million in respect of legal expenses, premium payments on the $55.8 million margin loan (obtained by Ex-Sigma 2 in 2017 to purchase additional common and preferred shares from the Company to help meet the minimum cash requirements needed to close the Novitex Business Combination) and other expenses related to secondary offerings that did not recur in 2020.

Interest Expense

Interest expense was $173.9 million and $163.4 million for the year ended December 31, 2020 and 2019, respectively. The increase in interest costs was partially attributable to the interest on securitization facilities and other interest accruals that was not incurred during the corresponding period in 2019.

Debt Modification and Extinguishment Costs (Gain), net

Loss on extinguishment of debt for the years ended December 31, 2020 and 2019 was $9.6 million and $1.4 million respectively. The Company recognized $1.3 million and $8.3 million in debt extinguishment costs during 2020, for the partial debt extinguishment resulting from amendment to the Term Loan in 2020 and the extinguishment of A/R Facility, respectively. The repricing and issuance of the 2019 incremental Term Loans resulted in the partial debt extinguishment, for which Exela recognized $1.4 million in debt extinguishment costs during 2019.

Sundry Expense (Income)

The decrease of $1.1 million over the prior year period was primarily attributable to foreign currency transaction gain / losses associated with exchange rate fluctuations.

Other Expense (Income)

Other expense (income), net was $(34.8) million and $14.4 million for the year ended December 31, 2020 and 2019, respectively. The change was primarily due to the $35.5 million resulting from gain recognized on the sale of SourceHOV Tax, LLC and the $8.7 million gain on the sale of the physical records storage and logistics business. Other expense (income) also includes an interest rate swap entered into in 2017. The interest rate swap was not designated as a hedge. As such, changes in the fair value of this derivative instrument are recorded directly in earnings. For the year ended December 31, 2020, the fair value of the interest swap liability decreased resulting in a gain of $0.4 million.

Income Tax Expense

We had an income tax expense of $13.6 million and $7.6 million for the year ended December 31, 2020 and 2019, respectively. The change in the income tax expense was primarily attributable to our change in judgment related to the realizability of certain deferred tax assets. The change in the effective tax rate for the year ended December 31, 2020, resulted from permanent tax adjustments and valuation allowances, including valuation allowances against disallowed interest expense deferred tax assets that are not more-likely-than-not to be realized.

Other Financial Information (Non-GAAP Financial Measures)

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

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

Note Regarding Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are not financial measures presented in accordance with GAAP. We believe that the presentation of these non-GAAP financial measures will provide useful information to investors in assessing our financial performance and results of operations as our board of directors and management use EBITDA and Adjusted

EBITDA to assess our financial performance, because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization) and items outside the control of our management team. Net loss is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. Our non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measure. Each of these non-GAAP financial measures has important limitations as analytical tools because they exclude some but not all items that affect the most directly comparable GAAP financial measures. These non-GAAP financial measures are not required to be uniformly applied, are not audited and should not be considered in isolation or as substitutes for results prepared in accordance with GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The following tables present a reconciliation of EBITDA and Adjusted EBITDA to our net loss, the most directly comparable GAAP measure, for the years ended December 31, 2021, 2020, and 2019:

	Year Ended December 31,		
	2021	2020	2019
Net Loss	$ (142,390)	$ (178,530)	$ (509,116)
Taxes	11,656	13,584	7,642
Interest expense	168,048	173,878	163,449
Depreciation and amortization	77,150	93,953	100,903
EBITDA	114,464	102,885	(237,122)
Optimization and restructuring expenses (1)	22,246	45,616	73,936
Transaction and integration costs (2)	15,872	16,620	5,703
Non-cash equity compensation (3)	3,940	2,846	7,827
Other charges including non-cash (4)	32,484	26,154	21,382
Loss/(Gain) on sale of assets (5)	(2,779)	114	301
Loss/(Gain) on business disposals (6)	1,296	(44,595)	—
Debt modification and extinguishment costs (gain), net	(16,689)	9,589	1,404
Loss/(Gain) on derivative instruments (7)	(893)	375	4,337
Contract costs (8)	4,268	4,317	17,046
Dissenting shareholders expense (relating to the Appraisal Action)	—	—	10,431
Litigation reserve	(925)	9,624	—
Impairment of goodwill and other intangible assets	—	—	349,557
Adjusted EBITDA	173,284	173,545	254,802

(1) Adjustment represents net salary and benefits associated with positions, current vendor expenses and existing lease contracts that are part of the on-going savings and productivity improvement initiatives in process transformation, customer transformation and post-merger or acquisition integration.

(2) Represents costs incurred related to transactions for completed or contemplated transactions during the period.

(3) Represents the non-cash charges related to restricted stock units and options that vested during the year at Ex-Sigma in the case of the SourceHOV 2013 Long Term Incentive Plan assumed by it in connection with the Novitex Business Combination and the Company under the 2018 Stock Incentive Plan.

(4) Represents fair value adjustments to deferred revenue and deferred rent accounts established as part of purchase accounting and other non-cash charges. Other charges include severance, retention bonus, facility consolidation and other transition costs.

(5) Represents a loss/(gain) recognized on the disposal of property, plant, and equipment and other assets.

(6) Represents a loss/(gain) recognized on the disposal of noncore-business assets.

(7) Represents the impact of changes in the fair value of an interest rate swap entered into during the fourth quarter of 2017.

(8) Represents costs incurred on new projects, contract start-up costs and project ramp costs.

Liquidity and Capital Resources

Overview

Under ASC Subtopic 205-40, *Presentation of Financial Statements—Going Concern* ("ASC 205-40"), the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements included elsewhere in this Form 10-K were issued (March 16, 2022 for purposes of this disclosure). In connection with the Revolving Loan Exchange and Prepayment Agreement dated March 7, 2022 (referred to in Note 22 of the accompanying financial statements), pursuant to which we agreed to exchange $100.0 million of outstanding Revolving Credit Facility (as defined below) for (i) $50.0 million in cash, and (ii) $50.0 million of 2026 Notes (as defined below) (the "Exchange Notes"), and thereby extinguishing all material near-term non-contingent maturities as of March 16, 2022, we provided a guarantee in the form of a true-up mechanism (the "True-up Guaranty") whereby the Company is responsible to make a payment to the holders of the 2026 Notes received pursuant such agreement (the "Exchange Notes"), if such holders were to sell their 2026 Notes at a price below certain agreed thresholds during agreed periods during 2022, following April 15, 2022. We recognized $17.4 million (the fair value of the True-up Guaranty as accounted for under ASC 450, *Contingencies* and ASC 460, *Guarantees*) as a liability as of March 7, 2022, and if that liability were settled within one year from the date of the Original Report it would raise substantial doubt about our ability to continue as a going concern for one year from the date of the Original Report, when coupled with the following conditions: a history of net losses, net operating cash outflows, working capital deficits, significant cash payments for interest on our long-term debt, a decline in financial performance for the first two months of 2022, and obligations related to the remaining payments for the Appraisal Action. As previously reported, the Company has undertaken plans to improve our available cash balances, liquidity and cash generated from operations; despite these actions, the Company would need to take further action to raise additional funds in the capital markets or otherwise to fund the True-up Guaranty in addition to its other obligations over the period. However, the Company's ability to obtain additional financing in the debt and equity capital markets is subject to several factors, including market and economic conditions, the Company's performance and investor sentiment with respect to the Company and its industry and considering these factors are outside of the Company's control, substantial doubt about the Company's ability to continue as a going concern existed under the standards of ASC 205-40 as of the date of the Original Report. Going concern matters are more fully discussed in Note 2 of the financial statements, *Basis of Presentation and Summary of Significant Accounting Policies*.

At December 31, 2021, cash and cash equivalents totaled $48.1 million and we had no unutilized availability under our senior secured revolving credit facility.

We currently expect to spend approximately $15.0 to $20.0 million on total capital expenditures over the next twelve months. We will continue to evaluate additional capital expenditure needs that may arise due to changes in the business model due to COVID-19 and remote working.

As of December 31, 2021 and in comparison to December 31, 2020, the Company has reduced debt by $338.5 million under previously announced initiatives. With an objective to increase free cash flows and in order to maintain sufficient liquidity to support profitable growth, the Company is pursuing further reduction in debt and repricing of existing debt. The Company will continue to pursue the sale of certain non-core businesses that are not central to the Company's long-term strategic vision and invest in acquisition of businesses that enhance the value proposition. There can be no assurances that any of these initiatives will be consummated or will achieve its desired result.

On March 26, 2020, the Delaware Court of Chancery entered a judgment against one of our subsidiaries in the amount of $57.7 million inclusive of costs and interest arising out of the petition for appraisal pursuant to 8 Del. C. § 262 in the Delaware Court of Chancery, captioned Manichaean Capital, LLC, et al. v. SourceHOV Holdings, Inc., C.A. No.

2017 0673 JRS (pursuant to which former stockholders of SourceHOV sought, among other things, a determination of the fair value of their 10,304 SourceHOV shares at the time of the Novitex Business Combination) (the “Appraisal Action”). On December 31, 2021, we agreed to settle the Appraisal Action along with a separate case brought by the same plaintiffs for $63.4 million. Accordingly as of December 31, 2021, the Company accrued a liability of $63.4 million for these matters, all of which is expected to be paid during the first half of 2022 ($40 million having already been paid as of March 16, 2022).

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company has implemented favorable provisions of the CARES Act, including the refundable payroll tax credits and the deferment of employer social security payments. At the end of 2021, the Company paid a portion of the deferred employer social security due as per IRS guidance. The remaining balance of deferred employer social security taxes will be paid by the end of fiscal 2022. The Company has utilized recently enacted COVID-19 relief measures in various European jurisdictions, including permitted deferrals of certain payroll, social security and value added taxes. At the end of 2021, the Company paid a portion of these deferred payroll taxes, social security and value added taxes. The remaining balance of deferred payroll taxes, social security and value added taxes will be paid by the end of fiscal 2022 as per deferment timeline.

On December 17, 2020, certain subsidiaries of the Company entered into a $145.0 million securitization facility with a five year term (the “Securitization Facility”). On December 17, 2020, the Company made the initial borrowing of approximately $92.0 million under the Securitization Facility and used a portion of the proceeds to repay previous securitization facility, which terminated on such date. The Company used the remaining proceeds for general corporate purposes.

On March 15, 2021, the Company, entered into a securities purchase agreement with certain accredited institutional investors pursuant to which the Company issued and sold to ten accredited institutional investors in a private placement an aggregate of 9,731,819 unregistered shares of the Company’s Common Stock at a price of $2.75 per share and an equal number of warrants, generating gross proceeds to the Company of $26.8 million. Cantor Fitzgerald acted as underwriter in connection with such sale of unregistered securities and received a placement fee of 5.5% of gross proceeds in connection with such service. In selling the shares without registration, the Company relied on exemptions from registration available under Section 4(a)(2) of the Securities Act of 1933 and Rule 506 promulgated thereunder. Each private placement warrant entitles the holder to purchase one share of Common Stock, will be exercisable at an exercise price of $4.00 per share beginning on September 19, 2021 and will expire on September 19, 2026.

On May 27, 2021, the Company entered into an At Market Issuance Sales Agreement (“First ATM Agreement”) with B. Riley Securities, Inc. (“B. Riley”) and Cantor Fitzgerald & Co. (“Cantor”), as distribution agents under which the Company may offer and sell shares of the Company’s Common Stock from time to time through the Distribution Agents, acting as sales agent or principal. On September 30, 2021, the Company entered into a second At Market Issuance Sales Agreement with B. Riley, BNP Paribas Securities Corp., Cantor, Mizuho Securities USA LLC and Needham & Company, LLC, as distribution agents (together with the First ATM Agreement, the “ATM Agreement”).

Sales of the shares of Common Stock under the ATM Agreement, will be in "at the market offerings" as defined in Rule 415 under the Securities Act, including, without limitation, sales made directly on or through the Nasdaq or on any other existing trading market for the Common Stock, as applicable, or to or through a market maker or any other method permitted by law, including, without limitation, negotiated transactions and block trades. Shares of Common Stock sold under the ATM Agreement are offered pursuant to the Company's Registration Statement on Form S-3 (File No. 333-255707), filed with the SEC on May 3, 2021, and declared effective on May 12, 2021 (the "2021 Registration Statement"), and the prospectus dated May 12, 2021 included in the 2021 Registration Statement and the related prospectus supplements for sales of shares of Common Stock as follows:

Supplement	**Period**	**Number of Shares Sold**	**Weighted Average Price Per Share**	**Gross Proceeds**	**Net Proceeds**
Prospectus supplement dated May 27, 2021 with an aggregate offering price of up to $100 million ("Common ATM Program–1")	May 28, 2021 and through July 1, 2021	49,423,706	$2.008	$99.3 million	$95.7 million
Prospectus supplement dated June 30, 2021 with an aggregate offering price of up to $150 million ("Common ATM Program–2")	June 30, 2021 and through September 2, 2021	57,580,463	$2.603	$149.9 million	$144.4 million
Prospectus supplement dated September 30, 2021 with an aggregate offering price of up to $250.0 million ("Common ATM Program–3")	October 6, 2021 through December 31, 2021	98,594,447	$1.327	$130.8 million	$126.4 million

Cash Flows

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

	Year Ended December 31,		
	2021	**2020**	**2019**
Net cash used in operating activities	$ (111,534)	$ (29,781)	$ (63,851)
Net cash provided by (used in) investing activities	(9,261)	21,438	(25,182)
Net cash provided by financing activities	98,651	63,362	59,139
Subtotal	(22,144)	55,019	(29,894)
Effect of exchange rates on cash	(105)	1,191	139
Net increase (decrease) in cash and cash equivalents	(22,249)	56,210	(29,755)

Analysis of Cash Flow Changes between the years ended December 31, 2021, December 31, 2020, and December 31, 2019

Operating Activities— Net cash used in operating activities was $111.5 million for the year ended December 31, 2021, compared to cash used in operating activities of $29.8 million for the year ended December 31, 2020. The increase of $81.7 million in cash used in operating activities for the year ended December 31, 2021 was due to lower cash flow from accounts receivable and lower cash flows from accounts payable and accrued liabilities.

Net cash used in operating activities was $29.8 million for the year ended December 31, 2020, compared to cash used in operating activities of $63.8 million for the year ended December 31, 2019. The increase of $34.0 million in cash flows from operating activities for the year ended December 31, 2020 was due to lower Gross profits in the corresponding period offset by higher cash flow from working capital primarily driven by $46 million improvement in our accounts receivables. "Gross profit" is defined as revenue less cost of revenue (exclusive of depreciation and amortization). This decrease in cash flow was significantly offset by higher cash flows from accounts receivables.

Investing Activities— Net cash used in investing activities was $9.2 million for the year ended December 31, 2021, compared to cash provided by investing activities of $21.4 million for the year ended December 31, 2020. The increase of $30.6 million in cash used in investing activities for the year ended December 31, 2021 was primarily due to

$50.1 million total cash proceeds received from asset sales in 2020, higher additions to Property, plant and equipment and development of internal software, offset by $12.5 million used in partial settlement of the liabilities related to the healthcare acquisition announced early in the first quarter of 2019.

Net cash provided by investing activities was $21.4 million for the year ended December 31, 2020, compared to cash used in investing activities of $25.2 million for the year ended December 31, 2019. The increase of $46.6 million in cash used in investing activities for the year ended December 31, 2020 was primarily due to $50.1 million total cash proceeds received from asset sales, lower additions to Property, plant and equipment and development of internal software offset by partial settlement of the liabilities related to the healthcare acquisition announced early in the first quarter of 2019.

Financing Activities— Net cash provided by financing activities was $98.7 million for the year ended December 31, 2021, compared to cash provided by financing activities of $63.4 million for the year ended December 31, 2020. The increase of $35.3 million in cash provided by financing activities for the year ended December 31, 2021 was primarily result of $391.6 million of net proceeds from equity offerings offset by debt repurchases and repayments of our term loans and senior notes of $380.5 million.

Net cash provided by financing activities was $63.4 million for the year ended December 31, 2020, compared to cash provided by financing activities of $59.1 million for the year ended December 31, 2019. The increase of $4.3 million in cash provided by financing activities for the year ended December 31, 2020 was primarily due to the proceeds from securitization facilities and revolving credit facility offset by principal payments made on debt.

Indebtedness

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

Senior Credit Facilities

On July 12, 2017, subsidiaries of the Company entered into a First Lien Credit Agreement with Royal Bank of Canada, Credit Suisse AG, Cayman Islands Branch, Natixis, New York Branch and KKR Corporate Lending LLC (the “Credit Agreement”) providing Exela Intermediate LLC, a wholly owned subsidiary of the Company, upon the terms and subject to the conditions set forth in the Credit Agreement, (i) a $350.0 million senior secured term loan maturing July 12, 2023 with an original issue discount of $7.0 million, and (ii) a $100.0 million senior secured revolving facility maturing July 12, 2022 (the “Revolving Credit Facility”).

On July 13, 2018, we were able to refinance the $343.4 million of term loans then outstanding under the Credit Agreement (the “Repricing Term Loans”) and borrowed an additional $30.0 million pursuant to incremental term loans (the “2018 Incremental Term Loans”). The proceeds of the 2018 Incremental Term Loans were used by the Company for general corporate purposes and to pay related fees and expenses.

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

The Term Loans bear interest at a rate per annum of, at the borrower’s option, either (a) a LIBOR rate determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, subject to a 1.0% floor, or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.5%, (ii) the prime rate and (iii) the one-month adjusted LIBOR plus 1.0%, in each case plus an applicable margin of 6.5% for LIBOR loans and 5.5% for base rate loans. The Term Loans will mature on July 12, 2023. As of December 31, 2021, the interest rate applicable for the first lien senior secured term loan was 7.5%.

The Term Loans are jointly and severally, irrevocably and unconditionally guaranteed by the nearly all of Company's U.S. subsidiaries, as a primary obligors and not merely as a sureties.

The borrower may voluntarily repay the Term Loans at any time, without prepayment premium or penalty, subject to customary "breakage" costs with respect to LIBOR rate loans. Other than as described above, the terms, conditions and covenants applicable to the Incremental Term Loans are consistent with the terms, conditions and covenants that were applicable to the Repricing Term Loans under the Credit Agreement.

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

On December 9, 2021, in a separate transaction referred to as "Private Exchange" (outside of the Public Exchange as discussed below), we agreed with three (3) of its term loan lenders for partial repayment and partial exchange of their outstanding balance of senior secured term loan under Credit Agreement for the new 2026 Notes. The Company agreed with these participating lenders to repay outstanding balance of $212.1 million of senior secured term loan under Credit Agreement payable to them in cash consideration of $84.3 million and in new 2026 Notes of $127.8 million. In connection with the Private Exchange transaction, the exchanging lenders provided consents to amend the Credit Agreement to (i) eliminate all affirmative covenants, (ii) eliminate all negative covenants and (iii) eliminate certain events of default (other than events of default relating to payment obligations).

As a result of the Private Exchange, repurchases (as discussed below) and periodic principal repayments, $93.2 million aggregate principal amount of the senior secured term loan remains outstanding as of December 31, 2021.

Revolving Credit Facility; Letters of Credit

As of December 31, 2021 and December 31, 2020, our $100 million Revolving Credit Facility was fully drawn taking into account letters of credit issued thereunder. As of December 31, 2021 and December 31, 2020, we had outstanding irrevocable letters of credit totaling approximately $0.5 million and $19.5 million, respectively, under the Revolving Credit Facility.

Senior Secured 2023 Notes

Upon the closing of the Novitex Business Combination on July 12, 2017, subsidiaries of the Company issued $1.0 billion in aggregate principal amount of 10.0% First Priority Senior Secured Notes due 2023 (the "2023 Notes"). The 2023 Notes bear interest at a rate of 10.0% per year. We pay interest on the 2023 Notes on January 15 and July 15 of each year, commencing on January 15, 2018. The 2023 Notes are jointly and severally, irrevocably and unconditionally guaranteed by the nearly all of Company's U.S. subsidiaries, on a senior basis, as a primary obligors and not merely as a sureties. The 2023 Notes will mature on July 15, 2023.

On October 27, 2021, we launched an offer to exchange (the "Public Exchange") up to $225.0 million in cash and new 11.500% First-Priority Senior Secured Notes due 2026 (the "2026 Notes") issued by subsidiaries of the Company's for the outstanding 2023 Notes. The Public Exchange was for $900 in cash per $1,000 principal amount of 2023 Notes tendered subject to proration. The maximum amount of cash to be paid was $225.0 million and the offer was not subject to any minimum participation condition. In case of oversubscription to the cash offer, tendered 2023 Notes would be accepted for cash on a pro rata basis (as a single class). The balance of any tendered 2023 Notes not accepted for cash would be exchanged into 2026 Notes on the basis of $1,000 principal amount of new 2026 Notes for each $1,000 principal amount of outstanding 2023 Notes tendered.

As of the expiration time of the Public Exchange, $912,660,000 aggregate principal amount, or approximately 91.3%, of the 2023 Notes were validly tendered pursuant to the Public Exchange. On December 9, 2021, upon the settlement of the Public Exchange, $662,660,000 aggregate principal amount of the 2026 Notes were issued and an aggregate $225.0 million in cash (plus accrued but unpaid interest) was paid to participating holders in respect of the validly tendered 2023 Notes.

As a result of the Public Exchange and repurchases (as discussed below), $22.8 million aggregate principal amount of the 2023 Notes remains outstanding as of December 31, 2021.

In conjunction with the Public Exchange, we also solicited consents to amend certain provisions in the indenture governing the 2023 Notes ("Notes Amendments"). On December 1, 2021, on receipt of the requisite consents to the Notes Amendments, the Company, and Wilmington Trust, National Association, as trustee (the "2023 Notes Trustee"), entered into a third supplemental indenture (the "Third Supplemental Indenture") to the indenture, dated as of July 12, 2017 (as amended and supplemented by (i) the first supplemental indenture, dated as of July 12, 2017 and (ii) the second supplemental indenture, dated as of May 20, 2020, the "2023 Notes Indenture") governing the outstanding 2023 Notes. The Third Supplemental Indenture amends the 2023 Notes Indenture and the 2023 Notes to eliminate substantially all of the restrictive covenants, eliminate certain events of default, modify covenants regarding mergers and consolidations and modify or eliminate certain other provisions, including certain provisions relating to future guarantors and defeasance, contained in the 2023 Notes Indenture and the 2023 Notes. In addition, all of the collateral securing the 2023 Notes was released pursuant to the Third Supplemental Indenture.

Senior Secured 2026 Notes

On December 9, 2021, subsidiaries of the Company issued $790.5 million in aggregate principal amount of 2026 Notes under the Public Exchange and Private Exchange transactions discussed above. Apart from this, during December 2021 the Company issued and sold $4.5 million in aggregate principal amount of 2026 Notes generating net proceeds of $3.6 million. The 2026 Notes are guaranteed by certain subsidiaries of the Company. The 2026 Notes bear interest at a rate of 11.5% per year. We will pay interest on the 2026 Notes on January 15 and July 15 of each year, commencing on July 15, 2022. The 2026 Notes will mature on July 12, 2026. As of December 31, 2021, we were in compliance with all covenants required under the 2026 Notes.

On or after December 1, 2022, we may redeem the 2026 Notes in whole or in part from time to time, at a redemption price of 100%, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. In addition, prior to December 1, 2022, we may redeem the 2026 Notes in whole or in part from time to time, at a redemption price equal to 100% of the principal amount of the 2026 Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. "Applicable Premium" means, with respect to any 2026 Note on any applicable redemption date, as determined by us, the greater of: (1) 1% of the then outstanding principal amount of the 2026 Note; and (2) the excess of: (a) the present value at such redemption date of (i) the redemption price of the 2026 Note, at December 1, 2022 plus (ii) all required interest payments due on the 2026 Note through December 1, 2022 (excluding accrued but unpaid interest), computed using a discount rate equal to the treasury rate as of such redemption date plus 50 basis points; over (b) the then outstanding principal amount of the 2026 Note.

Repurchases

In July 2021 we commenced a debt buyback program to repurchase 2023 Notes and senior secured term loans under the Credit Agreement, which is ongoing. During the year ended December 31, 2021, we repurchased $64.5 million of the outstanding principal amount of our 2023 Notes for a net cash consideration of $48.4 million. The gain on early extinguishment of debt for the 2023 Notes during the year ended December 31, 2021 totaled $15.3 million and is inclusive of $0.6 million and $0.2 million write off of original issue discount and debt issuance costs, respectively. During the year ended December 31, 2021, we also repurchased $40.0 million of the outstanding principal amount of our senior secured term loans under the Credit Agreement for a net cash consideration of $22.8 million. The gain on early extinguishment of debt for the senior secured term loan during the year ended December 31, 2021 totaled $15.3 million and is inclusive of $0.4 million and $1.5 million write off of original issue discount and debt issuance costs, respectively.

BRCC Facility

On November 17, 2021, GP2 XCV, LLC, a subsidiary of the Company (“GP2 XCV"), entered into a borrowing facility with B. Riley Commercial Capital, LLC pursuant to which the Company was able to borrow an original principal amount of $75.0 million, which was later increased to $115.0 million as of December 7, 2021 (as the same may be amended from time to time, the “BRCC Facility”). The BRCC Facility is secured by a lien on all the assets of GP2 XCV and by a pledge of the equity of GP2 XCV. GP2 XCV is a bankruptcy-remote entity and as such its assets are not available to other creditors of the Company or any of its subsidiaries other than GP2 XCV. The facility will mature on March 31, 2023. Interest under the BRCC Facility accrues at a rate of 11.5% per annum and is payable quarterly on the last business day of each March, June, September and December. The purpose of this facility was to fund certain repurchases of senior secured term loan under the Credit Agreement and to provide funding of Public Exchange transaction and Private Exchange transaction as discussed above. As of December 31, 2021, there were borrowings of $115.0 million outstanding under the BRCC Facility.

Securitization Facilities

On December 17, 2020, certain subsidiaries of Company closed on Securitization Facility with a five year term. The Securitization Facility provided for an initial funding of approximately $92.0 million supported by the receivables portion of the borrowing base and, subject to contribution, a further funding of approximately $53.0 million supported by inventory and intellectual property. On December 17, 2020, we made the initial borrowing of approximately $92.0 million under the Securitization Facility and used a portion of the proceeds to repay a previous securitization facility and used the remaining proceeds for general corporate purposes.

The initial documentation for the Securitization Facility includes (i) a Loan and Security Agreement (the “Securitization Loan Agreement”), dated as of December 10, 2020, by and among Exela Receivables 3, LLC (the “Securitization Borrower”), a wholly-owned indirect subsidiary of the Company, the lenders (each, a “Securitization Lender” and collectively the “Securitization Lenders”), Alter Domus (US), LLC, as administrative agent (the “Securitization Administrative Agent”) and the Company, as initial servicer, pursuant to which the Securitization Lenders will make loans to the Securitization Borrower to be used to purchase receivables and related assets from the Securitization Parent SPE (as defined below), (ii) a First Tier Receivables Purchase and Sale Agreement (the, dated as of December 17, 2020, by and among Exela Receivables 3 Holdco, LLC (the “Securitization Parent SPE”), a wholly-owned indirect subsidiary of the Company, and certain other indirect, wholly-owned subsidiaries of the Company listed therein (collectively, the “Securitization Originators”), and the Company, as initial servicer, pursuant to which each Securitization Originator has sold or contributed and will sell or contribute to the Securitization Parent SPE certain receivables and related assets in consideration for a combination of cash and equity in the Securitization Parent SPE, (iii) a Second Tier Receivables Purchase and Sale Agreement, dated as of December 17, 2020, by and among, the Securitization Borrower, the Securitization Parent SPE and the Company, as initial servicer, pursuant to which Securitization Parent SPE has sold or contributed and will sell or contribute to the Securitization Borrower certain receivables and related assets in consideration for a combination of cash and equity in the Securitization Borrower, (iv) the Sub-Servicing Agreement, dated as of December 17, 2020, by and among the Company and each Securitization Originator, (v) the Pledge and Guaranty, dated as of the December 10, 2020, between the Securitization Parent SPE and the Administrative Agent, and (vi) the Performance Guaranty, dated as of December 17, 2020, between the Company, as performance guarantor, and the Securitization Administrative Agent (and together with all other certificates, instruments, UCC financing statements, reports, notices, agreements and documents executed or delivered in connection with the Securitization Loan Agreement, the “Securitization Agreements”). On April 11, 2021, the Company amended the Securitization Loan Agreement and agreed to, among other things, extend the option to contribute inventory and intellectual property to the borrowing base from April 10, 2021 to September 30, 2021 (which did not occur).

The Securitization Borrower, the Company, the Securitization Parent SPE and the Securitization Originators provide customary representations and covenants under the Securitization Agreements. The Securitization Loan Agreement provides for certain events of default upon the occurrence of which the Securitization Administrative Agent may declare the facility’s termination date to have occurred and declare the outstanding Securitization Loan and all other obligations of the Securitization Borrower to be immediately due and payable, however the Securitization Facility does not include an ongoing liquidity covenant like the A/R Facility and aligns reporting obligations with the Company's other material indebtedness agreements.

The Securitization Borrower and Securitization Parent SPE were formed in December 2020, and are consolidated into the Company's financial statements. The Securitization Borrower and Securitization Parent SPE are bankruptcy remote entities and as such their assets are not available to creditors of the Company or any of its subsidiaries. Each loan under the Securitization Facility bears interest on the unpaid principal amount as follows: (i) if a Base Rate Loan, at a rate per annum equal to (x) the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50% and (c) the Adjusted LIBOR Rate (as defined in the Securitization Loan Agreement) plus 1.00%, plus (y) 8.75%; or (ii) if a LIBOR Rate Loan, at the Adjusted LIBOR Rate plus 9.75%. As of December 31, 2021, there were borrowings of $91.9 million outstanding under the Securitization Facility.

Selected Financial Information

The following selected consolidated financial data should be read in conjunction with Item 8, "Financial Statements and Supplementary Data" of this Annual Report in order to fully understand factors that may affect the comparability of the financial data. The following selected Consolidated Balance Sheet data as of December 31, 2021 and 2020 and selected Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019 are derived from our audited financial statements included in Item 8 of this Annual Report. The following selected consolidated financial data is provided here as historical trend information. The historical results do not necessarily indicate results expected for any future period.

	Year Ended December 31,				
(in thousands, except share and per share data)	**2021**	**2020**	**2019**	**2018**	**2017**
Statements of Operations Information:					
Revenue	$ 1,166,606	$ 1,292,562	$ 1,562,337	$ 1,586,222	$ 1,145,891
Cost of revenue (exclusive of depreciation and amortization)	889,095	1,023,544	1,224,735	1,213,403	827,544
Selling, general and administrative expenses (exclusive of depreciation and amortization)	169,781	186,104	198,864	184,908	220,955
Depreciation and amortization	77,150	93,953	100,903	138,077	98,890
Impairment of goodwill and other intangible assets	—	—	349,557	48,127	69,437
Related party expense	9,191	5,381	9,501	12,403	33,431
Operating (loss) income	21,389	(16,420)	(321,223)	(10,696)	(104,366)
Other expense (income), net:					
Interest expense, net	168,048	173,878	163,449	155,991	129,676
Debt modification and extinguishment costs (gain)	(16,689)	9,589	1,404	1,067	35,512
Sundry expense (income), net	363	(153)	969	(3,271)	2,295
Other expense (income), net	401	(34,788)	14,429	(3,030)	(1,297)
Net loss before income taxes	(130,734)	(164,946)	(501,474)	(161,453)	(270,552)
Income tax (expense) benefit	(11,656)	(13,584)	(7,642)	(8,353)	61,068
Net loss	(142,390)	(178,530)	(509,116)	(169,806)	(209,484)
Dividend equivalent on Series A Preferred Stock related to beneficial conversion feature	—	—	—	—	(16,375)
Cumulative dividends for Series A Preferred Stock	(1,576)	(1,309)	(3,309)	(3,655)	(2,489)
Net loss attributable to common stockholders	(143,966)	(179,839)	(512,425)	(173,461)	(228,348)
Loss per share:					
Basic	(1.22)	(3.66)	(10.55)	(3.52)	(6.53)
Diluted	(1.22)	(3.66)	(10.55)	(3.52)	(6.53)
Weighted average number of shares outstanding (1):					
Basic	118,001,162	49,144,429	48,572,979	49,257,696	34,971,461
Diluted	118,001,162	49,144,429	48,572,979	49,257,696	34,971,461

(1) Excluding in each case the 1,523,578 shares returned to the Company in the first quarter of 2020 in connection with the Appraisal Action, which were treated as outstanding until they were returned to the Company.

	As of December 31,				
(in thousands)	2021 (Restated)(a)	2020	2019	2018	2017
Balance Sheet Data:					
Cash and cash equivalents	$ 20,775	$ 68,221	$ 6,198	$ 36,206	$ 39,000
Accounts receivable, net of allowance for doubtful accounts	184,102	206,868	261,400	270,812	229,704
Working capital	(220,002)	(131,446)	(147,056)	(123,502)	(68,634)
Total Assets	1,037,023	1,157,779	1,258,324	1,627,823	1,717,232
Long-term debt, net of current maturities	1,012,452	1,498,004	1,398,385	1,306,423	1,276,094
Total liabilities	1,703,795	2,084,311	2,001,365	1,869,082	1,769,029
Total stockholders' deficit	(666,772)	(926,532)	(743,041)	(241,259)	(51,797)

(a) Long-term debt, net of current maturities was restated due to the Securitization Facility being reclassified as current obligation. See Note 2 of the accompanying financial statements.

Potential Future Transactions

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

Critical Accounting Policies and Estimates

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

Goodwill and other intangible assets: Goodwill and other intangible assets are initially recorded at their fair values. Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net assets acquired. Our goodwill at December 31, 2021 and 2020 was $358.3 million and $359.8 million, respectively. Goodwill and other intangible assets not subject to amortization are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Intangible assets with finite useful lives are amortized either on a straight-line basis over the asset's estimated useful life or on a basis that reflects the pattern in which the economic benefits of the intangible assets are realized.

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

We conduct our annual goodwill impairment tests on October 1st of each year, or more frequently if indicators of impairment exist. When performing the annual impairment test, we have 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, we would be required to perform a quantitative impairment test for goodwill. A quantitative test requires comparison of fair value of the reporting unit to its carrying value, including goodwill. We use 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. For the Guideline Public Company Method, our annual impairment test utilizes valuation multiples of publicly traded peer companies. For the Discounted Cash Flow Method, our annual impairment test utilizes discounted cash flow projections using market participant weighted average cost of capital calculation. If the fair value of goodwill at the reporting unit level is less than its carrying value, an impairment loss is recorded for the amount by which a reporting unit's carrying amount exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit.

We conducted our annual goodwill impairment tests for year 2021 and 2020 on October 1, 2021 and 2020, respectively, and concluded that there was no impairment in our goodwill and other intangible assets during these years.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, allocation of assets and liabilities to reporting units, and determination of fair value. The determination of reporting unit fair value is sensitive to the amount of Revenue and EBITDA generated by us, as well as the Revenue and EBITDA market multiples used in the calculation. Additionally, the fair value is sensitive to changes in the valuation assumptions such as expected income tax rate, risk-free rate, asset beta, and various risk premiums. Unanticipated changes, including immaterial revisions, to these assumptions could result in a provision for impairment in a future period. Given the nature of these evaluations and their application to specific assets and time frames, it is not possible to reasonably quantify the impact of changes in these assumptions.

In the process of reconciling the fair values of the Company's reporting units to its overall market capitalization, the Company used a combination of both quantitative and qualitative considerations, arriving at the implied control premium of (9.1)%. The implied control premium was computed using the Company's closing stock price as of October 1, 2021.

Revenue: We account for revenue in accordance with ASC 606. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in ASC 606. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. All of our material sources of revenue are derived from contracts with customers, primarily relating to the provision of business and transaction processing services within each of our segments. We do not have any significant extended payment terms, as payment is received shortly after goods are delivered or services are provided. *Refer to Note 2—Basis of Presentation and Summary of Significant Accounting Policies* for additional information regarding our revenue recognition policy.

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

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% from 35%, 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.

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, we are subject to limitations on existing net operating losses under Section 382 of the Internal Revenue Code. In the event we determine that we would be able to realize deferred tax assets that have valuation allowances established, an adjustment to the net deferred tax assets would be recognized as a component of income tax expense through continuing operations.

We engage in transactions (such as acquisitions) in which the tax consequences may be subject to uncertainty and examination by the varying taxing authorities. Significant judgment is required by us in assessing and estimating the tax consequences of these transactions. While our tax returns are prepared and based on our 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 our income tax provision, a tax benefit is not recognized if the tax position is not more likely than not to be sustained based solely on its technical merits. Considerable judgment is involved in determining which tax positions are more likely than not to be sustained.

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

Because we are primarily a services business, our acquisitions typically result in significant amounts of goodwill and other intangible assets. Fair value estimates and calculations for these acquisitions will affect the amount of amortization expense, or possible impairment related charges recognized in future periods. We base our fair value estimates on assumptions we believe are reasonable, but recognize that the assumptions are inherently uncertain.

Recently Adopted and Recently Issued Accounting Pronouncements

See Note 2 to the consolidated financial statements.

Internal Controls and Procedures

As a publicly traded company, we are required to comply with the SEC's rules implementing Section 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. For management's assessment of internal control over financial reporting required by Item 308(a) of Regulation S-K for the year ended December 31, 2021 see Part II—Item 9A – Controls and Procedures for management's report on the effectiveness of internal controls.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Risk

At December 31, 2021, we had $1,246.7 million of debt outstanding, with a weighted average interest rate of 10.9%. Interest is calculated under the terms of our credit agreement based on the greatest of certain specified base rates plus an applicable margin that varies based on certain factors. Assuming no change in the amount outstanding, the impact on interest expense of a 1% increase or decrease in the assumed weighted average interest rate would be approximately $12.5 million per year. In order to mitigate interest rate fluctuations with respect to term loan borrowings under the Credit Agreement, in November 2017, we entered into a three year one-month LIBOR interest rate swap contract with a notional amount of $347.8 million, which at the time was the remaining principal balance of the term loan. The swap contract swaps out the floating rate interest risk related to the LIBOR with a fixed interest rate of 1.9275% effective January 12, 2018. The interest rate swap contract expired in January 2021.

The interest rate swap, which was used to manage our exposure to interest rate movements and other identified risks, was not designated as a hedge. As such, changes in the fair value of the derivative are recorded directly to other expense (income), net. Other expense (income), net includes a gain of $0.1 million and $0.4 million related to changes in the fair value of the interest rate swap for the years ended December 31, 2021 and 2020, respectively.

Foreign Currency Risk

We are exposed to foreign currency risks that arise from normal business operations. These risks include transaction gains and losses associated with intercompany loans with foreign subsidiaries and transactions denominated in currencies other than a location’s functional currency. Contracts are denominated in currencies of major industrial countries.

Market Risk

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements are included herein:

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, 2021 and 2020, 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, 2021, and the related notes (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, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 16, 2022, except for the restatement as to the effectiveness of internal control over financial reporting for the material weaknesses related to ineffective controls over going concern assessment (including related disclosures, the impact of the going concern assessment on the classification of debt and the impact of subsequent events on such assessment), and subsequent event disclosures, as to which the date is November 14, 2022, expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has a history of net losses, net operating cash outflows, working capital deficits, and significant cash payments for interest on long-term debt and for contingent liabilities that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Correction of a Misstatement

As discussed in Note 21 to the consolidated financial statements, the 2021 financial statements have been restated to correct misstatements.

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 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Sufficiency of audit evidence over revenue

As discussed in Note 2 to the consolidated financial statements, the Company reported revenue of $1,166.6 million for the fiscal year ended December 31, 2021. Revenue is generated primarily from various forms of business and transaction processing services. The Company operates in multiple countries, with significant concentrations in the United States and EMEA, and is organized in three segments that are comprised of significant strategic business units.

We identified the evaluation of the sufficiency of audit evidence over revenue as a critical audit matter. Evaluating the sufficiency of audit evidence obtained required subjective auditor judgment because of the dispersion of the Company’s revenue processing and recording activities between strategic business units and sources of revenues. This included determining the strategic business units and sources of revenues for which procedures were performed and evaluating the evidence obtained over revenue.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over revenue, including the determination of the strategic business units and sources of revenues for which those procedures were performed. For each source of revenue identified for testing, we selected a sample of transactions and compared the amounts recognized as revenue for consistency with relevant underlying documentation, including contracts and other third-party evidence. We evaluated the sufficiency of audit evidence obtained over revenue by assessing the results of the procedures performed, including appropriateness of the nature and extent of audit evidence.

/s/ KPMG LLP

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

Detroit, Michigan

March 16, 2022, except for the going concern explanatory paragraph and Notes 2, 11, 15, and 21, as to which the date is November 14, 2022

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control Over Financial Reporting

We have audited Exela Technologies, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weaknesses, described below, on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, 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, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated March 16, 2022, except for the going concern explanatory paragraph and Notes 2, 11, 15, and 21, as to which the date is November 14, 2022, expressed an unqualified opinion on those consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses related to the following have been identified and included in management's assessment.

- The Company did not design, implement and operate effective process-level control activities related to order-to-cash (including revenue, customer deposits, accounts receivable and deferred revenue), leases, going concern assessment (including related disclosures, the impact of the going concern assessment on the classification of debt and the impact of subsequent events on such assessment), and subsequent event disclosures. The deficiencies related to the order-to-cash process also resulted in ineffective general information technology controls due to an incomplete understanding of the risks associated with relevant information technology;
- The Company did not sufficiently establish structures, reporting lines and appropriate authorities and responsibilities;
- The Company did not sufficiently attract, develop and retain competent resources and hold them accountable for their internal control responsibilities;
- Relevant and quality information to support the functioning of internal controls was not consistently generated or used by the Company to support the operation of internal controls;
- Internal communication of information necessary to support the functioning of internal control was not sufficient.

The material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2021 consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Detroit, Michigan

March 16, 2022, except for the restatement as to the effectiveness of internal control over financial reporting for the material weaknesses related to ineffective controls over going concern assessment (including related disclosures, the impact of the going concern assessment on the classification of debt and the impact of subsequent events on such assessment), and subsequent event disclosures, as to which the date is November 14, 2022

Exela Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets
For the years ended December 31, 2021 and 2020
(in thousands of United States dollars except share and per share amounts)

	December 31, 2021 (Restated)	2020
Assets		
Current assets		
Cash and cash equivalents	$ 20,775	$ 68,221
Restricted cash	27,285	2,088
Accounts receivable, net of allowance for doubtful accounts of $6,049 and $5,647, respectively	184,102	206,868
Related party receivables and prepaid expenses	715	711
Inventories, net	15,215	14,314
Prepaid expenses and other current assets	31,799	31,091
Total current assets	**279,891**	**323,293**
Property, plant and equipment, net of accumulated depreciation of $196,683 and $193,760, respectively	73,449	87,851
Operating lease right-of-use assets, net	53,937	68,861
Goodwill	358,323	359,781
Intangible assets, net	244,539	292,664
Deferred income tax assets	2,109	6,606
Other noncurrent assets	24,775	18,723
Total assets	**$ 1,037,023**	**$ 1,157,779**
Liabilities and Stockholders' Equity (Deficit)		
Liabilities		
Current liabilities		
Accounts payable	$ 61,744	$ 76,027
Related party payables	1,484	97
Income tax payable	3,551	2,466
Accrued liabilities	113,519	126,399
Accrued compensation and benefits	60,860	63,467
Accrued interest	10,075	48,769
Customer deposits	17,707	21,277
Deferred revenue	16,617	16,377
Obligation for claim payment	46,902	29,328
Current portion of finance lease liabilities	6,683	12,231
Current portion of operating lease liabilities	15,923	18,349
Current portion of long-term debts	236,775	39,952
Total current liabilities	**591,840**	**454,739**
Long-term debt, net of current maturities	1,012,452	1,498,004
Finance lease liabilities, net of current portion	9,156	13,287
Pension liabilities, net	28,383	35,515
Deferred income tax liabilities	11,594	9,569
Long-term income tax liabilities	3,201	2,759
Operating lease liabilities, net of current portion	41,170	56,814
Other long-term liabilities	5,999	13,624
Total liabilities	**1,703,795**	**2,084,311**
Commitments and Contingencies (Note 14)		
Stockholders' equity (deficit)		
Common Stock, par value of $0.0001 per share; 1,600,000,000 shares authorized; 267,646,667 shares issued and 265,194,961 shares outstanding at December 31, 2021 and 51,693,931 shares issued and 49,242,225 shares outstanding at December 31, 2020	37	15
Preferred stock, par value of $0.0001 per share; 20,000,000 shares authorized; 2,778,111 shares issued and outstanding at December 31, 2021 and 3,290,050 shares issued and outstanding at December 31, 2020	1	1
Additional paid in capital	838,853	446,739
Less: Common Stock held in treasury, at cost; 2,451,706 shares at December 31, 2021 and December 31, 2020	(10,949)	(10,949)
Equity-based compensation	56,123	52,183
Accumulated deficit	(1,532,428)	(1,390,038)
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	(7,463)	(7,419)
Unrealized pension actuarial losses, net of tax	(10,946)	(17,064)
Total accumulated other comprehensive loss	(18,409)	(24,483)
Total stockholders' deficit	**(666,772)**	**(926,532)**
Total liabilities and stockholders' deficit	**$ 1,037,023**	**$ 1,157,779**

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

Exela Technologies, Inc. and Subsidiaries
Consolidated Statements of Operations
For the years ended December 31, 2021, 2020 and 2019
(in thousands of United States dollars except share and per share amounts)

	Years ended December 31,		
	2021	2020	2019
Revenue	$ 1,166,606	$ 1,292,562	$ 1,562,337
Cost of revenue (exclusive of depreciation and amortization)	889,095	1,023,544	1,224,735
Selling, general and administrative expenses (exclusive of depreciation and amortization)	169,781	186,104	198,864
Depreciation and amortization	77,150	93,953	100,903
Impairment of goodwill and other intangible assets	—	—	349,557
Related party expense	9,191	5,381	9,501
Operating profit (loss)	**21,389**	**(16,420)**	**(321,223)**
Other expense (income), net:			
Interest expense, net	168,048	173,878	163,449
Debt modification and extinguishment costs (gain), net	(16,689)	9,589	1,404
Sundry expense (income), net	363	(153)	969
Other expense (income), net	401	(34,788)	14,429
Net loss before income taxes	**(130,734)**	**(164,946)**	**(501,474)**
Income tax expense	(11,656)	(13,584)	(7,642)
Net loss	**$ (142,390)**	**$ (178,530)**	**$ (509,116)**
Cumulative dividends for Series A Preferred Stock	(1,576)	(1,309)	(3,309)
Net loss attributable to common stockholders	**$ (143,966)**	**$ (179,839)**	**$ (512,425)**
Loss per share:			
Basic and diluted	$ (1.22)	$ (3.66)	$ (10.55)

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, 2021, 2020 and 2019
(in thousands of United States dollars)

	Years ended December 31,		
	2021	**2020**	**2019**
Net loss	**$ (142,390)**	**$ (178,530)**	**$ (509,116)**
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(44)	(90)	(906)
Unrealized pension actuarial gains (losses), net of tax	6,118	(9,005)	1,242
Total other comprehensive loss, net of tax	**$ (136,316)**	**$ (187,625)**	**$ (508,780)**

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

Exela Technologies, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Deficit
December 31, 2019
(in thousands of United States dollars except share and per share amounts)

	Common Stock		Preferred Stock		Treasury Stock				Accumulated Other Comprehensive Loss			
	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid in Capital	Equity-Based Compensation	Foreign Currency Translation Adjustment	Unrealized Pension Actuarial Losses, net of tax	Accumulated Deficit	Total Stockholders' Deficit
Balances at January 1, 2019	**50,047,653**	**$ 15**	**4,569,233**	**$ 1**	**849,728**	**$(10,342)**	**$ 445,452**	**$ 41,731**	**$ (6,423)**	**$ (9,301)**	**$ (702,392)**	**$ (241,259)**
Net loss January 1 to December 31, 2019	—	—	—	—	—	—	—	—	—	—	(509,116)	(509,116)
Equity-based compensation	—	—	—	—	—	—	—	7,829	—	—	—	7,829
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(906)	—	—	(906)
Net realized pension actuarial gains, net of tax	—	—	—	—	—	—	—	—	—	1,242	—	1,242
RSUs vested	203,494	—	—	—	—	—	—	—	—	—	—	—
Withholding of employee taxes on vested RSUs	—	—	—	—	—	—	—	(223)	—	—	—	(223)
Shares repurchased	(79,321)	—	—	—	79,321	(607)	—	—	—	—	—	(607)
Preferred shares converted to common	112,071	—	(275,000)	—	—	—	—	—	—	—	—	—
Balances at December 31, 2019	**50,283,897**	**$ 15**	**4,294,233**	**$ 1**	**929,049**	**$(10,949)**	**$ 445,452**	**$ 49,337**	**$ (7,329)**	**$ (8,059)**	**$ (1,211,508)**	**$ (743,040)**

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

Exela Technologies, Inc. and Subsidiaries
Consolidated Statements of Stockholders’ Deficit
December 31, 2020
(in thousands of United States dollars except share and per share amounts)

	Common Stock		Preferred Stock		Treasury Stock		Additional	Equity-Based	Accumulated Other Comprehensive Loss		Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid in Capital	Compensation	Foreign Currency Translation Adjustment	Unrealized Pension Actuarial Losses, net of tax	Deficit	Stockholders' Deficit
Balances at January 1, 2020	**50,283,897**	**$ 15**	**4,294,233**	**$ 1**	**929,049**	**$ (10,949)**	**$ 445,452**	**$ 49,337**	**$ (7,329)**	**$ (8,059)**	**$ (1,211,508)**	**$ (743,040)**
Net loss January 1 to December 31, 2020	—	—	—	—	—	—	—	—	—	—	(178,530)	(178,530)
Equity-based compensation	—	—	—	—	—	—	—	2,846	—	—	—	2,846
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(90)	—	—	(90)
Net realized pension actuarial gains, net of tax	—	—	—	—	—	—	—	—	—	(9,005)	—	(9,005)
Shares returned in connection with the Appraisal Action following repayment of Margin Loan	(1,523,578)	—	—	—	1,523,578	—	—	—	—	—	—	—
Preferred stock converted to Common Stock	409,238	—	(1,004,183)	—	—	—	—	—	—	—	—	—
Settlement gain on related party payable to Ex-Sigma 2	—	—	—	—	—	—	1,287	—	—	—	—	1,287
RSUs vested	71,747	—	—	—	—	—	—	—	—	—	—	—
Adjustment to number of shares withheld in lieu of tax obligation of RSU holders in the year 2018	921	—	—	—	(921)	—	—	—	—	—	—	—
Balances at December 31, 2020	**49,242,225**	**$ 15**	**3,290,050**	**$ 1**	**2,451,706**	**$ (10,949)**	**$ 446,739**	**$ 52,183**	**$ (7,419)**	**$ (17,064)**	**$ (1,390,038)**	**$ (926,532)**

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

Exela Technologies, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Deficit
December 31, 2021
(in thousands of United States dollars except share and per share amounts)

	Common Stock		Preferred Stock		Treasury Stock		Additional	Equity-Based	Accumulated Other Comprehensive Loss		Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Paid in Capital	Compensation	Foreign Currency Translation Adjustment	Unrealized Pension Actuarial Losses, net of tax	Deficit	Deficit
Balances at January 1, 2021	**49,242,225**	**$ 15**	**3,290,050**	**$ 1**	**2,451,706**	**$ (10,949)**	**$ 446,739**	**$ 52,183**	**$ (7,419)**	**$ (17,064)**	**$ (1,390,038)**	**$ (926,532)**
Net loss January 1 to December 31, 2021	—	—	—	—	—	—	—	—	—	—	(142,390)	(142,390)
Equity-based compensation	—	—	—	—	—	—	—	3,940	—	—	—	3,940
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(44)	—	—	(44)
Net realized pension actuarial gains, net of tax	—	—	—	—	—	—	—	—	—	6,118	—	6,118
Preferred shares converted to Common Stock	223,977	—	(511,939)	—	—	—	—	—	—	—	—	—
Payment for fractional shares on Reverse Stock Split	(5,445)	—	—	—	—	—	(14)	—	—	—	—	(14)
Issuance of Common Stock to existing directors under subscription agreements	403,769	—	—	—	—	—	530	—	—	—	—	530
Issuance of Common Stock from at the market offerings, net of offering costs	205,598,616	21	—	—	—	—	366,519	—	—	—	—	366,540
Issuance of Common Stock from private placement	9,731,819	1	—	—	—	—	25,079	—	—	—	—	25,080
Balances at December 31, 2021	**265,194,961**	**$ 37**	**2,778,111**	**$ 1**	**2,451,706**	**$ (10,949)**	**$ 838,853**	**$ 56,123**	**$ (7,463)**	**$ (10,946)**	**$ (1,532,428)**	**$ (666,772)**

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, 2021, 2020 and 2019
(in thousands of United States dollars unless otherwise stated)

	Years ended December 31,		
	2021	**2020**	**2019**
Cash flows from operating activities			
Net loss	$ (142,390)	$ (178,530)	$ (509,116)
Adjustments to reconcile net loss			
Depreciation and amortization	77,150	93,953	100,903
Original issue discount and debt issuance cost amortization	16,319	15,117	11,777
Debt modification and extinguishment costs (gain), net	(30,613)	8,296	1,049
Impairment of goodwill and other intangible assets	—	—	349,557
Provision for doubtful accounts	2,714	422	4,304
Deferred income tax provision	6,649	7,940	1,093
Share-based compensation expense	3,940	2,846	7,827
Unrealized foreign currency losses	173	(414)	(511)
Loss (Gain) on sale of assets	(960)	(43,338)	556
Fair value adjustment for interest rate swap	(125)	(375)	4,337
Change in operating assets and liabilities, net of effect from acquisitions			
Accounts receivable	17,438	54,538	4,410
Prepaid expenses and other assets	(1,597)	(1,379)	(4,825)
Accounts payable and accrued liabilities	(61,068)	12,015	(19,588)
Related party payables	1,382	(353)	(14,339)
Additions to outsource contract costs	(546)	(519)	(1,285)
Net cash used in operating activities	**(111,534)**	**(29,781)**	**(63,851)**
Cash flows from investing activities			
Purchase of property, plant and equipment	(14,574)	(11,663)	(14,360)
Additions to internally developed software	(1,954)	(3,825)	(6,182)
Cash paid for acquisition, net of cash received	—	(12,500)	(5,000)
Cash paid for earnouts	—	(700)	—
Proceeds from sale of assets	7,267	50,126	360
Net cash provided by (used in) investing activities	**(9,261)**	**21,438**	**(25,182)**
Cash flows from financing activities			
Proceeds from issuance of Common Stock from private placement	25,065	—	—
Proceeds from issuance of Common Stock from at the market offerings	379,963	—	—
Proceeds from directors' equity contribution	269	—	—
Repurchases of Common Stock	—	—	(3,480)
Cash paid for equity issuance costs from at the market offerings	(13,423)	—	—
Borrowings under factoring arrangement and Securitization Facilities	142,501	297,673	68,283
Principal repayment on borrowings under factoring arrangement and Securitization Facilities	(144,965)	(203,841)	(64,976)
Cash paid for withholding taxes on vested RSUs	—	(7)	(223)
Lease terminations	(1,303)	(337)	(318)
Cash paid for debt issuance costs	(1,181)	(16,205)	(7)
Principal payments on finance lease obligations	(11,471)	(12,758)	(20,465)
Borrowings from senior secured revolving facility	11,000	29,750	206,500
Repayments on senior secured revolving facility	(55)	(14,200)	(141,500)
Proceeds from issuance of 2026 Notes	3,574	—	—
Proceeds from senior secured term loans	—	—	29,850
Repayments on senior secured term loan and 2023 Notes as part of debts exchanges	(309,305)	—	—
Borrowings from other loans	126,352	29,260	39,153
Cash paid for debt repurchases	(71,184)	—	—
Principal repayments on senior secured term loans and other loans	(37,186)	(45,973)	(53,678)
Net cash provided by financing activities	**98,651**	**63,362**	**59,139**
Effect of exchange rates on cash	(105)	1,191	139
Net increase (decrease) in cash and cash equivalents	**(22,249)**	**56,210**	**(29,755)**
Cash, restricted cash, and cash equivalents			
Beginning of period	70,309	14,099	43,854
End of period	$ 48,060	$ 70,309	$ 14,099
Supplemental cash flow data:			
Income tax payments, net of refunds received	$ 3,765	$ 2,695	$ 7,882
Interest paid	188,802	152,678	144,456
Noncash investing and financing activities:			
Assets acquired through right-of-use arrangements	3,270	4,372	10,732
Leasehold improvements funded by lessor	125	—	—
Settlement gain on related party payable to Ex-Sigma 2	—	1,287	—
Accrued capital expenditures	1,652	2,124	1,402

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 clients across three major industry verticals: (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 clients 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, dated February 21, 2017, among the Company, Quinpario Merger Sub I, Inc., Quinpario Merger Sub II, Inc., SourceHOV, Novitex, HOVS LLC, HandsOn Fund 4 I, LLC and Novitex Parent, L.P., as amended (the “Novitex 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 Novitex Business Combination, “Quinpario” refers to the Company prior to the closing of the Novitex Business Combination, “SourceHOV” refers to SourceHOV prior to the Novitex Business Combination or SourceHOV on a standalone basis and “Novitex” refers to Novitex prior to the Novitex Business Combination.

2. Basis of Presentation and Summary of Significant Accounting Policies (Restated)

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

Basis of Presentation (Restated)

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”).

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.

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.

Use of Estimates in Preparation of the Financial Statements

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, right of use assets and obligation, pension obligations, pension 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.

Going Concern

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

Going Concern Assessment as of March 16, 2022

In performing this evaluation at the original date these financial statements were issued (March 16, 2022), we originally concluded that substantial doubt under the standards of ASC 205-40 did not exist.

Subsequent to the issuance of the original financial statements, we restated our original conclusion and concluded that the following conditions raised substantial doubt about our ability to continue as a going concern as of March 16, 2022: a history of net losses, net operating cash outflows, working capital deficits, significant cash payments for interest on our long-term debt, and a decline in financial performance for the first two months of 2022, in addition to cash obligations related to the remaining payments for the Appraisal Action (described in Note 8) and the True-Up Guaranty described below. Management re-considered the Company's financial condition and liquidity sources, including funds available, and forecasted future cash flows in light of these obligations due before March 16, 2023.

In connection with the Revolver Exchange Agreement (referred to in Note 22), pursuant to which the Company agreed to exchange $100.0 million of outstanding Revolving Credit Facility (as defined below) for (i) $50.0 million in cash, and (ii) $50.0 million of 2026 Notes (as defined below) (the "Exchange Notes"), and thereby extinguishing all material near-term non-contingent maturities as of the date these financial statements were originally issued, the Company also agreed to make a true up payment to the holders of the Exchange Notes if such holders were to sell their notes at a price below certain agreed thresholds during agreed periods in 2022 beginning after April 15, 2022 (the "True-Up Guaranty"). Following the date these financial statements were originally issued, the Company recognized $17.4 million (the fair value of the true-up obligation as accounted for under ASC 450, Contingencies and ASC 460, Guarantees) as a liability as of March 7, 2022 for the True-Up Guaranty, and if that contingent liability were to settle within one year from March 16, 2022, it would raise substantial doubt about the Company's ability to continue as a going concern for one year thereafter, when coupled with the other conditions noted in the preceding paragraph.

The Company has undertaken and completed the following plans and actions to improve our available cash balances, liquidity or cash generated from operations:

- settled Appraisal Action ($40 million having already been paid as of March 16, 2022)
- completed the Revolver Exchange Agreement (see Note 22);
- reduced indebtedness by $338.5 million during the year ended December 31, 2021
- raised proceeds of $128.3 million from the sale of equity and debt during the period of January 1, 2022 to March 16, 2022

Despite these actions, the Company will need to take further action to raise additional funds in the capital markets or otherwise to fund the True-up Guaranty in addition to its other obligations over the one year period from March 16, 2022. In order to access the capital markets, the Company filed or plans to file registration statements providing for the sale of common stock, preferred stock, warrants, debt securities and/or units. Based on the Company's experience with at-the-market programs and its knowledge of the financial markets, the Company believes that it will be able to raise additional funds from the sale of equity and debt in the future. However, the Company's ability to obtain additional financing in the debt and equity capital markets is subject to several factors, including market and economic conditions, the Company's performance and investor sentiment with respect to the Company and its industry and considering these factors are outside of the Company's control, substantial doubt about the Company's ability to continue as a going concern exists under the standards of ASC 205-40 as of March 16, 2022. The consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities, and reported expenses that may be necessary if the Company were unable to continue as a going concern.

The Company considered if the impact of the delivery of an audit report from our Independent Registered Public Accountants on the consolidated financial statements of the Company as of and for the year-ended December 31, 2021, inclusive of an explanatory paragraph for going concern would have triggered an event of default under the Securitization Facility (as defined below). While the Company believes it would have received a waiver or clarification of this term from the lender or administrative agent, since that Securitization Facility is no longer in existence, this is not practicable. Accordingly, the Company has revised the indebtedness under this no longer existing Securitization Facility to reflect an increase in the Company's current portion of long-term debt as of December 31, 2021 by $91.9 million, from $144.8 million to $236.7 million. As this was a revision of the classification of debt that is no longer outstanding, was in fact not accelerated by the lender, and has no other practical implications for the Company, we did not adjust these amounts in our consolidated financial statements in our quarterly report for the quarter ended March 31, 2022. If the Company had done so, the Company's current portion of long-term debt as of March 31, 2022 would have increased by $91.9 million, from $138.7 million to $230.6 million.

We also considered the impact of the delivery of such an audit report to other debt agreements where the lender might purport to have "subjective acceleration" rights, as described in ASC 470. We deemed it reasonably possible, but not probable, that those acceleration rights would be exercised. Accordingly, we did not make any adjustments to the classification of those respective long-term debts. If we had done so, the current portion (as restated) of our long-term debt as of December 31, 2021 would have been increased by $115.0 million, from $236.7 million to $351.7 million.

Going Concern Evaluation as of November 14, 2022

As of the date these restated financial statements were issued (November 14, 2022), considering the continuance of certain of the conditions that raised substantial doubt about our ability to continue as a going concern noted above and the maturities of certain debt instruments within one year from the date the restated financial statements are issued (which maturities were not included in the assessment as of March 16, 2022), the Company concluded that substantial doubt about the Company's ability to continue as a going concern still exists as of November 14, 2022 under the standards of ASC 205-40.

Impact of COVID-19

The coronavirus pandemic ("COVID-19") continues to expose our global operations to risks. COVID-19 continues to result in challenging operating environments and has affected almost all of the countries and territories in which we operate. Authorities across the world have implemented measures like travel bans, quarantines, curfews, restrictions on public gatherings, shelter in place orders, business shutdowns and closures to control the spread of COVID-19. These measures, alongside the virus itself, have impacted, and we expect will continue to impact, us, our customers, suppliers and other third parties with whom we do business, as well as the global economy, demand for our services and spending across many sectors, as a whole. While some jurisdictions have now started to implement plans for reopening, there are others which have had to return to restrictions due to increased spread of COVID-19.

The Company is dependent on its workforce to deliver its solutions and services. While we have developed and implemented health and safety protocols, business continuity plans and crisis management protocols in an effort to try to mitigate the negative impact of COVID-19, restrictions such as shutdowns, social distancing and stay-at-home orders in various jurisdictions have impacted and will continue to impact the Company's ability to deploy its workforce effectively. Vaccination availability in certain countries is limited and that is resulting in some of our employees not being available. We have been performing and delivering all of our essential services out of our facilities and delivery centers. Most of our customer site employees (onsite) continue to perform the work and take directions from our customers. A part of our non-essential services related workforce has started to operate from offices and delivery centers, but many are still operating in a remote work environment.

Currently we are experiencing minor changes in work types, and this may evolve over the remaining year as customer's priorities are changing and customers are pushing for more automation. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report and the extent to which COVID-19 will ultimately impact the Company's business depends upon various dynamic factors which are difficult to reliably predict. Management continues to actively monitor the global situation and its impact on the Company's financial condition, liquidity, operations, suppliers, industry, and workforce. Overall, in light of the changing nature and continuing uncertainty around the COVID-19 pandemic, our ability to fully estimate the impact of COVID-19 on our results of operations, financial condition, or liquidity in future periods remains limited. Shifts in our customers' priorities and changes to the transaction types offered are still evolving and the dynamic situation hinders reliable forecasting. The effects of the pandemic on our business are unlikely to be fully realized, or reflected in our financial results, until future periods.

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; multi-industry 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 bank depository concentration.

Certificates of deposit and fixed deposits whose original maturity is greater than three months and 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.

Obligation for Claim Payment

As part of the Company's legal claims processing service, the Company holds cash for various settlement funds. Some of the cash is used to pay tax obligations and other liabilities of the settlement funds. The Company has recorded a liability for the settlement funds received, which is included in Obligation for claim payment in the consolidated balance sheets, of $46.9 million and $29.3 million at December 31, 2021 and 2020, 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

Our inventories primarily include heavy-duty scanners and related parts, toner, paper stock, envelopes and postage supplies. Inventories are stated at the lower of cost or net realizable values and include the cost of raw materials, labor, and purchased subassemblies. Cost is determined using the weighted average method.

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. 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. Trade names are tested for impairment as per the Company's policy for impairment of indefinite-lived assets.

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 amortizes such trademarks on a straight-line basis over the estimated useful life, which is typically one year. As of December 31, 2021 these trademarks were fully amortized.

Developed Technology

The Company has acquired 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 to 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 life, which is typically 3 to 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 fulfillment activities and can be separated into two principal categories: contract commissions and set-up/fulfillment costs. Contract fulfillment costs are capitalized only if they are directly attributable to a specifically anticipated future contract; represent the enhancement of resources that will be used in satisfying a future performance obligation (the services under the anticipated contract); and are expected to be recovered.

Non-compete Agreements

The Company acquired certain non-compete agreements in connection with the Novitex Business Combination. These were related to four Novitex executives that were terminated following the acquisition. As of December 31, 2021 these agreements were fully amortized.

Assembled Workforce

The Company acquired an assembled workforce in an asset purchase transaction in the fourth quarter of 2018. The Company recognized an intangible asset for the acquired assembled workforce and amortizes the asset on a straight-line basis over the estimated useful life of four years.

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 assets, 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. If carrying value of the indefinite-lived assets exceeds fair value, the Company recognizes an impairment loss by an amount which is equal to the excess of carrying value over fair 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 9- Intangible 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, acquired software, workforce, 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 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 cost, assembled workforce or outsourced contract costs for the years ended December 31, 2021, 2020, and 2019.

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, for 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 9- Intangible 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 was to manage its exposure to variable interest rates related to its term loans 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, which at the time was the remaining principal balance of such term loans. The swap contract swapped out the floating rate interest risk related to the LIBOR with a fixed interest rate of 1.9275% paid semi-annually starting January 12, 2018.

There is no open swap position as of December 31, 2021 as the existing interest rate swap contract expired in January 2021. The following table summarizes the Company's interest rate swap positions as of December 31, 2020:

		December 31, 2020	
Effective date	Maturity date	(In Millions) Notional Amount	Weighted Average Interest Rate
1/12/2018	1/12/2021	$ 328.1	1.9275 %

The interest rate swap, which was 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 was recorded directly in other income (expense), net. Other income (expense), net includes a gain of $0.1 million and $0.4 million related to the change in fair value of the interest rate swap for the years ended December 31, 2021 and 2020, respectively. The fair value of the interest rate swap was recorded in the accrued liabilities on the consolidated balance sheet.

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 respective plans. The Company records annual amounts relating to its pension plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, and compensation increases. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so.

Leases

The Company determines if a contract is, or contains, a lease at contract inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current portion of operating lease liabilities and operating lease liabilities, net of current portion in the Company's consolidated balance sheet. Finance leases are included in property, plant and equipment, current portion of finance lease liabilities and finance lease liabilities, net of current portion in the Company's consolidated balance sheet.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. In addition, ROU assets include initial direct costs incurred by the lessee as well as any lease payments made at or before the commencement date, and exclude lease incentives. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Leases with a term of one year or less are not recorded on the balance sheet.

Finance lease ROU assets are amortized over the lease term or the useful life of the asset, whichever is shorter. The amortization of finance lease ROU assets is recorded in depreciation expense in the consolidated statements of operations. For operating leases, we recognize expense for lease payments on a straight-line basis over the lease term.

Stock-Based Compensation

The Company accounts for all equity-classified awards under stock-based compensation plans at their "fair value". This fair value is measured at the fair 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 stock price on the respective grand date in the case of restricted stock units and using an option pricing model in the case of stock options. The expense resulting from share-based payments is recorded in Selling, general and administrative expense in the accompanying consolidated statements of operations.

Revenue Recognition

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

Nature of Services

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

Disaggregation of Revenues

The following tables disaggregate revenue from contracts by geographic region and by segment for the years ended December 31, 2021, 2020, and 2019:

	Year Ended December 31,											
	2021				2020				2019			
	ITPS	HS	LLPS	Total	ITPS	HS	LLPS	Total	ITPS	HS	LLPS	Total
U.S.A.	$649,505	$217,839	$74,641	$ 941,985	$ 769,487	$219,047	$68,472	$1,057,006	$ 958,625	$256,721	$71,332	$1,286,678
EMEA	205,772	—	—	205,772	213,418	—	—	213,418	248,466	—	—	248,466
Other	18,849	—	—	18,849	22,138	—	—	22,138	27,193	—	—	27,193
Total	$874,126	$217,839	$74,641	$1,166,606	$1,005,043	$219,047	$68,472	$1,292,562	$1,234,284	$256,721	$71,332	$1,562,337

Contract Balances

The following table presents contract assets, contract liabilities and contract costs recognized at December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Accounts receivable, net	$ 184,102	$ 206,868
Deferred revenues	17,518	16,919
Customer deposits	17,707	21,277
Costs to obtain and fulfill a contract	2,328	3,295

Accounts receivable, net includes $22.6 million and $23.2 million as of December 31, 2021 and 2020, respectively, representing amounts not billed to customers. We have accrued the unbilled receivables for work performed in accordance with the terms of contracts with customers.

Deferred revenues relate to payments received in advance of performance under a contract. A significant portion of this balance relates to maintenance contracts or other service contracts where we received payments for upfront conversions or implementation activities which do not transfer a service to the customer but rather are used in fulfilling the related performance obligations that transfer over time. The advance consideration received from customers is deferred over the contract term. We recognized revenue of $17.2 million during the year ended December 31, 2021 that had been deferred as of December 31, 2020.

Costs incurred to obtain and fulfill contracts are deferred and presented as part of intangible assets, net and expensed on a straight-line basis over the estimated benefit period. We recognized $1.5 million and $2.4 million of amortization for these costs in 2021 and 2020, respectively, within depreciation and amortization expense. These costs represent incremental external costs or certain specific internal costs that are directly related to the contract acquisition or fulfillment and can be separated into two principal categories: contract commissions and fulfillment costs. Applying the practical expedient in ASC 340-40-25-4, we recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period would have been one year or less. These costs are included in Selling, general and administrative expenses. The effect of applying this practical expedient was not material.

Customer deposits consist primarily of amounts received from customers in advance for postage. These advanced postage deposits are used to cover the costs associated with postage, with the corresponding postage revenue being recognized as services are performed.

Performance Obligations

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

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

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

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

Transaction Price Allocated to the Remaining Performance Obligations

In accordance with optional exemptions available under ASC 606, we did not disclose the value of unsatisfied performance obligations for (a) contracts with an original expected length of one year or less, and (b) contracts for which variable consideration relates entirely to an unsatisfied performance obligation, which comprise the majority of our contracts. We have certain non-cancellable contracts where we receive a fixed monthly fee in exchange for a series of distinct services that are substantially the same and have the same pattern of transfer over time, with the corresponding remaining performance obligations as of December 31, 2021 in each of the future periods below:

	Estimated Remaining Fixed Consideration for Unsatisfied Performance Obligations
2022	$ 42,700
2023	35,449
2024	31,126
2025	28,316
2026	570
2027 and thereafter	—
Total	$ 138,161

Research and Development

Research and development costs are expensed as incurred. Research and development costs expensed for the years ended December 31, 2021, 2020, and 2019 were $1.3 million, $1.1 million, and $1.7 million, respectively.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2021, 2020, and 2019, were $0.4 million, $0.7 million, and $1.1 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 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 net deferred tax assets would be recognized as a 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. Therefore, 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 12 – Income Taxes* for further information.

Loss Contingencies

The Company reviews the status of each significant matter, if any, and assesses 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. 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 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 of the Company. 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 $26.8 million and $31.2 million as of December 31, 2021 and 2020, 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 loss of $0.2 million for the year ended December 31, 2021and net exchange gain of $0.4 million and $0.5 million for the years ended December 31, 2020 and 2019, 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. There was no dividend equivalent recognized in 2019, 2020 and 2021.

Net Loss per Share

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

As the Company experienced net losses for the periods presented, the impact of the Company's Series A Convertible Preferred Stock ("Series A Preferred Stock") was calculated using the if-converted method. As of December 31, 2021, the outstanding shares of the Company's Series A Preferred Stock, if converted would have resulted in an additional 1,309,187 shares of Common Stock outstanding, however, they were not included in the computation of diluted loss per share as their effects were anti-dilutive.

The Company was originally incorporated as a special purpose acquisition company under the name Quinpario Acquisition Corp 2 ("Quinpario"), which changed its name to Exela Technologies, Inc. in July 2017. The Company has not included the effect of 35,000,000 warrants sold in the Quinpario Initial Public Offering ("IPO") or the effect of the aggregate number of shares issuable pursuant to outstanding restricted stock units, performance units and options of 11,314,307, 1,662,155 and 1,749,002, respectively in the calculation of diluted loss per share for the years ended December 31, 2021, 2020 and 2019 as their effects were anti-dilutive (i.e. reduces the net loss per share).

The components of basic and diluted EPS are as follows. All shares and per share amounts for the years 2020 and 2019 have been adjusted for a one share-for-three shares reverse stock split which took effect on January 26, 2021:

	Year Ended December 31,		
	2021	2020	2019
Net loss attributable to common stockholders (A)	$ (143,966)	$ (179,839)	$ (512,425)
Weighted average common shares outstanding – basic and diluted (B)	118,001,162	49,144,429	48,572,979
Loss Per Share:			
Basic and diluted (A/B)	$ (1.22)	$ (3.66)	$ (10.55)

The weighted average common shares outstanding – basic and diluted, in the table above, exclude in each case the 1,523,578 shares returned to the Company in the first quarter of 2020 in connection with the Appraisal Action (as defined and described further in Note 14 below) which became treasury stock, but which were included in the number of shares of Common Stock outstanding as of December 31, 2019.

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 15 — Fair Value Measurement for further discussion.

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 client 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.

Recently Adopted Accounting Pronouncements

Effective January 1, 2021, the Company adopted Accounting Standards Update ("ASU") no. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU simplifies the accounting for income taxes by eliminating some exceptions to the general approach in ASC 740, Income Taxes, for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. The ASU adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. It also clarifies certain aspects of the existing guidance to promote more consistent application, among other things. The adoption had no material impact on the Company's consolidated results of operations, cash flows, financial position or disclosures.

Recently Issued Accounting Pronouncements

In October 2021, the FASB issued ASU no. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The ASU amends ASC 805 to add contract assets and contract liabilities to the list of exceptions to the recognition and measurement principles that apply to business combinations and to require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. While primarily related to contract assets and contract liabilities that were accounted for by the acquiree in accordance with ASC 606, the amendments also apply to contract assets and contract liabilities from other contracts to which the provisions of Topic 606 apply, such as contract liabilities from the sale of nonfinancial assets within the scope of Subtopic 610-20. The ASU should be applied prospectively and is effective for the Company for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In July 2021, the FASB issued ASU no. 2021-05, *Leases (Topic 842): Lessors — Certain Leases with Variable Lease Payments*. The ASU requires a lessor to classify a lease with variable lease payments that do not depend on an index or rate as an operating lease on the commencement date of the lease if specified criteria are met. The ASU is applied prospectively and is effective for the Company for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In May 2021, the FASB issued ASU no. 2021-04, *Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the Emerging Issues Task Force)*. The ASU requires issuers to account for modifications or exchanges of freestanding equity-classified written call options that remain equity classified after the modification or exchange based on the economic substance of the modification or exchange. Under the ASU, an issuer determines the accounting for the modification or exchange based on whether the transaction was done to issue equity, to issue or modify debt, or for other reasons. The ASU is applied prospectively and is effective for the Company for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

In August 2020, the FASB issued ASU no. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The ASU eliminates two models in ASC 470-20 for convertible instruments that require separate accounting for embedded conversion features namely cash conversion model and beneficial conversion feature model. The guidance also requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of share settlement for instruments that may be settled in cash or shares. The ASU is effective for the Company for fiscal years beginning after December 15, 2021, including interim periods therein. Early adoption 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 GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company will be required to use a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. This ASU along with related additional clarificatory guidance in the ASU No. 2019-05, "*Financial Instruments—Credit Losses (Topic 326)*" and ASU No. 2019-11, "*Codification Improvements to Topic 326, Financial Instruments—Credit Losses*", is effective for the Company for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Adoption of the standard will be applied using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the effective date. The Company is currently evaluating the impact that adopting this standard will have on the consolidated financial statements.

3. Sale of Non-Core Assets

On March 16, 2020, the Company and its indirect wholly owned subsidiaries, Merco Holdings, LLC and SourceHOV Tax, LLC entered into a Membership Interest Purchase Agreement with Gainline Source Intermediate Holdings LLC at which time Gainline Source Intermediate Holdings LLC acquired all of the outstanding membership interests of SourceHov Tax, LLC for $40.0 million subject to adjustment as set forth in the purchase agreement. The Company recognized a gain of $35.5 million on the sale of SourceHOV Tax, LLC during the first quarter of 2020. The gain on sale of SourceHOV Tax, LLC is included in Other expense (income), net in the consolidated statements of operations for the year ended December 31, 2020.

On July 22, 2020, the Company completed the sale of its physical records storage and logistics business for a purchase price of $12.3 million. The Company recognized a gain of $8.7 million on the sale of physical records storage and logistics business during the third quarter of 2020. The gain on sale of physical records storage and logistics business is included in Other expense (income), net in the consolidated statements of operations for the year ended December 31, 2020.

4. Inventories

Inventories, net consist of the following:

	December 31, 2021	December 31, 2020
Work in process	$ 973	$ 961
Finished goods	11,480	12,312
Supplies and parts	7,028	5,473
Less: Allowance for obsolescence	(4,266)	(4,432)
	15,215	14,314

5. Accounts Receivable

Accounts receivable, net consist of the following:

	December 31, 2021	December 31, 2020
Billed receivables	$ 160,407	$ 179,696
Unbilled receivables	22,570	23,210
Other	7,174	9,609
Less: Allowance for doubtful accounts	(6,049)	(5,647)
	$ 184,102	$ 206,868

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

6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	December 31, 2021	December 31, 2020
Prepaids	$ 22,880	$ 30,459
Deposits	8,919	632
	$ 31,799	$ 31,091

7. Leases

The Company leases numerous facilities worldwide with larger concentrations of space in Texas, Michigan, Connecticut, California, India, Mexico, the Philippines, and China. The Company's facilities house general offices, sales offices, service locations, and production facilities. Substantially all of the Company's operations facilities are leased under long-term leases with varying expiration dates, except for the few owned locations. The Company regular obtains various machinery, equipment, vehicles and furniture on leases. The machinery and equipment leases mainly include leasing of computers, servers, other IT equipment, mailing system, production equipment, generators, office equipment, printers, copiers and miscellaneous warehouse equipment.

The Company's ROU assets and lease liabilities as of December 31, 2021 and 2020 recorded on the consolidated balance sheet are as follows:

	December 31, 2021	December 31, 2020
Balance sheet location:		
Operating Lease		
Operating lease right-of-use assets, net	$ 53,937	$ 68,861
Current portion of operating lease liabilities	15,923	18,349
Operating lease liabilities, net of current portion	41,170	56,814
Finance Lease		
Finance lease right-of-use assets, net (included in property, plant and equipment, net)	8,918	17,164
Current portion of finance lease liabilities	6,683	12,231
Finance lease liabilities, net of current portion	9,156	13,287

Supplemental balance sheet information related to leases is as follows:

	December 31, 2021	December 31, 2020
Weighted-average remaining lease term		
Operating leases	4.3 Years	4.8 Years
Finance leases	2.4 Years	3.7 Years
Weighted-average discount rate		
Operating leases	13.1%	11.9%
Finance leases	12.4%	10.7%

The interest on financing lease liabilities was $2.3 million and $2.6 million for the year ended December 31, 2021 and 2020, respectively. The amortization expense on finance lease right-of-use assets was $9.1 million and $12.8 million for the year ended December 31, 2021 and 2020, respectively.

Maturities of finance and operating lease liabilities based on lease term for the next five years are as follows:

	Finance Leases	Operating Leases
2022	$ 8,288	$ 22,028
2023	4,581	16,468
2024	3,902	12,813
2025	2,065	8,862
2026	203	7,073
2027 and thereafter	—	8,083
Total lease payments	19,039	75,327
Less: Imputed interest	(3,200)	(18,234)
Present value of lease liabilities	$ 15,839	$ 57,093

Consolidated rental expense for all operating leases was $51.8 million, $69.1 million, and $77.3 million for the years ended December 31, 2021, 2020, and 2019, respectively.

The following table summarizes the cash paid and related right-of-use operating finance or operating lease recognized for the years ended December 31, 2021 and 2020.

	Year Ended December 31, 2021	Year Ended December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 25,950	$ 34,193
Financing cash flows from finance leases	11,471	12,925
Right-of-use lease assets obtained in the exchange for lease liabilities:		
Operating leases	6,507	23,644
Finance leases	3,270	4,372

8. Property, Plant and Equipment, Net

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

	Estimated Useful Lives (in Years)	December 31, 2021	December 31, 2020
Land	N/A	$ 6,688	$ 6,903
Buildings and improvements	7 – 40	20,268	20,688
Leasehold improvements	Shorter of life of improvement or lease term	36,289	39,797
Vehicles	5 – 7	311	337
Machinery and equipment	5 – 15	26,346	22,991
Computer equipment and software	3 – 8	102,746	99,434
Furniture and fixtures	5 – 15	8,478	8,599
Finance lease right-of-use assets	Shorter of life of the asset or lease term	69,006	82,862
		270,132	281,611
Less: Accumulated depreciation and amortization		(196,683)	(193,760)
Property, plant and equipment, net		$ 73,449	$ 87,851

Depreciation expense related to property, plant and equipment was $26.7 million, $39.2 million, and $41.4 million for the years ended December 31, 2021, 2020, and 2019, respectively.

9. Intangible Assets and Goodwill

Intangibles

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

	Weighted Average Remaining Useful Life (in Years)	December 31, 2021		
		Gross Carrying Amount (a)	Accumulated Amortization	Intangible Asset, net
Customer relationships	9.5	$ 508,241	$ (316,084)	$ 192,157
Developed technology	2.8	88,553	(87,612)	941
Trade names (b)	Indefinite-lived	8,400	(3,100)	5,300
Outsource contract costs	3.6	16,814	(14,486)	2,328
Internally developed software	3.2	49,108	(27,812)	21,296
Assembled workforce	1	4,473	(3,355)	1,118
Purchased software	12	26,749	(5,350)	21,399
Intangibles, net		$ 702,338	$ (457,799)	$ 244,539

	Weighted Average Remaining Useful Life (in Years)	December 31, 2020		
		Gross Carrying Amount (a)	Accumulated Amortization	Intangible Asset, net
Customer relationships	10.2	$ 508,485	$ (278,306)	$ 230,179
Developed technology	3.4	88,553	(87,111)	1,442
Trade names (b)	Indefinite-lived	8,400	(3,100)	5,300
Outsource contract costs	3.3	16,331	(13,036)	3,295
Internally developed software	3.7	47,182	(20,152)	27,030
Assembled workforce	2	4,473	(2,237)	2,236
Purchased software	13	26,749	(3,567)	23,182
Intangibles, net		$ 700,173	$ (407,509)	$ 292,664

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

(b) The carrying amount of trade names for 2021 and 2020 is net of accumulated impairment losses of $44.1 million. Carrying amount of $5.3 million as at December 31, 2021 represents indefinite-lived intangible asset.

In connection with the completion of the annual impairment tests as of October 1, 2021 and 2020, the Company recorded no impairment charge to goodwill and trade names.

The impairment charges for the year 2019 are included within Impairment of goodwill and other intangible assets in the consolidated statements of operations.

Aggregate amortization expense related to intangibles was $50.5 million, $54.7 million, and $59.3 million for the years ended December 31, 2021, 2020, and 2019, respectively.

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

	Estimated Amortization Expense
2022	$ 47,395
2023	38,619
2024	30,944
2025	23,416
2026	19,269
Thereafter	79,243
	$ 238,886

Goodwill

Goodwill by reporting segment consists of the following:

	Balances as at January 1, 2020 (a)	Additions	Deletions	Impairments	Currency Translation Adjustments	Balances as at December 31, 2020 (a)
ITPS	$ 254,120	$ —	$ —	$ —	$ 10	$ 254,130
HS	86,786	—	—	—	—	86,786
LLPS	18,865	—	—	—	—	18,865
Total	$ 359,771	$ —	$ —	$ —	$ 10	$ 359,781

	Balances as at January 1, 2021 (a)	Additions	Deletions	Impairments	Currency Translation Adjustments	Balances as at December 31, 2021 (a)
ITPS	$ 254,130	$ —	$ (825)	$ —	$ (633)	$ 252,672
HS	86,786	—	—	—	—	86,786
LLPS	18,865	—	—	—	—	18,865
Total	$ 359,781	$ —	$ (825)	$ —	$ (633)	$ 358,323

(a) The goodwill amount for all periods presented is net of accumulated impairment amounts. Accumulated impairment relating to ITPS is $316.5 million as at December 31, 2021; and $317.5 million as at December 31, 2020 and December 31, 2019. Accumulated impairment relating to LLPS is $243.4 million as at December 31, 2021, December 31, 2020 and December 31, 2019.

10. Accrued Liabilities and Other Long-Term Liabilities

Accrued liabilities consist of the following:

	December 31, 2021	December 31, 2020
Accrued taxes (exclusive of income taxes)	$ 9,858	$ 12,953
Accrued lease exit obligations	36	270
Accrued professional and legal fees	29,119	33,897
Accrued appraisal action liability	63,422	60,654
Accrued legal reserve for pending litigation	8,046	15,146
Accrued transaction costs	2,305	2,739
Other accruals	733	740
	$ 113,519	**$ 126,399**

Other Long-term liabilities consist of the following:

	December 31,	
	2021	2020
Deferred revenue	$ 901	$ 542
Accrued rent	—	449
Accrued lease exit obligations	195	195
Accrued compensation expense	1,578	1,897
Cares Act payroll tax deferrals	—	7,183
Other	3,325	3,358
	$ 5,999	**$ 13,624**

11. Long-Term Debt and Credit Facilities (Restated)

Senior Credit Facilities

On July 12, 2017, subsidiaries of the Company entered into a First Lien Credit Agreement with Royal Bank of Canada, Credit Suisse AG, Cayman Islands Branch, Natixis, New York Branch and KKR Corporate Lending LLC (the "Credit Agreement") providing Exela Intermediate LLC, a wholly owned subsidiary of the Company, upon the terms and subject to the conditions set forth in the Credit Agreement, (i) a $350.0 million senior secured term loan maturing July 12, 2023 with an original issue discount of $7.0 million, and (ii) a $100.0 million senior secured revolving facility maturing July 12, 2022 (the "Revolving Credit Facility").

The Credit Agreement provided for the following interest rates for borrowings under the senior secured term facility and the Revolving Credit Facility: at the borrower's option, either (1) an adjusted LIBOR, subject to a 1.0% floor in the case of term loans, or (2) a base rate, in each case plus an applicable margin. The initial applicable margin for the senior secured term facility was 7.5% with respect to LIBOR borrowings and 6.5% with respect to base rate borrowings. The initial applicable margin for the Revolving Credit Facility was 7.0% with respect to LIBOR borrowings and 6.0% with respect to base rate borrowings. The applicable margin for borrowings under the Revolving Credit 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 original principal amount for payments thereafter, with any balance due at maturity.

Term Loan Repricing

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

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

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

2018 Incremental Term Loans

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

The borrower may voluntarily repay the Repricing Term Loans and the Incremental Term Loans (collectively, the "Term Loans") at any time, without prepayment premium or penalty, subject to customary "breakage" costs with respect to LIBOR rate loans. The Incremental Term Loans will mature on July 12, 2023, the same maturity date as the Repricing Term Loans and prior senior secured term loans.

Other than as described above, the terms, conditions and covenants applicable to the Repricing Term Loans and the Incremental Term Loans are consistent with the terms, conditions and covenants that were applicable to the existing senior secured loans under the Credit Agreement.

2019 Incremental Term Loan

On April 16, 2019, the Company's subsidiaries borrowed an additional $30.0 million pursuant to incremental term loans (the "2019 Incremental Term Loans") under the Second Amendment to First Lien Credit Agreement (the "Second Amendment"). The proceeds of the 2019 Incremental Term Loans were used to replace the cash spent for acquisitions, pay related fees, expenses and related borrowings and for general corporate purposes. The 2019 Incremental Term Loans will mature on July 12, 2023, the same maturity date as the Incremental Term Loans, Repricing Term Loans and prior senior secured term loans under the Credit Agreement.

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

Other than as described above, the terms, conditions and covenants applicable to the 2019 Incremental Term Loans are consistent with the terms, conditions and covenants that are applicable to the Repricing Term Loans and 2018 Incremental Term Loans under the Credit Agreement. The Repricing and issuance of the 2018 and 2019 Incremental Term Loans resulted in a partial debt extinguishment, for which Exela recognized $1.4 million in debt extinguishment costs during the year ended December 31, 2019, reported within Debt modification and extinguishment costs (gain), net within our consolidated statements of operations.

Third Amendment

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

Private Exchange

On December 9, 2021, in a separate transaction referred to as "Private Exchange" (outside of the Public Exchange as discussed below), subsidiaries of the Company agreed with three (3) of their term loan lenders for partial repayment and partial exchange of their outstanding balance of senior secured term loan under Credit Agreement for the new 2026 Notes. The borrower agreed with these participating lenders to repay outstanding balance of $212.1 million of senior secured term loan under Credit Agreement payable to them in cash consideration of $84.3 million and in new 2026 Notes of $127.8 million. In connection with the Private Exchange transaction, the exchanging lenders provided consents to amend the Credit Agreement to (i) eliminate all affirmative covenants, (ii) eliminate all negative covenants and (iii) eliminate certain events of default (other than events of default relating to payment obligations). The Company concluded that the exchange of senior secured term loan for 2026 Notes and cash under Private Exchange represented modification of debt under ASC 470-50. Accordingly, $1.0 million of the fees paid to third parties was charged to consolidated statement of operations and reported within Debt modification and extinguishment costs (gain), net within our consolidated statements of operations for the year ended December 31, 2021.

As a result of the Private Exchange, repurchases (as discussed below) and periodic principal repayments, $93.2 million aggregate principal amount of the senior secured term loan remains outstanding as of December 31, 2021.

Revolving Credit Facility; Letters of Credit

As of December 31, 2021 and December 31, 2020, our $100 million Revolving Credit Facility was fully drawn taking into account letters of credit issued thereunder. As of December 31, 2021 and December 31, 2020, there were outstanding irrevocable letters of credit totaling approximately $0.5 million and $19.5 million, respectively, under the Revolving Credit Facility.

Senior Secured 2023 Notes

On July 12, 2017, subsidiaries of the Company issued $1.0 billion in aggregate principal amount of 10.0% First Priority Senior Secured Notes due 2023 (the "2023 Notes"). The 2023 Notes are guaranteed by nearly all U.S. subsidiaries of the Company. The 2023 Notes bear interest at a rate of 10.0% per year. The issuers pay interest on the 2023 Notes on January 15 and July 15 of each year, commencing on January 15, 2018. The 2023 Notes will mature on July 15, 2023. As of December 31, 2021, the Company was in compliance with all covenants required under the 2023 Notes.

Public Exchange

On October 27, 2021, the Company launched an offer to exchange (the "Public Exchange") up to $225.0 million in cash and new 11.500% First-Priority Senior Secured Notes due 2026 (the "2026 Notes") for the Company's outstanding 2023 Notes. The Public Exchange was for $900 in cash per $1,000 principal amount of 2023 Notes tendered subject to proration. The maximum amount of cash to be paid was $225.0 million and the offer was not subject to any minimum participation condition. In case of oversubscription to the cash offer, tendered 2023 Notes would be accepted for cash on a pro rata basis (as a single class). The balance of any tendered 2023 Notes not accepted for cash would be exchanged into 2026 Notes on the basis of $1,000 principal amount of new 2026 Notes for each $1,000 principal amount of outstanding 2023 Notes tendered.

As of the expiration time of the Public Exchange, $912,660,000 aggregate principal amount, or approximately 91.3%, of the 2023 Notes were validly tendered pursuant to the Public Exchange. On December 9, 2021, upon the settlement of the Public Exchange, $662,660,000 aggregate principal amount of the 2026 Notes were issued and an aggregate $225.0 million in cash (plus accrued but unpaid interest) was paid to participating holders in respect of the validly tendered 2023 Notes. The Company concluded that the exchange of notes under Public Exchange represented modification of debt under ASC 470-50. Accordingly, $12.9 million of the fees paid to third parties was charged to consolidated statement of operations and reported within Debt modification and extinguishment costs (gain), net within our consolidated statements of operations for the year ended December 31, 2021.

As a result of the Public Exchange and repurchases (as discussed below), $22.8 million aggregate principal amount of the 2023 Notes remains outstanding as of December 31, 2021.

Third Supplemental Indenture

In conjunction with the Public Exchange, the Company also solicited consents to amend certain provisions in the indenture governing the 2023 Notes (“Notes Amendments”). On December 1, 2021, on receipt of the requisite consents to the Notes Amendments, the Company, and Wilmington Trust, National Association, as trustee (the “2023 Notes Trustee”), entered into a third supplemental indenture (the “Third Supplemental Indenture”) to the indenture, dated as of July 12, 2017 (as amended and supplemented by (i) the first supplemental indenture, dated as of July 12, 2017 and (ii) the second supplemental indenture, dated as of May 20, 2020, the “2023 Notes Indenture”) governing the outstanding 2023 Notes. The Third Supplemental Indenture amends the 2023 Notes Indenture and the 2023 Notes to eliminate substantially all of the restrictive covenants, eliminate certain events of default, modify covenants regarding mergers and consolidations and modify or eliminate certain other provisions, including certain provisions relating to future guarantors and defeasance, contained in the 2023 Notes Indenture and the 2023 Notes. In addition, all of the collateral securing the 2023 Notes was released pursuant to the Third Supplemental Indenture.

Senior Secured 2026 Notes

On December 9, 2021, subsidiaries of the Company issued $790.5 million in aggregate principal amount of 11.5% First Priority Senior Secured Notes due 2026 under certain Public Exchange and Private Exchange transactions as discussed above. Apart from this, during December 2021 the Company issued and sold $4.5 million in aggregate principal amount of 2026 Notes generating net proceeds of $3.6 million. The 2026 Notes are guaranteed by nearly all U.S. subsidiaries of the Company. The 2026 Notes bear interest at a rate of 11.5% per year. The issuers shall pay interest on the 2026 Notes on January 15 and July 15 of each year, commencing on July 15, 2022. The 2026 Notes will mature on July 12, 2026. As of December 31, 2021, the Company was in compliance with all covenants required under the 2026 Notes.

On or after December 1, 2022, the issuers may redeem the 2026 Notes in whole or in part from time to time, at a redemption price of 100%, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. In addition, prior to December 1, 2022, the issuers may redeem the 2026 Notes in whole or in part from time to time, at a redemption price equal to 100% of the principal amount of the 2026 Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. “Applicable Premium” means, with respect to any 2026 Note on any applicable redemption date, as determined by the issuers, the greater of: (1) 1% of the then outstanding principal amount of the 2026 Note; and (2) the excess of: (a) the present value at such redemption date of (i) the redemption price of the 2026 Note, at December 1, 2022 plus (ii) all required interest payments due on the 2026 Note through December 1, 2022 (excluding accrued but unpaid interest), computed using a discount rate equal to the treasury rate as of such redemption date plus 50 basis points; over (b) the then outstanding principal amount of the 2026 Note.

Repurchases

In July 2021 the Company commenced a debt buyback program to repurchase 2023 Notes and senior secured term loans under the Credit Agreement, which is ongoing. During the year ended December 31, 2021, we repurchased $64.5 million of the outstanding principal amount of our 2023 Notes for a net cash consideration of $48.4 million. The gain on early extinguishment of debt for the 2023 Notes during the year ended December 31, 2021 totaled $15.3 million and is inclusive of $0.6 million and $0.2 million write off of original issue discount and debt issuance costs, respectively. During the year ended December 31, 2021, we also repurchased $40.0 million of the outstanding principal amount of our senior secured term loans under the Credit Agreement for a net cash consideration of $22.8 million. The gain on early extinguishment of debt for the senior secured term loans during the year ended December 31, 2021 totaled $15.3 million and is inclusive of $0.4 million and $1.5 million write off of original issue discount and debt issuance costs, respectively. Gain on the early extinguishment of debt during the year ended December 31, 2021 is reported within Debt modification and extinguishment costs (gain), net within our consolidated statements of operations.

BRCC Facility

On November 17, 2021, GP2 XCV, LLC, a subsidiary of the Company ("GP2 XCV"), entered into a borrowing facility with B. Riley Commercial Capital, LLC pursuant to which the Company was able to borrow an original principal amount of $75.0 million, which was later increased to $115.0 million as of December 7, 2021 (as the same may be amended from time to time, the "BRCC Facility"). The BRCC Facility is secured by a lien on all the assets of GP2 XCV and by a pledge of the equity of GP2 XCV. GP2 XCV is a bankruptcy-remote entity and as such its assets are not available to other creditors of the Company or any of its subsidiaries other than GP2 XCV. The BRCC Facility will mature on March 31, 2023. Interest under the BRCC Facility accrues at a rate of 11.5% per annum and is payable quarterly on the last business day of each March, June, September and December. The purpose of this facility was to fund certain repurchases of senior secured term loan under the Credit Agreement and to provide funding of Public Exchange transaction and Private Exchange transaction as discussed above. As of December 31, 2021, there were borrowings of $115.0 million outstanding under the BRCC Facility. As of December 31, 2021, the Company was in compliance with all covenants required under the BRCC Facility.

Securitization Facilities

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

The Company used the proceeds of the initial borrowings under the A/R Facility to repay outstanding revolving borrowings under the Company's senior credit facility and to provide additional liquidity and funding for the ongoing business needs of the Company and its subsidiaries.

The A/R Borrower and A/R Parent SPE were formed in December 2019, and are identified as variable interest entities ("VIEs") and consolidated into the Company's financial statements following variable interest entities ("VIE") consolidation model under ASC 810. The A/R Borrower and A/R Parent SPE are bankruptcy remote entities and as such their assets are not available to creditors of the Company or any of its subsidiaries. Since January 10, 2020, the parties amended and waived the A/R Facility several times to address contractually, the occurrence of certain events, including among other things, the delay in delivery of annual financial statements for the fiscal year ended 2019, financial statements for the quarter ended March 31, 2020, and the Initial Servicer's Liquidity (as defined in the A/R Facility) falling below $60.0 million. In connection with these amendments a forbearance fee of $4.8 million was due and added to the outstanding principal balance of the loans. The Company concluded that the amendment represented modification of debt under ASC 470-50. Accordingly, the forbearance fee paid was added to unamortized debt issuance cost and amortized ratably over the remaining term of the A/R facility.

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

On December 17, 2020, the Company repaid in full the loans outstanding under the A/R Facility. The aggregate outstanding principal amount of loans under the A/R Facility as of such date was approximately $83.0 million. The early termination of the A/R Facility triggered an early termination fee of $0.8 million and required repayment of approximately $0.5 million in respect of principal, accrued interest and fees. All obligations under the A/R Facility (other than contingent indemnification obligations that expressly survive termination) terminated upon repayment. The A/R Facility was replaced by the Securitization Facility as described below. Repayment of A/R Facility was treated as an extinguishment of debt under ASC 470-50. Accordingly, the Company wrote off the unamortized balance of $8.2 million of debt issuance costs related to A/R facility. These early termination charges and unamortized balance of the debt issuance cost written off during the year ended December 31, 2020 are reported within Debt modification and extinguishment costs (gain), net within our consolidated statements of operations.

On December 17, 2020, certain subsidiaries of Company closed on the $145.0 million Securitization Facility with a five year term. Borrowings under the Securitization Facility are subject to an improved borrowing base definition over the A/R Facility that consists of receivables and, subject to contribution, further supported by inventory and intellectual property, in each case, subject to certain eligibility criteria, concentration limits and reserves.

The Securitization Facility provided for an initial funding of approximately $92.0 million supported by the receivables portion of the borrowing base and, subject to contribution, a further funding of approximately $53.0 million supported by inventory and intellectual property. On December 17, 2020, Exela Receivables 3, LLC (the "Securitization Borrower") made the initial borrowing of approximately $92.0 million under the Securitization Facility and used a portion of the proceeds to repay the A/R Facility and used the remaining proceeds for general corporate purposes. On April 11, 2021, the Company amended the Securitization Loan Agreement and agreed to, among other things, extend the option to access further funding of approximately $53.0 million in additional borrowings from April 10, 2021 to September 30, 2021 upon the contribution of inventory and intellectual property to support the borrowing base.

The initial documentation for the Securitization Facility includes (i) a Loan and Security Agreement (the "Securitization Loan Agreement"), dated as of December 10, 2020, by and among the Securitization Borrower, a wholly-owned indirect subsidiary of the Company, the lenders (each, a "Securitization Lender" and collectively the "Securitization Lenders"), Alter Domus (US), LLC, as administrative agent (the "Securitization Administrative Agent") and the Company, as initial servicer, pursuant to which the Securitization Lenders will make loans to the Securitization Borrower to be used to purchase receivables and related assets from the Securitization Parent SPE (as defined below), (ii) a First Tier Receivables Purchase and Sale Agreement (the, dated as of December 17, 2020, by and among Exela Receivables 3 Holdco, LLC (the "Securitization Parent SPE"), a wholly-owned indirect subsidiary of the Company, and certain other indirect, wholly-owned subsidiaries of the Company listed therein (collectively, the "Securitization Originators"), and the Company, as initial servicer, pursuant to which each Securitization Originator has sold or contributed and will sell or contribute to the Securitization Parent SPE certain receivables and related assets in consideration for a combination of cash and equity in the Securitization Parent SPE, (iii) a Second Tier Receivables Purchase and Sale Agreement, dated as of December 17, 2020, by and among, the Securitization Borrower, the

Securitization Parent SPE and the Company, as initial servicer, pursuant to which Securitization Parent SPE has sold or contributed and will sell or contribute to the Securitization Borrower certain receivables and related assets in consideration for a combination of cash and equity in the Securitization Borrower, (iv) the Sub-Servicing Agreement, dated as of December 17, 2020, by and among the Company and each Securitization Originator, (v) the Pledge and Guaranty, dated as of the December 10, 2020, between the Securitization Parent SPE and the Administrative Agent, and (vi) the Performance Guaranty, dated as of December 17, 2020, between the Company, as performance guarantor, and the Securitization Administrative Agent (and together with all other certificates, instruments, UCC financing statements, reports, notices, agreements and documents executed or delivered in connection with the Securitization Loan Agreement, the "Securitization Agreements").

The Securitization Borrower, the Company, the Securitization Parent SPE and the Securitization Originators provide customary representations and covenants under the Securitization Agreements. The Securitization Loan Agreement provides for certain events of default upon the occurrence of which the Securitization Administrative Agent may declare the facility's termination date to have occurred and declare the outstanding Securitization Loan and all other obligations of the Securitization Borrower to be immediately due and payable, however the Securitization Facility does not include an ongoing liquidity covenant like the A/R Facility and aligns reporting obligations with the Company's other material indebtedness agreements.

The Securitization Borrower and Securitization Parent SPE were formed in December 2020, and are identified as VIEs and consolidated into the Company's financial statements following VIE consolidation model under ASC 810. The Securitization Borrower and Securitization Parent SPE are bankruptcy remote entities and as such their assets are not available to creditors of the Company or any of its subsidiaries. Each loan under the Securitization Facility bears interest on the unpaid principal amount as follows: (i) if a Base Rate Loan, at a rate per annum equal to (x) the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50% and (c) the Adjusted LIBOR Rate (as defined in the Securitization Loan Agreement) plus 1.00%, plus (y) 8.75%; or (ii) if a LIBOR Rate Loan, at the Adjusted LIBOR Rate plus 9.75%. As of December 31, 2021, there were borrowings of $91.9 million outstanding under the Securitization Facility. As result of the issuance of the amended audit report (as described in Note 2), the Company determined that the amount owed under this Securitization Facility would become current and accordingly we restated it from noncurrent to current classification in the restated balance sheet as of December 31, 2021.

Long-Term Debt Outstanding

As of December 31, 2021 and 2020, the following long-term debt instruments were outstanding:

	December 31, 2021 (Restated)	December 31, 2020
Other (a)	$ 29,296	37,653
Term loan under first lien credit agreement (b)	89,585	343,597
Senior secured 2023 notes I	22,616	984,216
Senior secured 2026 notes (d)	801,306	—
Secured borrowings under BRCC Facility	115,000	—
Secured borrowings under Securitization Facility	91,947	91,947
Revolver	99,477	80,543
Total debt	1,249,227	1,537,956
Less: Current portion of long-term debt	(236,775)	(39,952)
Long-term debt, net of current maturities	$ 1,012,452	$ 1,498,004

(a) Other debt represents outstanding loan balances associated with various hardware, software purchases, maintenance and leasehold improvements along with loans and receivables factoring arrangement entered into by subsidiaries of the Company.

(b) Net of unamortized original issue discount and debt issuance costs of $0.8 million and $2.8 million as of December 31, 2021 and $4.8 million and $17.1 million as of December 31, 2020.

(c) Net of unamortized original issue discount and debt issuance costs of $0.2 million and $0.1 million as of December 31, 2021 and $11.3 million and $4.5 million as of December 31, 2020.

(d) Net of unamortized debt exchange premium and carried forward debt issuance costs of $15.4 million and $9.0 million as of December 31, 2021.

As of December 31, 2021, maturities of long-term debt are as follows:

	Maturity (Restated)
2022	$ 236,775
2023	211,988
2024	3,005
2025	—
2026	794,952
Thereafter	—
Total long-term debt	1,246,720
Less: Unamortized discount and debt issuance costs	2,507
	$ 1,249,227

12. Income Taxes

The Company provides for income taxes using an asset and liability approach, under which deferred income taxes are provided for 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:

	Year Ended December 31,		
	2021	2020	2019
United States	$ (135,299)	$ (158,186)	$ (511,165)
Foreign	4,565	(6,760)	9,691
	$ (130,734)	$ (164,946)	$ (501,474)

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

	Year Ended December 31,		
	2021	2020	2019
Federal			
Current	$ —	$ —	$ (1,308)
Deferred	5	480	(3,879)
State			
Current	1,232	1,325	2,255
Deferred	351	1,542	(807)
Foreign			
Current	3,775	4,318	5,770
Deferred	6,293	5,919	5,611
Income Tax Expense	$ 11,656	$ 13,584	$ 7,642

The differences between income taxes expected by applying the U.S. federal statutory tax rate of 21% and the amount of income taxes provided for are as follows:

	Year Ended December 31,		
	2021	2020	2019
Tax at statutory rate	$ (27,454)	$ (34,639)	$ (105,310)
Add (deduct)			
State income taxes	(1,626)	(5,234)	(7,666)
Foreign income taxes	1,567	(516)	4,390
Nondeductible goodwill impairment	—	—	61,699
Cancellation of debt income	(6,429)	—	—
Permanent differences	359	218	1,275
Litigation settlement	2	71	3,310
Changes in valuation allowance	11,857	53,115	30,064
Unremitted earnings	1,072	(275)	1,604
GILTI Inclusion	—	(4,996)	3,772
Expiration and reduction of tax attributes	31,014	4,944	10,807
Other	1,294	896	3,697
Income Tax Expense	$ 11,656	$ 13,584	$ 7,642

The Tax Cuts and Jobs Act ("TCJA") was signed by the President of the United States and enacted into law on December 22, 2017. This overhaul of the U.S. tax law made a number of substantial changes, including the reduction of the corporate tax rate from 35% to 21%, establishing a dividends received deduction for dividends paid by foreign subsidiaries to the U.S., elimination or limitation of certain deductions (interest, domestic production activities and executive compensation), imposing a mandatory tax on previously unrepatriated earnings accumulated offshore since 1986 and establishing global minimum income tax and base erosion tax provisions related to offshore activities and affiliated party payments.

The TCJA subjects a U.S. shareholder to tax on Global Intangible Low-taxed Income ("GILTI") earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for GILTI, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company has elected the accounting policy to recognize the tax expense related to GILTI in the year the tax is incurred as a period expense. At December 31, 2021, the Company has no GILTI inclusion related to current-year operations.

On July 20, 2020, the U.S. Treasury and the Internal Revenue Service issued Final Regulations which will allow an annual election to exclude from the U.S. tax return certain GILTI amounts when the taxes paid by a foreign affiliate exceed 18.9% (90% of U.S. statutory rate of 21%) of the GILTI amount for that foreign affiliate (the "high-tax exception"). These regulations are effective for the 2021 taxable year with an election to apply to any taxable year beginning after 2017. In many of the countries in which the Company operates there are differences between local tax rules used to determine the tax base and the U.S. tax principles used to determine GILTI. Therefore, while many of the countries have a statutory tax rate above the 18.9% threshold, separate affiliates may not meet the 18.9% threshold each year and, as such, may not qualify for this exclusion. The Company plans to make the high-tax exception election for the 2021 tax year resulting in no GILTI inclusion for the 2021 tax year. Additionally, the Company made the high-tax exception election for 2020 and 2019 on its 2020 and 2019 tax returns and plans to make the election for 2018 by filing an amended tax return. The 2018 return once amended is expected to result in an estimated income tax benefit of $5.0 million recorded in 2020.

Beginning in 2018, the TCJA also subjects a U.S. shareholder of a controlled foreign corporation to current tax on certain payments from corporations subject to U.S. tax to related foreign persons, also referred to as base erosion and anti-abuse tax ("BEAT"). The BEAT provisions in the Tax Reform Act eliminates the deduction of certain base-erosion payments made to related foreign corporations and impose a minimum tax if greater than regular tax. The Company has recorded no tax liability related to BEAT for the years ended December 31, 2021 and 2020.

On March 27, 2020, Congress enacted the Coronavirus Aid Relief and Economic Security Act ("CARES Act"), in response to the COVID-19 pandemic. The CARES Act contain numerous income tax provisions, including refundable payroll tax credits, 100% utilization of net operating loss (NOL) for taxable income in 2018, 2019 and 2020, 5 years NOL carryback from 2018, 2019 and 2020, interest limitation increase to 50% adjusted taxable income from 30% for tax years beginning January 1, 2019 and 2020, and immediate deduction on qualified improvement costs instead of depreciating them over 39 years. The Company has benefited from the increase of 50% adjusted taxable income limitation on net interest expense deduction, as well as the refundable payroll tax credit for the year ended December 31, 2020.

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

	Year Ended December 31,	
	2021	2020
Deferred income tax liabilities:		
Book over tax basis of intangible assets and fixed assets	$ (55,449)	$ (65,724)
Unremitted foreign earnings	(7,135)	(6,063)
Operating lease and finance lease right-of-use assets	(9,573)	(11,597)
Other, net	$ (1,584)	$ (2,604)
Total deferred income tax liabilities	(73,741)	(85,988)
Deferred income tax assets:		
Allowance for doubtful accounts and receivable adjustments	$ 1,816	$ 1,704
Inventory	2,362	1,677
Accrued liabilities	12,606	15,345
Net operating loss and tax credit carryforwards	141,946	171,148
Tax deductible goodwill	4,424	6,171
Disallowed interest deduction	106,449	74,672
Operating lease and finance lease liabilities	10,211	13,004
Other, net	18,197	19,334
Total deferred income tax assets	$ 298,011	$ 303,055
Valuation allowance	(233,755)	(220,030)
Total net deferred income tax assets (liabilities)	**$ (9,485)**	**$ (2,963)**

Gross deferred tax assets are reduced by valuation allowances to the extent the Company determines it is not more-likely-than-not that the deferred tax assets are expected to be realized. At December 31, 2021, the Company recognized $233.8 million of valuation allowances against gross deferred tax assets primarily related to net operating loss and tax credit carryforwards. Of this amount, approximately $60.4 million and $4.7 million of the total valuation allowance relates to U.S. federal and state limitations, respectively, on the utilization of net operating loss carryforwards due to numerous changes in ownership. Approximately $89.0 million and $12.2 million of the total valuation allowance relates to U.S. federal disallowed interest deductions and state disallowed interest deductions, respectively, pursuant to the TCJA. The remaining $67.5 million of the valuation allowance relates to non-limited U.S. and non-U.S. net operating losses, capital losses, and tax credits that are not expected to be realizable.

The net change during the year in the total valuation allowance was an increase of $13.7 million primarily related to the increase of net regular deferred tax assets and increase of deferred tax assets related to disallowed interest deduction.

Section 382 of the Code, limits the amount of U.S. tax attributes (net operating losses and tax credit carryforwards) following a change in ownership. The Company has determined that for the purpose of these provisions an ownership change occurred under Section 382 on April 3, 2014 and October 31, 2014 for BancTec, Inc. and its subsidiaries and RC4Capital, LLC and its subsidiaries (collectively, the "Pangea Group") and on October 31, 2014 for the historic SourceHOV group (the "2014 Reorganization"). The Section 382 limitations significantly limit the pre-acquisition Pangea Group net operating losses. Accordingly, upon the October 31, 2014 change in control, most of the historic Pangea Group federal net operating losses were limited and a valuation allowance has been established against the related deferred tax assets. With regard to Pangea Group'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 group is greater than the net operating losses and tax credits generated in the predecessor periods. For the year ended December 31, 2021, the Company determined an ownership change occurred on March 15, 2021 and another successive ownership change occurred on December 8, 2021. The Company can increase its annual Section 382 limitation for the amount of recognized built-in gain ("RBIG") pursuant to the application of Notice 2003-65. The Company determined the annual Section 382 limitation should enable the Company to utilize all its NOL and credit carryforwards, therefore, no additional valuation allowances were established relating to Section 382 limitations other than the pre-2014 Section 382 limitations that applied.

Under the debt buy-back program and debt exchange transaction a substantial amount of the Company's debt was extinguished. Absent an exception, a debtor recognizes cancellation of debt income ("CODI") upon discharge of its outstanding indebtedness for an amount of consideration that is less than the outstanding debt. The Internal Revenue Code of 1986, as amended, (the Code), provides that a debtor may exclude CODI from taxable income but must reduce certain of its tax attributes by the amount of CODI. For the year ended December 31, 2021, the Company excluded $147.1 million of CODI from taxable income and reduced the gross U.S. federal net operating loss by the corresponding amount.

Included in deferred tax assets are federal, foreign and state net operating loss carryforwards, federal capital loss carryforwards, federal general business credit carryforwards and state tax credit carryforwards due to expire beginning in 2022 through 2041. As of December 31, 2021, the Company has federal and state income tax net operating loss (NOL) carryforwards of $459.2 million and $377.2 million, respectively, which will expire at various dates from 2022 through 2041. Such NOL carryforwards expire as follows:

	Federal NOL	State and Local NOL
2022 – 2026	$ 118,277	$ 68,462
2027 – 2031	134,410	100,595
2032 – 2038	206,502	208,164
	$ 459,189	$ 377,221

As of December 31, 2021, the Company has foreign net operating loss carryforwards of $76.6 million, $0.6 million of which were generated by Exela's Polish subsidiary, $0.7 million were generated in Hungary and Serbia, $2.3 million is generated in the Netherlands, $1.0 million is generated in Finland, and will expire in 2024, 2026, 2027 and 2031 respectively. The remainder of the foreign net operating losses will be carried forward indefinitely.

The Company adopted the provision of accounting for uncertainty in income taxes in ASC Topic 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, exclusive of interest and penalties, is $2.1 million, $1.8 million and $4.3 million at December 31, 2021, 2020 and 2019, respectively. Included in the balance of unrecognized tax benefits as of December 31, 2021, 2020 and 2019 are $0.8 million, $0.7 million and $0.7 million, respectively, of tax benefits that, if recognized would benefit the effective tax rate. Total accrued interest and penalties recorded on the Consolidated Balance Sheet were $2.4 million, $2.1 million and $2.1 million at December 31, 2021, 2020 and 2019, respectively. The total amount of interest and penalties recognized in the consolidated statement of operations during the years ended December 31, 2021, 2020 and 2019 was $(0.3) million, $(0.0) million and $(0.2) million, respectively.

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

	Year Ended December 31,		
	2021	2020	2019
Unrecognized tax benefits—January 1	$ 1,836	$ 4,314	$ 1,476
Gross increases—tax positions in prior period	—	(21)	1,378
Gross decreases—tax positions in prior period	(129)	(2,608)	(10)
Gross increases—tax positions in current period	460	151	1,470
Settlement	(90)	—	—
Unrecognized tax benefits—December 31	$ 2,077	$ 1,836	$ 4,314

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, 2016, However, NOLs generated in years prior to 2016 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 EMEA. The Company may be subject to examination by the India tax authorities for tax periods ending on or after March 31, 2014.

At December 31, 2021, the Company maintains its prior indefinite reinvestment assertion on undistributed earnings related to certain foreign subsidiaries. Accordingly, no deferred taxes have been provided for withholding taxes or other taxes that would result upon repatriation of approximately $132.9 million of undistributed earnings from these foreign subsidiaries as those earnings continue to be permanently reinvested. However, the Company does not indefinitely reinvest earnings in Canada, China, India, Mexico and Philippines. The Company recorded $7.1 million and $6.0 million of foreign withholding taxes on the undistributed earnings of these jurisdictions at December 31, 2021 and 2020, respectively. The Company recorded $1.1 million of deferred expense, $0.3 million of deferred benefit, and $1.6 million of deferred expense in the consolidated statement of operations during the years ended December 31, 2021, 2020 and 2019, respectively. The foreign withholding taxes deferred expense recorded in the current year is attributable to the current year undistributed earnings.

13. Employee Benefit Plans

German Pension Plan

The Company’s subsidiary in Germany provides pension benefits to certain retirees. Employees eligible for participation include all employees who started working for the Company or its predecessors prior to September 30, 1987 and have finished a qualifying period of at least 10 years. The Company accrues the cost of these benefits over the service lives of the covered employees based on an actuarial calculation. The Company uses a December 31 measurement date for this plan. The German pension plan is an unfunded plan and therefore has no plan assets. No new employees are registered under this plan and the participants who are already eligible to receive benefits under this plan are no longer employees of the Company.

U.K. Pension Plan

The Company’s subsidiary in the United Kingdom provides pension benefits to certain retirees and eligible dependents. Employees eligible for participation included all full-time regular employees who were more than three years from retirement prior to October 2001. A retirement pension or a lump-sum payment may be paid dependent upon length of service at the mandatory retirement age. The Company accrues the cost of these benefits over the service lives of the covered employees based on an actuarial calculation. The Company uses a December 31 measurement date for this plan. No new employees are registered under this plan and the pension obligation for the existing participants of the plan is calculated based on actual salary of the participants as at the earlier of two dates, the participants leaving the Company or December 31, 2015.

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 2.72%.

Norway Pension Plan

The Company's subsidiary in Norway provides pension benefits to eligible retirees and eligible dependents. Employees eligible for participation include all employees who were more than three years from retirement prior to March 2018. The Company accrues the cost of these benefits over the service lives of the covered employees based on an actuarial calculation. The Company uses a December 31 measurement date for this plan. No new employees are registered under this plan and the pension obligation for the existing participants of the plan is calculated based on actual salary of the participants as at the later of two dates, the participants leaving the Company or April 30, 2018.

Asterion Pension Plan

The Company acquired in 2018 through the Asterion Business Combination the obligation to provide 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 July 2003. A retirement pension or a lump-sum payment may be paid dependent upon length of service at the mandatory retirement age. The Company accrues the cost of these benefits over the service lives of the covered employees based on an actuarial calculation. The Company uses a December 31 measurement date for this plan. No new employees are registered under this plan and the pension obligation for the existing participants of the plan is calculated based on actual salary of the participants as at the earlier of two dates, the participants leaving the Company or April 10, 2018.

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, 2021	Year ended December, 2020
Change in Benefit Obligation:		
Benefit obligation at beginning of period	$ 122,011	$ 100,961
Service cost	68	69
Interest cost	1,686	1,984
Actuarial loss (gain)	(2,296)	18,861
Plan amendments	(28)	(10)
Plan curtailment	98	—
Benefits paid	(2,497)	(4,745)
Foreign-exchange rate changes	(1,570)	4,891
Benefit obligation at end of year	$ 117,472	$ 122,011
Change in Plan Assets:		
Fair value of plan assets at beginning of period	$ 87,215	$ 75,875
Actual return on plan assets	2,950	10,755
Employer contributions	3,189	2,052
Plan participants' contributions	16	—
Benefits paid	(2,393)	(4,651)
Foreign-exchange rate changes	(1,005)	3,184
Fair value of plan assets at end of year	89,972	87,215
Funded status at end of year	$ (27,500)	$ (34,796)
Net amount recognized in the Consolidated Balance Sheets:		
Pension liability, net (a)	$ (28,383)	$ (35,515)
Amounts recognized in accumulated other comprehensive loss, net of tax consist of:		
Net actuarial loss	(10,946)	(17,064)
Net amount recognized in accumulated other comprehensive loss, net of tax	$ (10,946)	$ (17,064)
Plans with underfunded or non-funded accumulated benefit obligation:		
Aggregate projected benefit obligation	$ 117,472	$ 122,010
Aggregate accumulated benefit obligation	$ 117,472	$ 122,010
Aggregate fair value of plan assets	$ 89,972	$ 87,215

(a) Consolidated balance of $28.4 million as of December 31, 2021 includes pension liabilities of $23.0 million, $2.5 million, $2.1 million and less than $0.1 million under U.K., Asterion, German and Norway pension plans, respectively, and minimum regulatory benefit for a Philippines legal entity of $0.7 million. Consolidated balance of $35.5 million as of December 31, 2020 includes pension liabilities of $29.7 million, $2.7 million, $2.4 million and less than $0.1 million under U.K., Asterion, German and Norway pension plans, respectively, and minimum regulatory benefit for a Philippines legal entity of $0.6 million.

Tax Effect on Accumulated Other Comprehensive Loss

As of December 31, 2021 and 2020, the Company recorded actuarial losses of $10.9 million and $17.1 million, respectively, which is net of a deferred tax benefit of $2.0 million for each period.

Pension and Postretirement Expense

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

	Year ended December 31,		
	2021	2020	2019
Service cost	$ 68	$ 74	$ 80
Interest cost	1,686	1,984	2,448
Expected return on plan assets	(2,410)	(2,530)	(2,460)
Amortization:			
Amortization of prior service cost	224	150	(169)
Amortization of net loss	3,340	1,739	1,768
Settlement loss	—	552	—
Net periodic benefit cost	$ 2,908	$ 1,969	$ 1,667

Valuation

The Company uses the corridor approach and projected unit credit method in the valuation of its defined benefit plans for the UK, Germany, and Norway 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 plans, 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,							
	2021	2020	2021	2020	2021	2020	2021	2020
	UK		Germany		Norway		Asterion	
Weighted-average assumptions used to determine benefit obligations:								
Discount rate	1.80 %	1.40 %	1.00 %	0.75 %	1.90 %	1.70 %	1.13 %	0.79
Rate of compensation increase	N/A	N/A	N/A	N/A	2.75 %	2.25 %	N/A %	N/A
Weighted-average assumptions used to determine net periodic benefit cost:								
Discount rate	1.40 %	2.10 %	1.00 %	0.75 %	1.90 %	1.70 %	1.13 %	0.79
Expected asset return	2.72 %	3.47 %	N/A %	N/A %	3.10 %	2.70 %	1.13 %	0.79
Rate of compensation increase	N/A	N/A	N/A	N/A	2.75 %	2.25 %	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 are based mainly on historical performance achieved over a long period of time (10 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 2.73%. The Company's long-term expected rate of return on cash is determined by reference to UK government 10 year bond yields at the balance sheet dates. The long-term expected return on bonds is determined by reference to corporate bond yields at the balance sheet date. The long-term expected rate of return on equities and diversified growth funds is based on the rate of return on UK long dated government bonds with an allowance for out-performance. The long-term expected rate of return on the liability driven investments holdings is determined by reference to UK government 20 year bond yields at the balance sheet date.

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 government's target rate for inflation (CPI) at 2.4%. 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 set at the direction and discretion of the plan trustees. The weighted average allocation of plan assets by asset category is as follows:

	December 31,		
	2021	2020	2019
U.K. and other international equities	32.8 %	31.4 %	29.9 %
U.K. government and corporate bonds	2.5	2.7	12.5
Diversified growth fund	25.7	21.0	41.3
Liability driven investments	34.6	40.6	16.3
Multi-asset credit fund	4.4	4.3	—
Total	100.0 %	100.0 %	100.0 %

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, 2021 and 2020:

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Asset Category:				
Cash	$ 149	$ 149	$ —	$ —
Equity funds:				
U.K.	17,423	—	17,423	—
Other international	11,909	—	11,909	—
Fixed income securities:				
Corporate bonds / U.K. Gilts	2,292	—	2,292	—
Other investments:				
Diversified growth fund	23,122	—	23,122	—
Liability driven investments	31,158	—	31,158	—
Multi-asset credit fund	3,919	—	3,919	—
Total fair value	$ 89,972	$ 149	$ 89,823	$ —

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Asset Category:				
Cash	$ 430	$ 430	$ —	$ —
Equity funds:				
U.K.	16,201	—	16,201	—
Other international	10,802	—	10,802	—
Fixed income securities:				
Corporate bonds / U.K. Gilts	2,353	—	2,353	—
Other investments:				
Diversified growth fund	18,313	—	18,313	—
Liability driven investments	35,403	—	35,403	—
Multi-asset credit fund	3,713	—	3,713	—
Total fair value	$ 87,215	$ 430	$ 86,785	$ —

The plan assets 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 $3.2 million and $2.1 million to its pension plans during the years ended December 31, 2021 and 2020, respectively. The Company has fully funded the pension plans for 2021 based on current plan provisions. The Company expects to contribute $2.6 million to the pension plans during 2022, 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:

	Estimated Benefit Payments
Year ended December 31,	
2022	$ 2,120
2023	2,069
2024	2,878
2025	2,959
2026	3,071
2027 – 2031	18,999
Total	$ 32,096

14. 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 Action

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

On December 31 2021, we agreed to settle the Appraisal Action along with a separate case brought by the same plaintiffs for $63.4 million. Accordingly, as of December 31, 2021, the Company accrued a liability of $63.4 million for these matters, all of which is expected to be paid during the first half of 2022 ($40 million having already been paid as of March 16, 2022).

As a result of the Appraisal Action and following repayment of the Margin Loan (as defined below) by Ex-Sigma 2, 1,523,578 shares of our Common Stock issued to Ex-Sigma 2 (the "Ex-Sigma 2"), our largest shareholder following the Novitex Business Combination, were returned to the Company during the first quarter of 2020.

Adverse Arbitration Order

In April 2020, one of the Company’s Nordic subsidiaries commenced an arbitration in Finland against a customer alleging breach of contract and other damages in connection with an outsourcing services agreement and transition services agreement executed in 2017. In September 2020, the customer submitted counterclaims against the Company in an aggregate amount in excess of €10.0 million. Following an expedited arbitration, in late November 2020, the arbitrator awarded the customer approximately $13.0 million in the aggregate for the counterclaimed damages and costs. The Company filed an application to annul the award in late January 2021 with the relevant court asserting, among other bases, that the arbitrator violated due process and procedural rules by disallowing the Company’s witness and expert testimony and maintaining the expedited format following the assertion of significant counterclaims which would ordinarily have required the application of normal rather than expedited rules. On May 28, 2021, the parties entered into a settlement agreement resolving this dispute for a total of $8.8 million including the reimbursement of certain third party charges. The Company had accrued a liability balance of $9.7 million for this matter as of the settlement date. Accordingly, on settlement the Company reversed the additional $0.9 million accrued for the matter. As of December 31, 2021, there was a net outstanding balance of $3.3 million for this matter included in Accrued liabilities on the Condensed Consolidated Balance Sheet.

Contract-Related Contingencies

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

15. Fair Value Measurement (Restated)

Assets and Liabilities Measured at Fair Value

The carrying amount of assets and liabilities including cash and cash equivalents, accounts receivable, accounts payable and current portion of long-term debt approximated their fair value as of December 31, 2021 and 2020, due to the relative short maturity of these instruments. Management estimates the fair values of the secured term loan, secured 2023 notes and secured 2026 notes at approximately 80.0%, 79.0% and 77.0% respectively, of the respective principal balance outstanding as of December 31, 2021. The fair values of secured borrowings under the Company’s securitization facility, BRCC facility and senior secured revolving credit facility are equal to the respective carrying values. Other debt represents the Company’s outstanding loan balances associated with various hardware, software purchases, maintenance and leasehold improvements along with loans and receivables factoring arrangement 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 3 measurement as it is based on the settlement amount based on the settlement agreement terms less amount already paid.

The Company determined the fair value of the interest rate swap using Level 2 inputs. The Company used 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, 2021 and December 31, 2020:

As of December 31, 2021	Carrying Amount (Restated)	Fair Value (Restated)	Fair Value Measurements (Restated)		
			Level 1	Level 2	Level 3
Recurring assets and liabilities:					
Long-term debt	$ 1,012,452	$ 803,668	$ —	$ 803,668	$ —
Nonrecurring assets and liabilities:					
Goodwill	358,323	358,323	—	—	358,323

As of December 31, 2020	Carrying Amount	Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
Recurring assets and liabilities:					
Long-term debt	$ 1,498,004	$ 604,775	$ —	$ 604,775	$ —
Interest rate swap liability	125	125	—	125	—
Acquisition contingent liability	300	300	—	—	300
Nonrecurring assets and liabilities:					
Goodwill	359,781	359,781	—	—	359,781

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, 2021	December 31, 2020
Balance as of Beginning of Period	$ 300	$ 721
Earn-out Adjustment	—	279
Payments	(300)	(700)
Balance as of End of Period	$ —	$ 300

16. 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 (the sole equityholder of Ex-Sigma 2), an entity formed by the former SourceHOV equity holders. In accordance with U.S. GAAP, the Company incurred compensation expenses related to the 9,880 unvested RSUs as of July 12, 2017 on a straight-line basis until fully vested, because the recipients of the RSUs were employees of the Company. All unvested RSUs under the 2013 Plan were vested by April 2019. As of December 31, 2021, there were no outstanding obligations under the 2013 Plan.

Exela 2018 Stock Incentive Plan

On January 17, 2018, Exela's 2018 Stock Incentive Plan (the "2018 Plan") became effective. The 2018 Plan provides for the grant of incentive and nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights, performance awards, and other stock-based compensation to eligible participants. The Company was initially authorized to issue up to 2,774,588 shares of Common Stock under the 2018 Plan. On December 31, 2021, the shareholders of the Company approved our Amended and Restated 2018 Stock Incentive Plan increasing the number of shares of Common Stock reserved for issuance from an original 2,774,589 shares to 17,848,076.

Restricted Stock Unit Grants

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

A summary of restricted stock unit activities under the 2018 Plan for the year ended December 31, 2021 is summarized in the following table:

	Number of Units	Weighted Average Grant Date Fair Value	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding Balance as of December 31, 2020	26,455	$ 3.78	0.91	$ 50
Granted	1,466,084	1.78		
Forfeited	(80,001)	2.73		
Vested	(43,530)	2.30		
Outstanding Balance as of December 31, 2021	1,369,008	$ 1.75	0.11	$ 2,393

Options

Under the 2018 Plan, stock options are granted at a price per share not less than 100% of the fair market value per share of the underlying stock at the grant date. The vesting period for each option award is established on the grant date, and the options generally expire 10 years from the grant date. Options granted under the 2018 Plan generally require no less than a two or four year ratable vesting period. Stock option activity for the year 2021 is summarized in the following table:

	Outstanding	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Average Remaining Vesting Period (Years)	Aggregate Intrinsic Value (2)
Outstanding Balance as of December 31, 2020	1,635,700	$ 5.67	$ 11.89	1.42	$ —
Granted	—	—			
Exercised	—	—			
Forfeited	(190,401)	5.97			
Expired	—	—			
Outstanding Balance as of December 31, 2021 (1)	1,445,299	$ 5.63	$ 11.78	0.69	$ —

(1) 569,880 of the outstanding options are exercisable as of December 31, 2021.
(2) Exercise prices of all of the outstanding options as of December 31, 2021 were higher than the market price of the shares of the Company. Therefore, aggregate intrinsic value was zero.

As of December 31, 2021, there was approximately $1.4 million of total unrecognized compensation expense related to non-vested restricted stock unit awards and stock option awards under the 2018 Plan, which will be recognized over the respective service period. Stock-based compensation expense is recorded within Selling, general, and administrative expenses. The Company incurred total compensation expense of $2.7 million, $2.8 million, and $7.8 million related to restricted stock unit awards and stock option awards under the 2013 Plan and 2018 Plan awards for the years ended December 31, 2021, 2020, and 2019, respectively.

Market Performance Units

On September 14, 2021, the Company granted its Executive Chairman performance units with a market performance condition, which are notional units representing the right to receive one share of Common Stock (or the cash value of one share of Common Stock). Until such time that the Company obtained the approval of the stockholders of the Company regarding an increase to the number of shares authorized for issuance under its 2018 Plan in accordance with Nasdaq Listing Rule 5635(a), these performance units would be settled in cash, and following such shareholder approval, at the election of the compensation committee of the Company, might be settled in cash or in shares of Common Stock. The performance units provide that until an increase to the share reserve is approved, such performance units are subject to the terms and conditions of the 2018 Plan as though granted thereunder, but not be considered an award that is outstanding under the plan, and following such time that the plan amendment is approved, constitute an award under the 2018 Plan.

Fifty percent of the performance units covered by the award will vest if, at any time during the period commencing September 14, 2021 and ending June 30, 2024, the volume weighted average of the reported closing price of the Company's Common Stock is $10 per share or greater on (x) 60 consecutive trading days or (y) 90 non-consecutive trading days in any 180 day period (the "Tranche 1"). In addition, the remaining 50% of the performance units will vest if, at any time during the period commencing September 14, 2021 and ending June 30, 2025, the volume weighted average of the reported closing prices of the Company's Common Stock is $20 per share or greater on (x) 60 consecutive trading days or (y) 90 non-consecutive trading days in any 180 day period (the "Tranche 2"). Any Tranche 1 and Tranche 2 units that are not earned by June 30, 2024 and June 30, 2025 (the "Expiration date"), respectively, will be forfeited for no consideration and will no longer be eligible to vest. In addition, if a change in control occurs prior to the applicable expiration date, if the performance units are assumed by the acquirer, the units will remain outstanding and eligible to vest based solely on his continued service to the Company. If in connection with such change in control the performance units are not assumed by an acquirer, a number of performance units will vest based on the per share price paid in the transaction, with 0% vesting if the per share price is equal to or less than $2.00 per share, and 100% of the Tranche 1 vesting if the per share price is equal to or greater than $10 and 100% of the Tranche 2 vesting if the per share price is equal to or greater than $20, and a number of Tranche 1 and Tranche 2 vesting determined based on a straight line interpolation if the share price is between $2.00 and $10.00 or $20.00, respectively. In addition, if there is a change in control that is principally negotiated and approved by, and recommended to the Company's shareholders by, a special committee of independent directors which committee does not include the Executive Chairman, and neither he nor any of his affiliates is directly or indirectly an equity holder of the acquiring Company, and the Tranche 1 are not assumed by an acquirer in connection with such transaction, all of his then unvested Tranche 1 will vest, and the Tranche 2 would be eligible for the pro rata vesting described above. The Executive Chairman will remain eligible to earn his performance units so long as he remains employed with the Company as Executive Chairman through December 31, 2023 and following such date he remains engaged with the Company in any capacity, including as a non-employee director.

On December 31, 2021, the Company obtained the approval of the stockholders of the Company for the 2018 Plan amendment regarding an increase to the number of shares authorized for issuance under its 2018 Plan. After approval of the amended and restated 2018 Plan, the performance units are an award that is outstanding under the amended and restated 2018 Plan. Therefore, the performance units may be settled in cash or in shares of Common Stock of the Company at the election of the compensation committee of the Company.

The fair value of the awards was determined to be $1.48 and $1.51 for Tranche 1 and Tranche 2, respectively, on the grant date by application of the Monte Carlo simulation model. Until December 31, 2021, the performance units were cash-settled awards and therefore accounted for as a liability classified award. On December 31, 2021, upon the approval of the amended and restated 2018 Plan, the performance units may be settled in cash or in shares of Common Stock of the Company at the election of the compensation committee of the Company, therefore the award was reclassified to equity. On December 31, 2021, the modification date fair value of the awards was determined to be $0.44 and $0.47 for Tranche 1 and Tranche 2, respectively, by application of the Monte Carlo simulation model.

The following table summarizes the activity for the market performance restricted stock units for the year ended December 31, 2021:

	Number of Units	Weighted Average Fair Value	Weighted Average Period Over Which Expected to be Recognized
Outstanding Balance as of December 31, 2020	—	$ —	—
Granted	8,500,000	1.50	
Forfeited	—	—	
Vested	—	—	
Outstanding Balance as of December 31, 2021	8,500,000	$ 0.46	2.98

As of December 31, 2021, there was approximately $2.7 million of total unrecognized compensation expense related to non-vested performance unit awards, which will be recognized over the remaining requisite service period. We recognized $1.2 million compensation expense associated with the performance unit award for the year ended December 31, 2021.

17. Stockholders' Equity

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

Common Stock

The Company is authorized to issue 1,600,000,000 shares of Common Stock. Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock or as provided for in the Director Nomination Agreements, the holders of our Common Stock possess all voting power for the election of our board of directors and all other matters requiring stockholder action and will at all times vote together as one class on all matters submitted to a vote of Exela stockholders. Holders of our Common Stock are entitled to one vote per share on matters to be voted on by stockholders. Holders of our Common Stock will be entitled to receive such dividends and other distributions, if any, as may be declared from time to time by the board of directors in its discretion out of funds legally available therefor and shall share equally on a per share basis in such dividends and distributions. The holders of the Common Stock have no conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the Common Stock. During fiscal 2021, 511,939 shares of Series A Preferred Stock were converted into 223,977 shares of Common Stock. As of December 31, 2021 and December 31, 2020, there were 265,194,961 and 49,242,225 shares outstanding, respectively.

Reverse Stock Split

On January 25, 2021, we effected a one-for-three reverse split (the "Reverse Stock Split") of our issued and outstanding shares of Common Stock. As a result of the Reverse Split every three (3) shares of Common Stock issued and outstanding were automatically combined into one (1) share of issued and outstanding Common Stock, without any change in the par value per share. All information related to Common Stock, stock options, restricted stock units, warrants and earnings per share have been retroactively adjusted to give effect to the Reverse Stock Split for all periods presented. Giving effect to the Reverse Split the Company's issued and outstanding stock decreased from 147,511,430 to 49,242,225 as of December 31, 2020.

Common Stock At-The-Market Sales Program

On May 27, 2021, the Company entered into an At Market Issuance Sales Agreement ("First ATM Agreement") with B. Riley Securities, Inc. ("B. Riley") and Cantor Fitzgerald & Co. ("Cantor"), as distribution agents under which the Company may offer and sell shares of the Company's Common Stock from time to time through the Distribution Agents, acting as sales agent or principal. On September 30, 2021, the Company entered into a second At

Market Issuance Sales Agreement with B. Riley, BNP Paribas Securities Corp., Cantor, Mizuho Securities USA LLC and Needham & Company, LLC, as distribution agents (together with the First ATM Agreement, the "ATM Agreement").

Sales of the shares of Common Stock under the ATM Agreement, will be in "at the market offerings" as defined in Rule 415 under the Securities Act, including, without limitation, sales made directly on or through the Nasdaq or on any other existing trading market for the Common Stock, as applicable, or to or through a market maker or any other method permitted by law, including, without limitation, negotiated transactions and block trades. Shares of Common Stock sold under the ATM Agreement are offered pursuant to the Company's Registration Statement on Form S-3 (File No. 333-255707), filed with the SEC on May 3, 2021, and declared effective on May 12, 2021 (the "2021 Registration Statement"), and the prospectus dated May 12, 2021 included in the 2021 Registration Statement and the related prospectus supplements for sales of shares of Common Stock as follows:

Supplement	Period	Number of Shares Sold	Weighted Average Price Per Share	Gross Proceeds	Net Proceeds
Prospectus supplement dated May 27, 2021 with an aggregate offering price of up to $100 million ("Common ATM Program–1")	May 28, 2021 and through July 1, 2021	49,423,706	$2.008	$99.3 million	$95.7 million
Prospectus supplement dated June 30, 2021 with an aggregate offering price of up to $150 million ("Common ATM Program–2")	June 30, 2021 and through September 2, 2021	57,580,463	$2.603	$149.9 million	$144.4 million
Prospectus supplement dated September 30, 2021 with an aggregate offering price of up to $250.0 million ("Common ATM Program–3")	October 6, 2021 through December 31, 2021	98,594,447	$1.327	$130.8 million	$126.4 million

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 December 31, 2021 and December 31, 2020, the Company had 2,778,111 shares and 3,290,050 shares of Series A Preferred Stock outstanding, respectively. The par value of the Series A Preferred Stock is $0.0001 per share. Each share of Series A Preferred Stock is convertible at the holder's option, at any time into the number of shares of Common Stock determined as of the date of conversion using a certain conversion formula that takes into account the amount of Liquidation Preference per share as adjusted for accrued but unpaid dividends, as described below. As of December 31, 2021, after taking into account the effect of the Reverse Stock Split, each outstanding shares of Series A Preferred Stock was convertible into 0.4713 shares of Common Stock using this conversion formula. Accordingly, as of December 31, 2021, 1,309,187 shares of Common Stock were issuable upon conversion of the remaining 2,778,111 shares of Series A Preferred Stock.

Holders of the Series A Preferred Stock are entitled to receive cumulative dividends at a rate per annum of 10% of the dollar amount of per share liquidation preference (plus accumulated but unpaid dividends, the "Liquidation Preference") per share of Series A Preferred Stock, paid or accrued quarterly in arrears. From the issue date through December 31, 2021 the amount of all accrued but unpaid dividends on the Series A Preferred Stock have been added to the Liquidation Preference. The Company shall add the amount of all accrued but unpaid dividends on each quarterly dividend payment date to the Liquidation Preference, except to the extent the Company elects to make all or any portion of such payment in cash on or prior to the applicable dividend payment date, in which case, the amount of the accrued but unpaid dividends that is added to the Liquidation Preference shall be reduced on a dollar-for-dollar basis by the amount of any such cash payment. The Company is not required to make any payment or allowance for unpaid dividends, whether or not in arrears, on converted shares of Series A Preferred Stock or for dividends on the shares of Common Stock issued upon conversion of such shares. The dividend accumulation for the years ended December 31, 2021 and 2020 was $1.6 million and $1.3 million, respectively as reflected on the Consolidated Statement of Operations. As of December 31, 2021, the total accumulated but unpaid dividends on the Series A Preferred Stock since inception on July 12, 2017 was $12.3 million. The per share average of cumulative preferred dividends is $4.4.

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

Treasury Stock

On November 8, 2017, the Company's board of directors authorized a share buyback program (the "Share Buyback Program"), pursuant to which the Company was permitted to purchase up to 1,666,667 shares of Common Stock. The Share Buyback Program has expired. As of December 31, 2021, 929,049 shares had been repurchased under the Share Buyback Program and they are held in treasury stock. The Company records treasury stock using the cost method.

During the first quarter of 2020, 1,523,578 shares of Common Stock were returned to the Company by Ex-Sigma 2 in connection with the Appraisal Action. These shares are also included in treasury stock.

Warrants

At December 31, 2021, there were warrants outstanding to purchase 15,565,152 shares of our Common Stock, consisting of 35,000,000 warrants to purchase one-sixth of one share outstanding from our 2015 IPO and 9,731,819 warrants to purchase one share from the private placement that was completed in March 2021.

IPO Warrants

As part of its IPO, Quinpario had issued 35,000,000 units comprising one share of Common Stock and one warrant of which 34,986,302 have been separated from the original unit and 13,698 warrants remain an unseparated part of the originally issued units (the Common Stock included in these originally issued units (adjusted to reflect the Reverse Split) have been accounted for in the number of shares of Common Stock outstanding referred to above). The warrants traded on the OTC Pink under the symbol "XELAW" as of December 31, 2021.

Each IPO warrant entitles the holder to purchase one-sixth of one share of Common Stock at a price of $5.75 per one-sixth share ($34.50 per whole share). IPO 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 IPO warrant is currently exercisable and will expire July 12, 2022 (five years after the completion of the Novitex Business Combination), or earlier upon redemption.

The Company may call the IPO 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 $72.00 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.

Private Placement of Unregistered Shares and Warrants

On March 15, 2021, the Company, entered into a securities purchase agreement with certain accredited institutional investors pursuant to which the Company issued and sold to ten accredited institutional investors in a private placement an aggregate of 9,731,819 unregistered shares of the Company's Common Stock at a price of $2.75 per share and an equal number of warrants, generating gross proceeds to the Company of $26.8 million. Cantor Fitzgerald acted as underwriter in connection with such sale of unregistered securities and received a placement fee of 5.5% of gross proceeds in connection with such service. In selling the shares without registration, the Company relied on exemptions from registration available under Section 4(a)(2) of the Securities Act of 1933 and Rule 506 promulgated thereunder. The shares of Common Stock sold together with these warrants are included in the Company's calculation of total shares outstanding. The Company filed a registration statement on Form S-3 on May 3, 2021 that registered these shares and the shares underlying these private placement warrants.

Each private placement warrant entitles the holder to purchase one share of Common Stock, at an exercise price of $4.00 per share and will expire on September 19, 2026. The private placement warrants are not traded as of December 31, 2021 and are not subject to redemption by the Company.

18. Related-Party Transactions

Relationship with HandsOn Global Management

The Company incurred reimbursable travel expenses to HOVS LLC and HandsOn Fund 4 I, LLC (collectively, together with certain affiliated entities controlled by HandsOn Global Management LLC, "HGM") of less than $0.1 million, $0.1 million and $0.6 million for the years ended December 31, 2021, 2020 and 2019, respectively. As of December 31, 2021, HGM beneficially owned approximately 9.2% of the Company's Common Stock, including shares controlled pursuant to voting agreements (as described below) and shares issuable upon conversion of Series A Preferred Stock. Certain members of our Board of Directors, including our Executive Chairman, are also affiliated with HGM.

Pursuant to a master agreement dated January 1, 2015 between Rule 14, LLC and a subsidiary of the Company, the Company incurs marketing fees to Rule 14, LLC, a portfolio company of HGM. Similarly, the Company is party to ten master agreements with entities affiliated with HGM's managed funds, each of which were entered into during 2015 and 2016. Each master agreement provides the Company with use of certain technology and includes a reseller arrangement pursuant to which the Company is entitled to sell these services to third parties. Any revenue earned by the Company in such third-party sale is shared 75%/25% with each of HGM's venture affiliates in favor of the Company. The brands are Zuma, Athena, Peri, BancMate, Spring, Jet, Teletype and CourtQ. The Company has the license to use and resell such brands, as described in the applicable master service agreements. The Company incurred fees relating to these agreements of $5.7 million, $1.9 million, and $1.0 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Certain operating companies lease their operating facilities from HOV RE, LLC and HOV Services Limited, which are affiliates under common control with HGM. The rental expense for these operating leases was $0.2 million, $0.2 million, and $0.4 million for the years ended December 31, 2021, 2020, and 2019, respectively. In addition, HOV Services, Ltd. Provides the Company data capture and technology services. The expense recognized for these services was approximately $1.3 million, $1.4 million, and $1.5 million for the years ended December 31, 2021, 2020, and 2019, respectively. These expenses are included in cost of revenue in the consolidated statements of operations.

Certain premium payments, secondary offering fees and legal expenses were reimbursed to Ex-Sigma 2 pursuant to the terms of the Consent, Waiver and Amendment dated June 15, 2017, by and among the Company, Quinpario Merger Sub I, Inc., Quinpario Merger Sub II, Inc., SourceHOV, Novitex, Novitex Parent, L.P., Ex Sigma LLC, HOVS LLC and HandsOn Fund 4 I, LLC, amending the Novitex Business Combination agreement (the "Consent, Waiver and Amendment"). These expenses are included in related party expense in the consolidated statements of operations. The Company recorded related party expenses of $1.7 million during the year ended December 31, 2019 related to the Company's obligation to reimburse Ex-Sigma 2 for premium payments on the $55.8 million margin loan obtained by Ex-Sigma 2 to purchase additional common and preferred shares from the Company to help meet the minimum cash requirements needed to close the Novitex Business Combination (the "Margin Loan"). The Company recorded related party expenses of $2.1 million for the year ended December 31, 2019 for reimbursable expenses related to secondary offerings of shares by Ex-Sigma 2, the proceeds of which were used to repay the Margin Loan. The reimbursement payments were made in the second half of 2019. The Company recorded related party expenses of $0.3

million and $0.6 million for the years ended December 31, 2020 and 2019, respectively, for reimbursable legal expenses of Ex-Sigma 2.

The Company made payments totaling $5.6 million to Ex-Sigma 2 during the fourth quarter of 2019. Separately, the Company determined it was obligated to reimburse premium payments of $6.9 million made by Ex-Sigma 2 on the Margin Loan under the terms of the Consent, Waiver and Amendment. Pursuant to a written settlement agreement entered into in June 2020, Ex-Sigma, SourceHOV and the Company agreed that the $5.6 million of payments made during the fourth quarter of 2019 would be accepted to fully discharge the Company's obligation to reimburse Ex-Sigma 2 for the $6.9 million of premium payments. The Company recorded the difference of $1.3 million between the obligation amount and the settlement amount as an increase to additional paid in capital in the consolidated statements of stockholders' deficit for the year ended December 31, 2020.

In addition, in October 2019, the Company awarded $6.3 million in bonuses to certain employees who were also indirect equity holders of Ex-Sigma 2 through their holdings of Ex-Sigma that had been issued upon the vesting of RSUs granted under the 2013 Plan. Ex-Sigma 2 pledged all of its capital stock in the Company as collateral for the Margin Loan. The Company remitted the net amount of $4.6 million (after withholding payroll taxes of $1.7 million) toward the outstanding balance on the Margin Loan in order to benefit such employees. The bonus amount remitted by the Company was originally determined by Ex-Sigma management based on such employees' over-all equity ownership of Ex-Sigma. Following payment in full of the Margin Loan, during the first quarter of 2020, Ex-Sigma 2 distributed the shares of the Company's capital stock held by it to its sole equity holder, Ex-Sigma, who distributed the shares to its equity holders, including the bonus recipients. Many recipients of these shares have entered into voting agreements in respect of those shares with HGM. These bonus payments were not processed or approved according to the Company's internal control policies. In May 2020, each employee that received the bonus countersigned an authorization letter confirming their authorization for the Company to remit the amount of their net bonus to pay a portion of the Margin Loan. The Company recorded the $6.3 million bonus payments as compensation expense in selling, general and administrative expenses in the accompanying statements of operations for the year ended December 31, 2019.

Consulting Agreement

The Company receives services from Oakana Holdings, Inc. The Company and Oakana Holdings, Inc. are related through a family relationship between certain shareholders and the president of Oakana Holdings, Inc. The expense recognized for these services was approximately $0.2 million, $0.2 million and $0.2 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Subscription Agreements

During November 2021 and December 2021, the Company entered into separate subscription agreements with five of its directors. Pursuant to these subscription agreements, the Company issued and sold 62,500, 158,730, 63,492, 79,365 and 39,682 shares of Common Stock of the Company to Sharon Chadha, Par Chadha, Martin Akins, J. Coley Clark and John Rexford, respectively, for a purchase price of $0.1 million, $0.2 million, less than $0.1 million, $0.1 million and less than $0.1 million, respectively.

Relationship with Apollo Global Management, LLC

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

On November 18, 2014, one of the Company's subsidiaries entered into a master services agreement with an indirect wholly owned subsidiary of Apollo. Pursuant to this master services agreement, the Company provided printer supplies and maintenance services, including toner maintenance, training, quarterly business review and printer procurement. The Company recognized revenue of $0.1 million and $0.6 million under this agreement for the years ended December 31, 2020 and 2019, respectively, in its consolidated statements of operations.

In April 2016, one of the Company's subsidiaries entered into a master services agreement with Presidio Networked Solutions Group, LLC ("Presidio Group"), a wholly owned subsidiary of Presidio, Inc., a portion of which is owned by affiliates of Apollo. Pursuant to this master services agreement, Presidio Group provided the Company with employees, subcontractors, and/or goods and services. For the years ended December 31, 2020 and 2019 there were related party expenses of $0.2 million and $1.0 million, respectively, for this service.

On January 18, 2017, one of the Company's subsidiaries entered into a master purchase and professional services agreement with Caesars Enterprise Services, LLC (''Caesars''). Caesars is controlled by investment funds affiliated with Apollo. Pursuant to this master purchase and professional services agreement, the Company provided managed print services to Caesars, including general equipment operation, supply management, support services and technical support. The Company recognized revenue of $0.9 million and $4.4 million for years ended December 31, 2020 and 2019.

On May 5, 2017, one of the Company's subsidiaries entered into a master services agreement with ADT LLC. ADT LLC is controlled by investment funds affiliated with Apollo. Pursuant to this master services agreement, the Company provided ADT LLC with mailroom and onsite mail delivery services at an ADT LLC office location and managed print services, including supply management, equipment maintenance and technical support services. The Company recognized revenue of $0.3 million and $1.2 million in our consolidated statements of operations from ADT LLC under this master services agreement for the years ended December 31, 2020 and 2019.

On July 20, 2017, one of the Company's subsidiaries entered into a master services agreement with Diamond Resorts Centralized Services Company. Diamond Resorts Centralized Services Company is controlled by investment funds affiliated with Apollo. Pursuant to this master services agreement, the Company provided commercial print and promotional product procurement services to Diamond Resorts Centralized Services Company, including sourcing, inventory management and fulfillment services. The Company recognized revenue of $0.9 million and $5.4 million for the year ended December 31, 2020 and 2019 and cost of revenue of less than $0.1 million for each of the years ended December 31, 2020 and 2019 from Diamond Resorts Centralized Services Company under this master services agreement.

Payable and Receivable/Prepayment Balances with Affiliates

Payable and receivable/prepayment balances with affiliates as of December 31, 2021 and December 31, 2020 are as follows below:

	December 31, 2021		December 31, 2020	
	Receivables and Prepaid Expenses	**Payables**	**Receivables and Prepaid Expenses**	**Payables**
HOV Services, Ltd	$ 708	$ —	$ 711	$ —
Rule 14	—	1,483	—	44
HGM	7	—	—	52
Oakana	—	1	—	1
	$ 715	$ 1,484	$ 711	$ 97

19. Segment and Geographic Area Information

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

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

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

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

The chief operating decision maker reviews segment profit to evaluate operating segment performance and determine how to allocate resources to operating segments. "Segment profit" is defined as revenue less cost of revenue (exclusive of depreciation and amortization). The Company does not allocate Selling, general, and administrative expenses, depreciation and amortization, interest expense and sundry, net. The Company manages assets on a total company basis, not by operating segment, and therefore asset information and capital expenditures by operating segments are not presented. A reconciliation of segment profit to net loss before income taxes is presented below.

	Year ended December 31, 2021			
	ITPS	**HS**	**LLPS**	**Total**
Revenue	$ 874,126	$ 217,839	$ 74,641	$ 1,166,606
Cost of revenue (exclusive of depreciation and amortization)	672,191	163,445	53,459	889,095
Segment profit	201,935	54,394	21,182	277,511
Selling, general and administrative expenses (exclusive of depreciation and amortization)				169,781
Depreciation and amortization				77,150
Related party expense				9,191
Interest expense, net				168,048
Debt modification and extinguishment costs (gain), net				(16,689)
Sundry expense, net				363
Other expense, net				401
Net loss before income taxes				$ (130,734)

	Year ended December 31, 2020			
	ITPS	HS	LLPS	Total
Revenue	$ 1,005,043	$ 219,047	$ 68,472	$ 1,292,562
Cost of revenue (exclusive of depreciation and amortization)	815,013	159,917	48,614	1,023,544
Segment profit	190,030	59,130	19,858	269,018
Selling, general and administrative expenses (exclusive of depreciation and amortization)				186,104
Depreciation and amortization				93,953
Related party expense				5,381
Interest expense, net				173,878
Debt modification and extinguishment costs (gain), net				9,589
Sundry income, net				(153)
Other income, net				(34,788)
Net loss before income taxes				$ (164,946)

	Year ended December 31, 2019			
	ITPS	HS	LLPS	Total
Revenue	$ 1,234,284	$ 256,721	$ 71,332	$ 1,562,337
Cost of revenue (exclusive of depreciation and amortization)	1,001,655	180,045	43,035	1,224,735
Segment profit	232,629	76,676	28,297	337,602
Selling, general and administrative expenses (exclusive of depreciation and amortization)				198,864
Depreciation and amortization				100,903
Impairment of goodwill and other intangible assets				349,557
Related party expense				9,501
Interest expense, net				163,449
Debt modification and extinguishment costs (gain), net				1,404
Sundry expense, net				969
Other expense, net				14,429
Net loss before income taxes				$ **(501,474)**

The following table presents revenues by principal geographic area where the Company's customers are located for the years ended December 31, 2021, 2020, and 2019.

	Years ended December 31,		
	2021	2020	2019
United States	$ 941,985	$ 1,057,006	$ 1,286,678
EMEA	205,772	213,418	248,466
Other	18,849	22,138	27,193
Total Consolidated Revenue	$ 1,166,606	$ 1,292,562	$ 1,562,337

20. 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 2021 and 2020 (dollars in thousands, except per share data):

	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Revenue:				
ITPS	$ 231,875	$ 217,260	$ 208,304	$ 216,687
HS	51,093	56,204	53,995	56,547
LLPS	17,088	19,545	16,930	21,078
Total Revenue	300,056	293,009	279,229	294,312
Cost of revenue:				
ITPS	185,502	156,669	157,721	172,299
HS	35,818	38,973	41,945	46,709
LLPS	11,267	13,438	12,065	16,689
Cost of revenue (exclusive of depreciation and amortization)	232,587	209,080	211,731	235,697
Selling, general and administrative expenses (exclusive of depreciation and amortization)	41,885	36,390	43,244	48,262
Depreciation and amortization	19,599	19,420	19,094	19,037
Related party expense	1,707	2,748	2,744	1,992
Operating income (loss)	4,278	25,371	2,416	(10,676)
Other expense (income), net:				
Interest expense, net	43,131	42,867	41,757	40,293
Debt modification and extinguishment costs (gain)	—	—	(28,070)	11,381
Sundry expense (income), net	213	(787)	136	801
Other expense (income), net	152	651	366	(768)
Net loss before income taxes	(39,218)	(17,360)	(11,773)	(62,383)
Income tax (expense) benefit	18	(2,007)	(1,441)	(8,226)
Net loss	(39,200)	(19,367)	(13,214)	(70,609)
Cumulative dividends for Series A Preferred Stock	896	(798)	(822)	(852)
Net loss attributable to common stockholders	$ (38,304)	$ (20,165)	$ (14,036)	$ (71,461)
Weighted average outstanding common shares (Refer to Net Loss per Share discussion in Note 2)	50,646,482	61,474,020	150,655,012	207,150,475
Earnings per share:				
Basic and diluted	$ (0.76)	$ (0.33)	$ (0.09)	$ (0.34)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Revenue:				
ITPS	$ 284,112	$ 243,029	$ 234,365	$ 243,537
HS	64,049	49,166	54,209	51,623
LLPS	17,290	15,527	16,706	18,949
Total Revenue	365,451	307,722	305,280	314,109
Cost of revenue:				
ITPS	235,120	195,835	183,671	200,387
HS	44,931	36,148	39,444	39,394
LLPS	12,488	9,805	11,107	15,214
Cost of revenue (exclusive of depreciation and amortization)	292,539	241,788	234,222	254,995
Selling, general and administrative expenses (exclusive of depreciation and amortization)	50,374	47,014	42,837	45,879
Depreciation and amortization	23,185	22,847	22,095	25,826
Related party expense	1,551	1,146	1,360	1,324
Operating income (loss)	(2,198)	(5,073)	4,766	(13,915)
Other expense (income), net:				
Interest expense, net	41,588	44,440	43,612	44,238
Debt modification and extinguishment costs (gain)	—	—	—	9,589
Sundry expense (income), net	1,082	(899)	(434)	98
Other expense, net	(34,657)	(584)	(10,414)	10,867
Net loss before income taxes	(10,211)	(48,030)	(27,998)	(78,707)
Income tax (expense) benefit	(2,459)	(661)	(320)	(10,144)
Net loss	(12,670)	(48,691)	(28,318)	(88,851)
Cumulative dividends for Series A Preferred Stock	1,440	(858)	(976)	(915)
Net loss attributable to common stockholders	$ (11,230)	$ (49,549)	$ (29,294)	$ (89,766)
Weighted average outstanding common shares (Refer to Net Loss per Share discussion in Note 2)	49,065,055	49,169,556	49,170,477	49,172,037
Earnings per share:			—	
Basic and diluted	$ (0.23)	$ (1.01)	$ (0.60)	$ (1.82)

21. Restatement of Previously Issued Financial Statements

The Company concluded it should restate its previously issued financial statements by amending its Annual Report on Form 10-K, filed with the SEC on March 16, 2022 (the “Original Report”), to update the Company’s assessment of its ability to continue as a going concern as of such filing date of the year-end financial statements for the period ending December 31, 2021. This restatement resulted in a restatement of Note 2 (for the going concern assessment), Note 11 (to reclassify the Securitization Facility from long-term to current) and Note 15 (to update the carrying amount and fair value of long-term debt) to the Consolidated Financial Statements for the year ended December 31, 2021 and the restated of consolidated balance sheet as at December 31, 2021. There was no impact of the restatement on our consolidated balance sheets as of December 31, 2020, consolidated statements of operations for the years ended December 31, 2021, 2020, and 2019, consolidated statements of comprehensive loss for the years ended December 31, 2021, 2020, and 2019, consolidated statements of stockholders’ deficit for the years ended December 31, 2021, 2020, and 2019 and consolidated statements of cash flows for the years ended December 31, 2021, 2020, and 2019 or to such statements in any interim reports.

Exela Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets

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

	As of December 31, 2021		
	As Previously Reported	Restatement Adjustment	As Restated
Assets			
Current assets			
Cash and cash equivalents	$ 20,775	$ —	$ 20,775
Restricted cash	27,285	—	27,285
Accounts receivable, net of allowance for doubtful accounts of $6,049	184,102	—	184,102
Related party receivables and prepaid expenses	715	—	715
Inventories, net	15,215	—	15,215
Prepaid expenses and other current assets	31,799	—	31,799
Total current assets	**279,891**	**—**	**279,891**
Property, plant and equipment, net of accumulated depreciation of $196,683	73,449	—	73,449
Operating lease right-of-use assets, net	53,937	—	53,937
Goodwill	358,323	—	358,323
Intangible assets, net	244,539	—	244,539
Deferred income tax assets	2,109	—	2,109
Other noncurrent assets	24,775	—	24,775
Total assets	**$ 1,037,023**	**$ —**	**$ 1,037,023**
Liabilities and Stockholders' Equity (Deficit)			
Liabilities			
Current liabilities			
Accounts payable	$ 61,744	$ —	$ 61,744
Related party payables	1,484	—	1,484
Income tax payable	3,551	—	3,551
Accrued liabilities	113,519	—	113,519
Accrued compensation and benefits	60,860	—	60,860
Accrued interest	10,075	—	10,075
Customer deposits	17,707	—	17,707
Deferred revenue	16,617	—	16,617
Obligation for claim payment	46,902	—	46,902
Current portion of finance lease liabilities	6,683	—	6,683
Current portion of operating lease liabilities	15,923	—	15,923
Current portion of long-term debts	144,828	91,947	236,775
Total current liabilities	**499,893**	91,947	**591,840**
Long-term debt, net of current maturities	1,104,399	(91,947)	1,012,452
Finance lease liabilities, net of current portion	9,156	—	9,156
Pension liabilities, net	28,383	—	28,383
Deferred income tax liabilities	11,594	—	11,594
Long-term income tax liabilities	3,201	—	3,201
Operating lease liabilities, net of current portion	41,170	—	41,170
Other long-term liabilities	5,999	—	5,999
Total liabilities	**1,703,795**	**—**	**1,703,795**
Commitments and Contingencies (Note 14)			
Stockholders' equity (deficit)			
Common Stock, par value of $0.0001 per share; 1,600,000,000 shares authorized; 267,646,667 shares issued and 265,194,961 shares outstanding at December 31, 2021	37	—	37
Preferred stock, par value of $0.0001 per share; 20,000,000 shares authorized; 2,778,111 shares issued and outstanding at December 31, 2021	1	—	1
Additional paid in capital	838,853	—	838,853
Less: Common Stock held in treasury, at cost; 2,451,706 shares at December 31, 2021	(10,949)	—	(10,949)
Equity-based compensation	56,123	—	56,123
Accumulated deficit	(1,532,428)	—	(1,532,428)
Accumulated other comprehensive loss:	—		
Foreign currency translation adjustment	(7,463)	—	(7,463)
Unrealized pension actuarial losses, net of tax	(10,946)	—	(10,946)
Total accumulated other comprehensive loss	(18,409)	—	(18,409)
Total stockholders' deficit	**(666,772)**	**—**	**(666,772)**
Total liabilities and stockholders' deficit	**$ 1,037,023**	**$ —**	**$ 1,037,023**

22. Subsequent Events

Common Stock At-The-Market Sales Program

During January 1, 2022 through March 15, 2022, we issued an aggregate of 131,798,802 shares of Common Stock under the Common ATM Program–3 at a weighted average price of $0.554 per share, generating gross proceeds of $73.0 million and net proceeds of $70.3 million, after offering expenses.

A portion of the proceeds from the ATM Program-3 will be used to satisfy the cash payment under the terms of the Revolver Exchange Agreement as discussed below.

Issuance of 2026 Notes

During January 1, 2022 through March 15, 2022, we sold $81,500,000 in aggregate of principal amount of the 2026 Notes generating net proceeds of $49.8 million.

A portion of the proceeds from the Issuance of the 2026 Notes will be used to satisfy the cash payment under the terms of the Revolver Exchange Agreement as discussed below.

Repayments on BRCC Facility

During January 2022, we repaid $22.7 million of outstanding principal amount under the BRCC Facility.

Revolving Credit Facility Exchange and Prepayment

On March 7, 2022, subsidiaries of the Company entered into a Revolving Loan Exchange and Prepayment Agreement with Royal Bank of Canada, Credit Suisse AG, Cayman Islands Branch, KKR Corporate Lending LLC, Granite State Capital Master Fund LP, Credit Suisse Loan Funding LLC and Revolvercap Partners Fund LP (the “Revolver Exchange Agreement”) exchanging $100.0 million of outstanding Revolving Credit Facility owed by Exela Intermediate LLC, a wholly owned subsidiary of the Company, upon the terms and subject to the conditions set forth in the Revolver Exchange Agreement, for (i) $50.0 million in cash, and (ii) $50.0 million of 2026 Notes.

The Company intends to use $50.0 million of the proceeds raised in ATM Program-3 and from the issuance of 2026 Notes from January 1, 2022 to March 15, 2022 and issue $50.0 million of the 2026 Notes to satisfy the exchange and prepayment obligation under the Revolver Exchange Agreement.

Share Exchange Offer

On March 11, 2022, the Company announced the final results of its offer to exchange shares of its Common Stock for its 6.00% Series B Cumulative Convertible Perpetual Preferred Stock (the “Series B Preferred Stock”), with each 20 shares of Common Stock being exchanged for one share of Series B Preferred Stock having a liquidation preference of $25.00 per share (the “Share Exchange Offer”). The Share Exchange Offer expired on March 10, 2022. Pursuant to the Share Exchange Offer, 18,006,560 shares of Common Stock were validly tendered for exchange and not withdrawn as of the expiration date. Based on the foregoing, Exela will exchange all such shares of Common Stock for a total of 900,328 shares of Series B Preferred Stock, without prorating. Exela will promptly issue the shares of Series B Preferred Stock to holders of validly tendered and accepted shares of Common Stock, which shares will be cancelled. Exela has filed an application to list the Series B Preferred Stock on the Nasdaq under the symbol “XelaP”.

[Part II, Item 9 intentionally omitted as it was not amended by this Amendment.]

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15I and 15d-15I under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2021. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based upon that evaluation, as discussed below, our CEO and CFO have concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures were not effective because of the material weaknesses in internal control over financial reporting described below.

Notwithstanding such material weaknesses in internal control over financial reporting, our management, including our CEO and CFO, has concluded that our consolidated balance sheets as of and for the years ended December 31, 2021 (as restated) and 2020 and the consolidated statements of operations, comprehensive loss, stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2021, present fairly, in all material respects, our financial position, results of our operations and our cash flows for the periods presented in this Annual Report, in conformity with U.S. GAAP.

Management's Report on Internal Control over Financial Reporting

Management, under the supervision of the board of directors, is responsible for establishing and maintaining adequate "internal control over financial reporting," as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Management, with participation of the CEO and CFO, under the oversight of our Board of Directors, assessed the effectiveness of our internal control over financial reporting as of December 31, 2021 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control- Integrated Framework (2013) (the "COSO 2013 Framework"). Based on its assessment, our management, including our CEO and CFO, has concluded that our internal control over financial reporting was not effective as of December 31, 2021 due to material weaknesses in our internal control over financial reporting described below.

The Company did not design, implement and operate effective process-level control activities related to order-to-cash (including revenue, customer deposits, accounts receivable and deferred revenue), leases, going concern assessment (including related disclosures, the impact of the going concern assessment on the classification of debt and the impact of subsequent events on such assessment), and subsequent events disclosures. The deficiencies related to the order-to-cash process also resulted in ineffective general information technology controls (GITCs) due to an incomplete understanding of the risks associated with relevant information technology (IT).

These deficiencies in process-level control activities were largely caused by an ineffective control environment as follows:

- The Company did not sufficiently establish structures, reporting lines and appropriate authorities and responsibilities; and
- The Company did not sufficiently attract, develop and retain competent resources and hold them accountable for their internal control responsibilities.

The deficiencies in the control environment also created deficiencies in the Company's information and communication activities as follows:

- Relevant and quality information to support the functioning of internal controls was not consistently generated or used by the Company to support the operation of internal controls; and
- Internal communication of information necessary to support the functioning of internal control was not sufficient.

There were no material misstatements identified as a result of these control deficiencies, except for the going concern assessment (including related disclosures, the impact of the going concern assessment on the classification of debt and impact of subsequent events on such assessment) and subsequent events disclosures. However, because there is a reasonable possibility that material misstatement of the consolidated financial statements would not be prevented or detected on a timely basis, we concluded the deficiencies represent material weaknesses in our internal control over financial reporting and our internal control over financial reporting was not effective as of December 31, 2021.

Our independent registered public accounting firm, KPMG LLP, who audited the consolidated financial statements included in this Annual Report on Form 10-K, issued an adverse opinion on the effectiveness of the Company's internal control over financial reporting. KPMG LLP's report appears on page 31 – 32 of this Annual Report on Form 10-K/A.

Remediation Plan

We have identified and continue to implement several steps, as further described below, to remediate the material weaknesses described in this Item 9A and to enhance our overall control environment, control activities, and information and communication. We are committed to ensuring that our internal controls over financial reporting are designed and operating effectively.

- Further develop the detailed remediation plan, with appropriate executive sponsorship and with the assistance of third-party specialists, to specifically address the material weaknesses related to the control environment and information and communication.
- Establish adequate structures, reporting lines and appropriate authorities and responsibilities.
- Continue to hire, train, and retain individuals with appropriate skills and experience, assign responsibilities and hold individuals accountable for their roles related to internal control over financial reporting.
- For the order-to-cash and lease processes, enhance the design of existing control activities and implement additional process-level control activities, including related GITCs related to the order-to-cash process, and ensure they are operating effectively.
- Design and implement additional information and communications controls to ensure the ability to obtain and the use of relevant and quality information to allow the effective operation of control activities, including internal communication.

Although we intend to complete the remediation process as promptly as possible, we cannot at this time estimate how long it will take to remediate these material weaknesses. In addition, we may discover additional material weaknesses that require additional time and resources to remediate and we may decide to take additional measures to address the material weaknesses or modify the remediation steps described above. Until these weaknesses are remediated, we plan to continue to perform additional analyses and other procedures to ensure that our consolidated financial statements are prepared in accordance with U.S. GAAP.

Changes in Internal Controls over Financial Reporting

We made the following material changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2021 to remediate previously reported material weaknesses in our internal control over financial reporting:

- Established enhanced financial reporting objectives to enable the identification and assessment of risks, including complying with applicable accounting standards.
- Implemented an enhanced risk assessment process to identify and assess risks of misstatement, including fraud risks, to ensure controls were designed and implemented to responds to those risks, and to identify and assess changes that could impact the system of internal controls.
- Selected, developed and performed ongoing evaluations to determine the components of internal control are present and functioning.
- Enhanced communication with external parties on matters affecting the functioning of internal control
- Timely evaluated and communicated internal control deficiencies as well as monitored related corrective actions.
- Designed, implemented and effectively operated process-level control activities related to journal entries, the preparation of consolidated financial statements, and significant unusual transactions.

There were no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

[Part II, Items 9B and 9C and Part III, Items 10 to 14 intentionally omitted as they are not amended by this Amendment.]

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

101) **(1) Financial Statements**

(a)(3) Exhibits

(a)(3)
Exhibits(a)
(3) Exhibits

Exhibit No.	Description	Filed or Furnished Herewith
2.1	Novitex 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)	
3.1	Restated Certificate of Incorporation, dated July 12, 2017 (4)	
3.2	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Exela Technologies, Inc., effective January 25, 2021 (13)	
3.3	Second Amended and Restated Bylaws, dated November 6, 2019 (9)	
3.4	Certificate of Designations, Preferences, Rights and Limitations of Series A Perpetual Convertible Preferred Stock (4)	
3.5	Certificate of Amendment to Bylaws of Exela Technologies, Inc., dated October 11, 2021 (18)	
3.6	Certificate of Amendment No. 2 to Bylaws of Exela Technologies, Inc., dated December 27, 2021 (21)	
3.7	Waiver of Bylaws (5)	
4.1	Specimen Common Stock Certificate (1)	
4.2	Specimen Warrant Certificate (1)	
4.3	Form of Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant (1)	
4.4	Form of Common Stock Purchase Warrant (14)	
4.5	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)	
4.6	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)(3)
Exhibits(a)
(3) Exhibits

Exhibit No.	Description	Filed or Furnished Herewith
4.7	Second Supplemental Indenture, dated May 20, 2020, by and among Exela Intermediate LLC and Exela Finance Inc., as Issuers, Merco Holdings, LLC as Subsidiary Guarantor and Wilmington Trust, National Association, as Trustee. (11)	
4.8	Third Supplemental Indenture, dated as of December 1, 2021, by and among Exela Intermediate LLC, Exela Finance Inc. and Wilmington Trust, National Association, as trustee (20)	
4.9	Indenture, dated December 9, 2021, by and among Exela Intermediate LLC and Exela Finance Inc. as Issuers, the Subsidiary Guarantors set forth therein and U.S.Bank, National Association, as Trustee	Filed
4.10	Supplemental Indenture, dated December 20, 2021, by and among Exela Intermediate LLC and Exela Finance Inc. as Issuers, and U.S. Bank, National Association, as Trustee	Filed
4.11	Second Supplemental Indenture, dated February 24, 2022, by and among Exela Intermediate LLC and Exela Finance Inc. as Issuers, and U.S. Bank, National Association, as Trustee	Filed
4.12	At Market Issuance Sales Agreement, dated September 30, 2021, by and among Exela Technologies, Inc. and B. Riley Securities, Inc., BNP Paribas Securities Corp., Cantor Fitzgerald & Co., Mizuho Securities USA LLC and Needham & Company, LLC (17)	
4.13	Description of Securities (1)	
10.1	Modification Agreement, dated as of June 15, 2017 (3)	
10.2	Amended & Restated Registration Rights Agreement, dated July 12, 2017, by and among the Company and the Holders (4)	
10.3	Exela Technologies, Inc. Director Nomination Agreement, dated July 12, 2017, by and among the Company, the HGM Group and Ex-Sigma 2 LLC (4)	
10.4	Securities Purchase Agreement (14)	
10.5	Registration Rights Agreement (14)	
10.6	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)	
10.7	First Amendment to First Lien Credit Agreement, dated July 13, 2018, 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 (6)	
10.8	Second Amendment to First Lien Credit Agreement, dated as of April, 16, 2019, by and among Exela Intermediate Holdings LLC, Exela Intermediate, LLC, each Subsidiary Loan Party listed on the signature pages thereto, Royal Bank of Canada, as administrative agent, and each of the lenders party thereto. (7)	
10.9	Transition Agreement, dated as of May 15, 2020, by and between Exela Technologies, Inc. and James G. Reynolds.(11)	
10.10	Third Amendment to First Lien Credit Agreement and First Amendment to Collateral Agency and Security Agreement (First Lien), dated as of May 15, 2020, by and among Exela Intermediate Holdings LLC, Exela Intermediate LLC, each Subsidiary Loan Party thereto, the Lenders party thereto and Wilmington Savings Fund Society, FSB (10)	
10.11	Fourth Amendment to First Lien Credit Agreement, dated as of December 9, 2021	Filed
10.12	Revolving Loan Exchange and Prepayment Agreement, dated March 7, 2022, by and among Exela Intermediate Holdings, LLC, Exela Intermediate LLC, and the revolving lenders party thereto	Filed

(a)(3)
Exhibits(a)
(3) Exhibits

Exhibit No.	Description	Filed or Furnished Herewith
10.13	Loan and Security Agreement, dated as of December 10, 2020, by and among the Borrower, the Company, as initial servicer, Alter Domus (US) LLC, as administrative agent and the lenders from time to time party thereto. (12)	
10.14	First Tier Receivables Purchase and Sale Agreement, dated as of December 17, 2020, by and among Parent SPE, and certain other indirect, wholly-owned subsidiaries of the Company listed therein, and the Company, as initial servicer. (12)	
10.15	Second Tier Receivables Purchase and Sale Agreement, dated as of December 17, 2020, by and among, the Borrower, the Parent SPE and the Company, as initial servicer, pursuant to which the Parent SPE has sold or contributed and will sell or contribute to the Borrower certain receivables and related assets in consideration for a combination of cash and equity in the Borrower SPE (12)	
10.16	Sub-Servicing Agreement, dated as of December 17, 2020, by and among the Company, as initial servicer, and BancTec, Inc., SourceHOV, LLC, Economic Research Services, Inc., Exela Enterprise Solutions, Inc., SourceHOV Healthcare, Inc., United Information Services, Inc., HOV Enterprise Services, Inc., HOV Services, Inc., HOV Services, LLC, J&B Software, Inc., Novitex Government Solutions, LLC, Regulus Group II LLC, Regulus Group LLC, Regulus Integrated Solutions LLC, SourceCorp BPS Inc., Sourcecorp Management, Inc., as sub-servicers. (12)	
10.17	Pledge and Guaranty Agreement, dated as of December 10, 2020, between Parent SPE and Alter Domus (US) LLC. (12)	
10.18	Performance Guaranty, dated as of December 17, 2020, between the Company, as performance guarantor, and Alter Domus (US) LLC, as the administrative agent. (12)	
10.19	Second Amendment to Loan Agreement, dated April 11, 2021 (15)	
10.20	Secured Promissory Note dated as of November 17, 2021 by and between GP 2XCV LLC and B. Riley Commercial Capital, LLC (19)	
10.21	Amended and Restated Exela Technologies Inc. 2018 Stock Incentive Plan.(22)	
10.22	Form of Option Grant Notice and Agreement under the Exela Technologies Inc. 2018 Stock Incentive Plan.(8)	
10.23	Form of Restricted Stock Unit Grant and Agreement under the Exela Technologies Inc. 2018 Stock Incentive Plan.(8)	
10.24	Exela Technologies, Inc. Executive Officer Annual Bonus Plan.(9)	
10.25	Letter Agreement dated as of September 14, 2021 by and between Exela Technologies, Inc. and Par Chadha. (16)	
21.1	Subsidiaries of Exela Technologies Inc.	Filed
23.1	Consent of KPMG LLP	Filed
31.1	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	Filed
31.2	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	Filed
32.1	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	Furnished
32.2	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	Furnished

(a)(3)
Exhibits(a)
(3) Exhibits

Exhibit No.	Description	Filed or Furnished Herewith
101.INS	Inline XBRL Instance Document	Filed
101.SCH	Inline XBRL Taxonomy Extension Schema	Filed
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	Filed
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	Filed
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	Filed
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	Filed
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101)	

Except for the Consent of KPMG LLP and the Certifications, all Exhibits noted as "Filed" in this list were filed with the Original Report.

(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 Registrants' Current Report on Form 8-K, filed on June 21, 2017.
(4) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on July 18, 2017.
(5) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on December 21, 2017.
(6) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on July 17, 2018.
(7) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on April 17, 2019.
(8) Incorporated by reference to the Registrants' Quarterly Report on Form 10-Q, filed on May 10, 2019.
(9) Incorporated by reference to the Registrants' Quarterly Report on Form 10-Q, filed on November 12, 2019.
(10) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on May 21, 2020.
(11) Incorporated by reference to the Registrants' Quarterly Report on Form 10-Q, filed on August 10, 2020.
(12) Incorporated by reference to the Registrants' Current Report on Form 8 K, filed on December 17, 2021.
(13) Incorporated by reference to the Registrants' Current Report on Form 8 K, filed on January 25, 2021.
(14) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed on March 19, 2021.
(15) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed on April 15, 2021.
(16) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed on September 16, 2021.
(17) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed on September 30, 2021.
(18) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed on October 12, 2021.
(19) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed on November 18, 2021.
(20) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed on December 2, 2021.
(21) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed on December 27, 2021.
(22) Incorporated by reference to the Registrant's Registration Statement on Form S-8, filed on February 16, 2022.

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: November 14, 2022	By: /s/ Par Chadha Par Chadha, *Executive Chairman*

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: November 14, 2022	By: /s/ Par Chadha Par Chadha, *Executive Chairman (Principal Executive Officer)*
Dated: November 14, 2022	By: /s/ Shrikant Sortur Shrikant Sortur, *Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)*
Dated: November 14, 2022	By: /s/ Martin P. Akins Martin P. Akins, *Director*
Dated: November 14, 2022	By: /s/ Marc A. Beilinson Marc A. Beilinson, *Director*
Dated: November 14, 2022	By: /s/ Sharon Chadha Sharon Chadha, *Director*
Dated: November 14, 2022	By: /s/ J. Coley Clark J. Coley Clark, *Director*
Dated: November 14, 2022	By: /s/ Ronald C. Cogburn Ronald C. Cogburn, *Director*
Dated: November 14, 2022	By: /s/ James G. Reynolds James G. Reynolds, *Director*
Dated: November 14, 2022	By: /s/ William L. Transier William L. Transier, *Director*

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (No. 333-219494, No. 333-919157, No. 333-260046, No. 333-255707, No. 333-255708 and No. 333-263909) on Form S-3 and the registration statements (No. 333-222743 and No. 333-262767) on Form S-8 of our reports dated March 16, 2022, except for the going concern explanatory paragraph and Notes 2, 11, 15 and 21, and the restatement as to the effectiveness of internal control over financial reporting for the material weaknesses related to ineffective controls over going concern assessment (including related disclosures, the impact of the going concern assessment on the classification of debt and the impact of subsequent events on such assessment) and subsequent event disclosures, as to which the date is November 14, 2022, with respect to the consolidated financial statements of Exela Technologies, Inc. and the effectiveness of internal control over financial reporting.

(signed) KPMG LLP

Detroit, Michigan
November 14, 2022

Exhibit 31.1

CERTIFICATION

I, Par Chadha, certify that:

1. I have reviewed this Amendment No. 2 to annual report on Form 10-K/A for the year ended December 31, 2021 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: November 14, 2022

/s/ Par Chadha

Name: Par Chadha
Title: Executive Chairman
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Shrikant Sortur, certify that:

1. I have reviewed this Amendment No. 2 to annual report on Form 10-K/A for the year ended December 31, 2021 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: November 14, 2022

/s/ Shrikant Sortur

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

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 Amendment No. 2 to the Annual Report of Exela Technologies, Inc. (the “Company”) on Form 10-K/A for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Par Chadha, Executive Chairman 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: November 14, 2022

/s/ Par Chadha

Name: Par Chadha
Title: Executive Chairman
(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.

Exhibit 32.2

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 Amendment No. 2 to the Annual Report of Exela Technologies, Inc. (the “Company”) on Form 10-K/A for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Shrikant Sortur, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2022

	/s/ Shrikant Sortur
Name:	Shrikant Sortur
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.