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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

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
6.00% Series B Cumulative Convertible Perpetual Preferred Stock, par value $0.0001 per share	XELAP	The Nasdaq Stock Market LLC
Tandem Preferred Stock, par value of $0.0001 per share		

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

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

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

Large Accelerated Filer ☐	Accelerated Filer ☐
Non-Accelerated Filer ☒	Smaller Reporting Company ☒
	Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 14, 2024, the registrant had 6,365,351 shares of Common Stock outstanding.

Exela Technologies, Inc.

Form 10-Q

For the quarterly period ended March 31, 2024

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PART I—FINANCIAL INFORMATION

Exela Technologies, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
As of March 31, 2024 and December 31, 2023
(in thousands of United States dollars except share and per share amounts)

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Assets		
Current assets		
Cash and cash equivalents	$ 9,501	$ 23,341
Restricted cash	24,523	43,812
Accounts receivable, net of allowance for credit losses of $5,551 and $6,628, respectively	75,777	76,893
Related party receivables and prepaid expenses	474	296
Inventories, net	12,473	11,502
Prepaid expenses and other current assets	27,651	25,364
Total current assets	**150,399**	**181,208**
Property, plant and equipment, net of accumulated depreciation of $215,449 and $213,142, respectively	55,428	58,366
Operating lease right-of-use assets, net	31,688	33,874
Goodwill	170,355	170,452
Intangible assets, net	157,078	164,920
Deferred income tax assets	2,913	3,043
Other noncurrent assets	23,943	24,474
Total assets	**$ 591,804**	**$ 636,337**
Liabilities and Stockholders' Deficit		
Liabilities		
Current liabilities		
Current portion of long-term debt	$ 29,057	$ 30,029
Accounts payable	66,375	61,109
Related party payables	2,463	1,938
Income tax payable	2,352	2,080
Accrued liabilities	63,404	63,699
Accrued compensation and benefits	74,927	65,012
Accrued interest	29,946	52,389
Customer deposits	23,731	23,838
Deferred revenue	14,524	12,099
Obligation for claim payment	43,336	66,988
Current portion of finance lease liabilities	4,348	4,856
Current portion of operating lease liabilities	10,214	10,845
Total current liabilities	**364,677**	**394,882**
Long-term debt, net of current maturities	1,041,940	1,030,580
Finance lease liabilities, net of current portion	5,170	5,953
Pension liabilities, net	12,617	13,192
Deferred income tax liabilities	12,638	11,692
Long-term income tax liabilities	6,086	6,359
Operating lease liabilities, net of current portion	24,916	26,703
Other long-term liabilities	5,392	5,811
Total liabilities	**1,473,436**	**1,495,172**
Commitments and Contingencies (Note 8)		
Stockholders' deficit		
Common Stock, par value of $0.0001 per share; 1,600,000,000 shares authorized; 6,365,355 shares issued and outstanding at March 31, 2024 and December 31, 2023	261	261
Preferred stock, $0.0001 par value per share, 20,000,000 shares authorized at March 31, 2024 and December 31, 2023		
Series A Preferred Stock, 2,778,111 shares issued and outstanding at March 31, 2024 and December 31, 2023	1	1
Series B Preferred Stock, 3,029,900 shares issued and outstanding at March 31, 2024 and December 31, 2023	—	—
Additional paid in capital	1,237,354	1,236,171
Accumulated deficit	(2,108,993)	(2,084,114)
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	(6,422)	(7,648)
Unrealized pension actuarial gains (losses), net of tax	37	(174)
Total accumulated other comprehensive loss	(6,385)	(7,822)
Total stockholders’ deficit attributable to Exela Technologies, Inc.	**(877,762)**	**(855,503)**
Noncontrolling interest in XBP Europe	(3,870)	(3,332)
Total stockholders’ deficit	**(881,632)**	**(858,835)**
Total liabilities and stockholders’ deficit	**$ 591,804**	**$ 636,337**

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

Exela Technologies, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
For the three months ended March 31, 2024 and 2023
(in thousands of United States dollars except share and per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Revenue	$ 258,811	$ 273,620
Cost of revenue (exclusive of depreciation and amortization)	201,988	216,467
Selling, general and administrative expenses (exclusive of depreciation and amortization)	40,854	44,381
Depreciation and amortization	13,507	16,560
Related party expense	2,391	3,112
Operating profit (loss)	**71**	**(6,900)**
Other expense (income), net:		
Interest expense, net	21,088	44,180
Debt modification and extinguishment costs (gain), net	—	(8,773)
Sundry expense, net	1,881	748
Other income, net	(451)	(282)
Loss before income taxes	**(22,447)**	**(42,773)**
Income tax expense	(3,126)	(2,663)
Net loss	**(25,573)**	**(45,436)**
Net loss attributable to noncontrolling interest in XBP Europe, net of taxes	(694)	—
Net loss attributable to Exela Technologies, Inc.	**$ (24,879)**	**$ (45,436)**
Cumulative dividends for Series A Preferred Stock	(1,053)	(954)
Cumulative dividends for Series B Preferred Stock	(1,224)	(1,153)
Net loss attributable to common stockholders	**$ (27,156)**	**$ (47,543)**
Loss per share:		
Basic and diluted	$ (4.27)	$ (9.88)

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

Exela Technologies, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Loss
For the three months ended March 31, 2024 and 2023
(in thousands of United States dollars except share and per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Net loss	$ **(25,573)**	$ **(45,436)**
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	1,303	(2,105)
Unrealized pension actuarial gains (losses), net of tax	290	(89)
Total other comprehensive gain (loss), net of tax	1,593	(2,194)
Comprehensive loss	**(23,980)**	**(47,630)**
Comprehensive loss attributable to noncontrolling interest in XBP Europe, net of tax	(538)	—
Comprehensive loss attributable to Exela Technologies, Inc., net of tax	**$ (23,442)**	**$ (47,630)**

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

Exela Technologies, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders’ Deficit
For the three months ended March 31, 2024 and 2023
(in thousands of United States dollars except share and per share amounts)
(Unaudited)

	Common Stock		Series A Preferred Stock		Series B Preferred Stock		Treasury Stock			Accumulated Other Comprehensive Loss			
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid in Capital	Foreign Currency Translation Adjustment	Unrealized Pension Actuarial Losses, net of tax	Accumulated Deficit	Total Stockholders' Deficit
Balances at January 1, 2023	**1,393,276**	**$ 162**	**2,778,111**	**$ 1**	**3,029,900**	**$ —**	**612**	**$(10,949)**	**$ 1,159,577**	**$ (4,788)**	**$ (3,583)**	**$ (1,948,009)**	**$ (807,589)**
Net loss	—	—	—	—	—	—	—	—	—	—	—	(45,436)	(45,436)
Equity-based compensation	—	—	—	—	—	—	—	—	111	—	—	—	111
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(2,105)	—	—	(2,105)
Net realized pension actuarial losses, net of tax	—	—	—	—	—	—	—	—	—	—	(89)	—	(89)
Issuance of Common Stock from at the market offerings, net of offering costs	4,977,744	99	—	—	—	—	—	—	66,929	—	—	—	67,028
Balances at March 31, 2023	**6,371,020**	**$ 261**	**2,778,111**	**$ 1**	**3,029,900**	**$ —**	**612**	**$(10,949)**	**$ 1,226,617**	**$ (6,893)**	**$ (3,672)**	**$ (1,993,445)**	**$ (788,080)**

	Common Stock		Series A Preferred Stock		Series B Preferred Stock			Accumulated Other Comprehensive Loss				
	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid in Capital	Foreign Currency Translation Adjustment	Unrealized Pension Actuarial Gains (Losses), net of tax	Accumulated Deficit	Non-Controlling Interest in XBP Europe	Total Stockholders' Deficit
Balances at January 1, 2024	**6,365,355**	**$ 261**	**2,778,111**	**$ 1**	**3,029,900**	**$ —**	**$ 1,236,171**	**$ (7,648)**	**$ (174)**	**$ (2,084,114)**	**$ (3,332)**	**$ (858,835)**
Net loss	—	—	—	—	—	—	—	—	—	(24,879)	(694)	(25,573)
Equity-based compensation	—	—	—	—	—	—	1,183	—	—	—	—	1,183
Foreign currency translation adjustment	—	—	—	—	—	—	—	1,226	—	—	77	1,303
Net realized pension actuarial gains, net of tax	—	—	—	—	—	—	—	—	211	—	79	290
Balances at March 31, 2024	**6,365,355**	**$ 261**	**2,778,111**	**$ 1**	**3,029,900**	**$ —**	**$ 1,237,354**	**$ (6,422)**	**$ 37**	**$ (2,108,993)**	**$ (3,870)**	**$ (881,632)**

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

Exela Technologies, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2024 and 2023
(in thousands of United States dollars except share and per share amounts)
(Unaudited)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash flows from operating activities		
Net loss	$ (25,573)	$ (45,436)
Adjustments to reconcile net loss to cash used in operating activities		
Depreciation and amortization	13,507	16,560
Original issue discount, debt premium and debt issuance cost amortization	(9,916)	7,456
Interest on BR Exar AR Facility	(1,110)	(2,232) **(1)**
Debt modification and extinguishment gain, net	—	(9,760)
Credit loss expense	4,491	1,983
Deferred income tax provision	957	521
Share-based compensation expense	1,183	111
Unrealized foreign currency (gain) loss	18	238
(Gain) loss on sale of assets	(602)	88
Fair value adjustment for private warrants liability of XBP Europe	(37)	—
Change in operating assets and liabilities		
Accounts receivable	(2,624)	950
Prepaid expenses and other current assets	(2,818)	(1,494)
Accounts payable and accrued liabilities	(6,420)	(24,232)
Related party payables	346	94
Additions to outsource contract costs	(482)	(116)
Net cash used in operating activities	**(29,080)**	**(55,269)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,378)	(1,888)
Additions to internally developed software	(855)	(1,014)
Proceeds from sale of assets	2,649	—
Net cash used in investing activities	**(584)**	**(2,902)**
Cash flows from financing activities		
Proceeds from issuance of Common Stock from at the market offerings	—	69,260
Cash paid for equity issuance costs from at the market offerings	—	(2,232)
Borrowings under factoring arrangement and Securitization Facility	348	31,985
Principal repayment on borrowings under factoring arrangement and Securitization Facility	(311)	(31,325)
Cash paid for debt issuance costs	(193)	(6,308)
Principal payments on finance lease obligations	(1,765)	(1,137)
Borrowings under BRCC revolver	—	9,600
Borrowings from other loans	3,219	2,152 **(1)**
Cash paid for debt repurchases	—	(3,633)
Proceeds from Second Lien Note	—	31,500
Borrowing under BR Exar AR Facility	14,914	10,000 **(1)**
Repayments under BR Exar AR Facility	(11,103)	(4,130) **(1)**
Repayment of BRCC term loan	—	(34,204)
Principal repayments on senior secured term loans, BRCC revolver and other loans	(8,656)	(7,745) **(1)**
Net cash (used in) provided by financing activities	**(3,547)**	**63,783**
Effect of exchange rates on cash, restricted cash and cash equivalents	82	140
Net increase (decrease) in cash, restricted cash and cash equivalents	**(33,129)**	**5,752**
Cash, restricted cash, and cash equivalents		
Beginning of period	67,153	45,067
End of period	$ 34,024	$ 50,819
Supplemental cash flow data:		
Income tax payments, net of refunds received	$ 594	$ 1,147
Interest paid	30,674	65,300
Noncash investing and financing activities:		
Assets acquired through right-of-use arrangements	$ 491	$ 405
Accrued PIK interest paid through issuance of PIK Notes	23,342	—
Waiver and consent fee payable added to outstanding balance of Senior Secured Term Loan	1,000	—
Accrued capital expenditures	494	1,945

(1) Exela restated the condensed consolidated statement of cash flows for the three months ended March 31, 2023 by reclassifying borrowing and repayments under BR Exar AR Facility as separate line items which were previously included in borrowings from other loans and principal repayments on senior secured term loans and other loans, respectively under cash flow from financing activities. Interest on BR Exar AR Facility which was previously included in principal repayments on senior secured term loans and other loans under cash flow from financing activities is restated by reclassification as cash flow from operating activities.

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

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

1. General

These condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements as of and for the year ended December 31, 2023 included in the Exela Technologies, Inc. (the “Company,” “Exela,” “we,” “our” or “us”) annual report on Form 10-K for such period (the “2023 Form 10-K”), filed with the Securities and Exchange Commission (“SEC”) on April 3, 2024 and available at the SEC’s website at http://www.sec.gov.

The accompanying condensed consolidated financial statements and related notes to the condensed consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and XBP Europe Holdings, Inc. (“XBP Europe”), a publicly traded company that is majority-owned by the Company. The accompanying condensed consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America (“GAAP”) and in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X under the Securities Act of 1933, as amended (the “Securities Act”), as they apply to interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. These accounting principles require us to use estimates and assumptions that impact the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from our estimates.

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

Going Concern

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. Management’s evaluation does not initially 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.

In performing this evaluation, the Company concluded that the following conditions raised substantial doubt about its ability to continue as a going concern:

- a history of net losses, including net losses of $25.6 million for the three months ended March 31, 2024;
- net operating cash outflow of $29.1 million for the three months ended March 31, 2024;
- a working capital deficit of $214.3 million as of March 31, 2024; and
- an accumulated deficit of $2,109.0 million as of March 31, 2024.

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

- identified and in the process of executing on significant cost savings for fiscal year 2024; and
- issued approximately $764.8 million aggregate principal amount of April 2026 Notes (as defined in Note 5 – *Long-Term Debt and Credit Facilities*) in exchange for $956.0 million aggregate principal amount of existing 2026 Notes that provide flexibility to pay up to 50% of the interest payments in 2024 using April 2026 Notes instead of cash.

In addition to these actions, management has reviewed the Company's operational plans which include executing on price increases, and projected growth of margins. The Company will have to continue to achieve positive operating cash flows and restore profitability over the next twelve months and otherwise execute its business plan. However, the Company's ability to execute its operational plans is uncertain and its 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. The condensed consolidated financial statements do not, however, 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.

Net Loss per Share

Earnings per share ("EPS") is computed by dividing net loss attributable to common stockholders 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 the if-converted method in the period 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 Perpetual Convertible Preferred Stock ("Series A Preferred Stock") and Series B Cumulative Convertible Perpetual Preferred Stock (the "Series B Preferred Stock"), was calculated using the if-converted method. As of March 31, 2024, the outstanding shares of the Company's Series A Preferred Stock and Series B Preferred Stock, if converted would have resulted in an additional 413 shares and 16,565 shares of our Common Stock outstanding, respectively, however, they were not included in the computation of diluted loss per share as their effects were anti-dilutive (i.e., if included, would reduce the net loss per share).

Similarly, the Company also did not include the effect of 1,978 and 2,433 shares of Common Stock issuable upon exercise of 7,913,637 and 9,731,819 outstanding warrants as of March, 2024 and 2023, respectively, sold in a private placement of securities on March 18, 2021 or the effect of the aggregate number of shares issuable pursuant to outstanding restricted stock units, performance units and options (2,442 and 2,477 as of March 31, 2024 and 2023, respectively) in the calculation of diluted loss per share for the three months ended March 31, 2024 and 2023, because their effects were also anti-dilutive.

	Three Months Ended March 31,	
	2024	2023
Net loss attributable to common stockholders (A)	$ (27,156)	$ (47,543)
Weighted average common shares outstanding – basic and diluted (B)	6,365,355	4,814,152
Loss Per Share:		
Basic and diluted (A/B)	$ (4.27)	$ (9.88)

Merger Agreement

On October 9, 2022, the Company entered into a definitive merger agreement to merge its European business with CF Acquisition Corp. VIII ("CFFE"), a special purpose acquisition company, to form a new publicly-traded company XBP Europe Holdings, Inc. (“XBP Europe”), which is a part of the ITPS segment (as defined in Note 3 – *Significant Accounting Policies*). The business combination was accounted for as a reverse capitalization in accordance with GAAP. Under this method of accounting, CFFE was treated as the “acquired” company for financial reporting purposes with XBP Europe surviving as a direct wholly-owned subsidiary of CFFE.

Following the closing of the transaction on November 29, 2023, the Company’s European business operates as XBP Europe, and the Company owns 72.3% of the outstanding capital stock of XBP Europe as of March 31, 2024. The noncontrolling stockholders' proportionate share of stockholder’s deficit in XBP Europe of $3.9 million and $3.3 million, as of March 31, 2024 and December 31, 2023, respectively, is reflected as noncontrolling interest in XBP Europe in the accompanying condensed consolidated balance sheets. Beginning on November 30, 2023, XBP Europe shares started trading on the Nasdaq Stock Market under the ticker symbol “XBP” and its warrants started trading on the Nasdaq Stock Market under the ticker symbol “XBPEW”.

Sale of Non-core Assets

On June 8, 2023, the Company completed the sale of its high-speed scanner business, which was a part of its ITPS segment (as defined in Note 3 – *Significant Accounting Policies*), for a purchase price of approximately $30.1 million, subject to final working capital adjustments. The sale of the high-speed scanner business does not represent a strategic shift that will have a major effect on the Company’s operations and financial results. As a result of this transaction, the Company disposed of $16.5 million of goodwill based on the relative fair value of the high-speed scanner business to the total fair value of the ITPS reporting unit. This transaction resulted in a total pre-tax gain of $7.2 million. Per the terms of the sales agreement, the Company may receive additional cash consideration (“Contingent Consideration”) upon the future occurrence of certain earn out events described in the sales agreement. The Contingent Consideration, if any, will be recognized in the period the earn out event occurs, and the Contingent Consideration is realizable.

2. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Effective January 1, 2024, the Company adopted Accounting Standards Update (“ASU”) No. 2023-01, *Leases (Topic 842): Common Control Arrangements* that clarifies the accounting for leasehold improvements associated with common control leases by requiring that leasehold improvements associated with common control leases be amortized by the lessee over the useful life of the leasehold improvements to the common control group (regardless of the lease term), as long as the lessee controls the use of the underlying asset through a lease. Additionally, leasehold improvements associated with common control leases should be accounted for as a transfer between entities under common control through an adjustment to equity, if, and when, the lessee no longer controls the use of the underlying asset. The adoption had no impact on the Company’s consolidated results of operations, cash flows, financial position or disclosures.

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires retrospective disclosure of significant segment expenses and other segment items on an annual and interim basis. Additionally, it requires disclosure of the title and position of the Chief Operating Decision Maker (“CODM”). This ASU is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that adopting this standard will have on its consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*, which requires an annual tabular effective tax rate reconciliation disclosure including information for specified categories and jurisdiction levels, as well as, disclosure of income taxes paid, net of refunds received, disaggregated by federal, state/local, and significant foreign jurisdiction. This ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that adopting this standard will have on its consolidated financial statements.

3. Significant Accounting Policies

The information presented below supplements the Significant Accounting Policies information presented in the 2023 Form 10-K.

Revenue Recognition

We account for revenue by first evaluating whether a performance obligation exists. 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. 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, but that are substantially the same, and have the same pattern of transfer over time, and accordingly are combined into a single performance obligation. Our obligation 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 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 Company is organized into three segments: Information & Transaction Processing Solutions ("ITPS"), Healthcare Solutions ("HS"), and Legal & Loss Prevention Services ("LLPS") (See Note 13 – *Segment and Geographic Area Information*). The following tables disaggregate revenue from contracts by segment and by geographic region for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,							
	2024				2023			
	ITPS	HS	LLPS	Total	ITPS	HS	LLPS	Total
U.S.A.	$ 130,721	$ 64,852	$ 17,819	$ 213,392	$ 146,025	$ 63,043	$ 16,869	$ 225,937
EMEA	40,046	—	—	40,046	42,778	—	—	42,778
Other	5,373	—	—	5,373	4,905	—	—	4,905
Total	$ 176,140	$ 64,852	$ 17,819	$ 258,811	$ 193,708	$ 63,043	$ 16,869	$ 273,620

Contract Balances

The following table presents contract assets, contract liabilities and contract costs recognized at March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023	January 1, 2023
Accounts receivable, net	$ 75,777	$ 76,893	$ 101,616
Deferred revenues	15,451	13,107	17,585
Customer deposits	23,731	23,838	16,955
Costs to obtain and fulfill a contract	1,619	1,400	1,674

The following table describes the changes in the allowance for expected credit losses for the three months ended March 31, 2024 (all related to accounts receivables):

Balance at January 1, 2024 of the allowance for expected credit losses	$	6,628
Provision for expected loss		4,491
Write-off charged against the allowance		(5,064)
Recoveries collected		(476)
Foreign currency exchange rate adjustment		(28)
Balance at March 31, 2024 of the allowance for expected credit losses	$	5,551

Accounts receivable, net includes $25.3 million and $23.9 million as of March 31, 2024 and December 31, 2023, respectively, representing amounts not yet 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 $4.4 million during the three months ended March 31, 2024 that had been deferred as of December 31, 2023. We recognized revenue of $6.8 million during the three months ended March 31, 2023 that had been deferred as of January 1, 2023. We recognized revenue of $17.3 million during the year ended December 31, 2023 that had been deferred as of January 1, 2023.

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 $0.3 million and $0.2 million of amortization for these costs for the three months ended March 31, 2024 and 2023, 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 GAAP, 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 March 31, 2024 in each of the future periods below:

	Estimated Remaining Fixed Consideration for Unsatisfied Performance Obligations
Remainder of 2024	$ 26,249
2025	29,993
2026	3,585
2027	2,071
2028	1,251
2029 and thereafter	—
Total	$ 63,149

4. Intangible Assets and Goodwill

Intangible Assets

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

	March 31, 2024		
	Gross Carrying Amount (a)	Accumulated Amortization	Intangible Asset, net
Customer relationships	$ 507,750	$ (386,840)	$ 120,910
Developed technology	88,553	(88,073)	480
Trade names (b)	5,300	—	5,300
Outsource contract costs	18,108	(16,489)	1,619
Internally developed software	56,573	(45,191)	11,382
Purchased software	26,749	(9,362)	17,387
Intangibles, net	$ 703,033	$ (545,955)	$ 157,078

	December 31, 2023		
	Gross Carrying Amount (a)	Accumulated Amortization	Intangible Asset, net
Customer relationships	$ 507,930	$ (380,580)	$ 127,350
Developed technology	88,554	(88,085)	469
Patent	15	(14)	1
Trade names (b)	5,300	—	5,300
Outsource contract costs	17,734	(16,334)	1,400
Internally developed software	56,066	(43,499)	12,567
Purchased software	26,749	(8,916)	17,833
Intangibles, net	$ 702,348	$ (537,428)	$ 164,920

(a) Amounts include intangible assets acquired in business combinations and asset acquisitions.
(b) The carrying amount of trade names for 2024 and 2023 is net of accumulated impairment losses of $44.1 million. Carrying amount of $5.3 million as at March 31, 2024 represents indefinite-lived intangible assets.

Aggregate amortization expense related to intangible assets was $9.1 million and $11.0 million for the three months ended March 31, 2024 and 2023, respectively.

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

	Estimated Amortization Expense
Remainder of 2024	$ 24,901
2025	25,598
2026	20,956
2027	17,342
2028	13,615
Thereafter	49,366
	$ 151,778

Goodwill

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 customers. The Company is organized into three segments: ITPS, HS, and LLPS (See Note 13 – *Segment and Geographic Area Information*).

Goodwill by reporting segment consists of the following:

	Balances as at January 1, 2024 (a)	Additions	Deletions	Impairments	Currency Translation Adjustments	Balances as at March 31, 2024 (a)
ITPS	$ 64,801	$ —	$ —	$ —	$ (97)	$ 64,704
HS	86,786	—	—	—	—	86,786
LLPS	18,865	—	—	—	—	18,865
Total	$ 170,452	$ —	$ —	$ —	$ (97)	$ 170,355

	Balances as at January 1, 2023 (a)	Additions	Deletions	Impairments	Currency Translation Adjustments	Balances as at December 31, 2023 (a)
ITPS	$ 81,151	$ —	$ (16,500)(b)	$ —	$ 150	$ 64,801
HS	86,786	—	—	—	—	86,786
LLPS	18,865	—	—	—	—	18,865
Total	$ 186,802	$ —	$ (16,500)	$ —	$ 150	$ 170,452

(a) The goodwill amount for all periods presented is net of accumulated impairment amounts. Accumulated impairment relating to ITPS was $487.7 million as at March 31, 2024 and December 31, 2023, respectively. Accumulated impairment relating to LLPS was $243.4 million as at both March 31, 2024 and December 31, 2023.

(b) The deletion in goodwill is due to derecognition of allocated goodwill on sale of the high-speed scanner business in the second quarter of 2023. Refer to Note 1—*General*.

5. Long-Term Debt and Credit Facilities

July 2026 Notes

As of January 1, 2023, there was outstanding $980.0 million aggregate principal amount of 11.500% First-Priority Senior Secured Notes scheduled to mature July 15, 2026 (the "July 2026 Notes") issued by Exela Intermediate LLC and Exela Finance Inc. (together, the "Issuers"), wholly-owned subsidiaries of the Company . The July 2026 Notes are guaranteed by nearly all U.S. subsidiaries of Exela Intermediate LLC. The July 2026 Notes bear interest at a rate of 11.5% per year. We are required to pay interest on the July 2026 Notes on January 15 and July 15 of each year, and commenced making such interest payments on July 15, 2022. The Issuers may redeem the July 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.

On July 11, 2023, the Issuers, certain guarantors and U.S. Bank Trust Company, National Association, as trustee, entered into an indenture (the "April 2026 Notes Indenture") governing the 11.500% First-Priority Senior Secured Notes scheduled to mature July 15, 2026 (the "April 2026 Notes"), and the Issuers issued approximately $764.8 million aggregate principal amount of the April 2026 Notes as consideration for the exchange of $956.0 million aggregate principal amount of the Issuers' existing July 2026 Notes pursuant to a public exchange offer (the "2023 Exchange"), which was equivalent to issuing $800 of the April 2026 Notes per $1,000 principal amount of the existing July 2026 Notes. The Company performed an assessment of the 2023 Exchange and determined that it met the criteria to be accounted for as a troubled debt restructuring under GAAP. The undiscounted cash flows associated with the April 2026 Notes issued were compared to the carrying value of the exchanged July 2026 Notes and since the undiscounted cash flows of the April 2026 Notes exceeded the carrying value of the exchanged July 2026 Notes, the carrying value of the April 2026 Notes was established at the carrying value of the exchanged July 2026 Notes and the Company established new effective interest rates based on the carrying value of the exchanged July 2026 Notes prior to the 2023 Exchange. The difference between the principal amount of the issued April 2026 Notes and their carrying value was recorded as a premium and is included in long-term debt on the Company's condensed consolidated balance sheets. The

Company recorded a premium of $142.3 million on the notes exchange, which will be reduced as contractual interest payments are made on the April 2026 Notes.

On July 11, 2023, the Company entered into a seventh supplemental indenture to the indenture governing the July 2026 Notes which eliminated substantially all of the restrictive covenants, eliminated certain events of default, modified covenants regarding mergers and consolidations and modified or eliminated certain other provisions, including certain provisions relating to future guarantors and defeasance, contained in the July 2026 Notes Indenture and the July 2026 Notes. In addition, all of the collateral securing the July 2026 Notes was released pursuant to the seventh supplemental indenture.

The July 11, 2023 transaction resulted in cancellation of debt income ("CODI") for tax purposes. Absent an exception, a debtor recognizes 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 wholly or partially exclude CODI from taxable income but must reduce certain of its tax attributes by the amount of CODI excluded from taxable income. Pursuant to the US tax rules, the Company computes the final CODI calculation based on the tax basis as of the last day of the fiscal tax year (i.e., December 31, 2023) which includes the date in which the debt transaction occurred. For the year ended December 31, 2023, the Company generated CODI in the amount of $780.0 million, of which $54.0 million was included in the fiscal year 2023 taxable income and $726.0 million was excluded from taxable income, resulting the elimination of $624.0 million gross federal and state net operating losses.

As a result of the 2023 Exchange and periodic repurchases, $24.0 million aggregate principal amount of the July 2026 Notes maturing July 15, 2026 remained outstanding as of March 31, 2024.

Senior Secured April 2026 Notes

On July 11, 2023, the Issuers issued approximately $767.8 million aggregate principal amount of the April 2026 Notes under the April 2026 Notes Indenture, which includes the April 2026 Notes issued pursuant to the 2023 Exchange (as described above) and $3.0 million issued in exchange of other indebtedness. The April 2026 Notes are scheduled to mature on April 15, 2026.

Interest on the April 2026 Notes will accrue at 11.500% per annum and will be paid semi-annually, in arrears, on January 15 and July 15 of each year, beginning July 15, 2023. Interest will be payable in cash or in kind by issuing additional April 2026 Notes (or increasing the principal amount of the outstanding April 2026 Notes) ("PIK Interest") as described below: (A) for the July 15, 2023 interest payment date, such interest was paid in kind as PIK Interest, (B) for each interest payment date from and including the January 15, 2024 interest payment date through and including the July 15, 2024 interest payment date, such interest shall be paid in cash in an amount equal to (i) 50% of such interest plus (ii) an amount not to exceed an amount that, pro forma for such payment, would leave the issuers with Unrestricted Cash (as defined in the April 2026 Notes Indenture) of at least $15.0 million, with the remaining interest paid in kind as PIK Interest, and (C) for interest payment dates falling on or after January 15, 2025, such interest shall be paid in cash.

On July 15, 2023, the Company issued $44.1 million in aggregate principal amount of the April 2026 Notes as a payment for PIK Interest that would otherwise have been due to holders of the July 2026 Notes that participated in the Public Exchange on July 15, 2023. On January 15, 2024, the Company issued $23.3 million in aggregate principal amount of the April 2026 Notes as a payment for PIK Interest due on January 15, 2024 in respect of the April 2026 Notes. $835.3 million aggregate principal amount of the April 2026 Notes remained outstanding as of March 31, 2024.

The Issuers' obligations under the April 2026 Notes and the April 2026 Notes Indenture are irrevocably and unconditionally guaranteed, jointly and severally, by the same guarantors (the "Guarantors") that guarantee the July 2026 Notes (other than certain guarantors that have ceased to have operations or assets) and by certain of the Issuers' other affiliates (the "Affiliated Guarantors"). The April 2026 Notes and the related guarantees are first-priority senior secured obligations of the Issuers, the Guarantors and Affiliated Guarantors.

The issuers may redeem the April 2026 Notes at their option, in whole at any time 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, the April 2026 Notes will be mandatorily redeemable in part upon the sale of certain assets that constitute additional credit support.

The April 2026 Notes Indenture contains covenants that limit the Issuers' and the Affiliated Guarantors and their respective subsidiaries' ability to, among other things, (i) incur or guarantee additional indebtedness, (ii) pay dividends or distributions on, or redeem or repurchase, capital stock and make other restricted payments, (iii) make investments, (iv) consummate certain asset sales, (v) engage in certain transactions with affiliates, (vi) grant or assume certain liens and (vii) consolidate, merge or transfer all or substantially all of their assets. These covenants are subject to a number of important limitations and exceptions. In addition, upon the occurrence of specified change of control events, the Issuers must offer to repurchase the April 2026 Notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date. The April 2026 Notes Indenture also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all of the then outstanding April 2026 Notes to be due and payable immediately.

Repurchases

In July 2021 the Company commenced a debt buyback program to repurchase senior secured indebtedness, which is ongoing.

During the three months ended March 31, 2023, we repurchased $13.4 million principal amount of the Issuers' 10.0% First Priority Senior Secured Notes due 2023 ("2023 Notes") for a net cash consideration of $4.2 million. The gain on early extinguishment of debt during the three months ended March 31, 2023 totaled $9.8 million and is inclusive of less than $0.1 million write off of original issue discount and debt issuance costs, respectively. Gain on the early extinguishment of debt during the three months ended March 31, 2023 is reported within debt modification and extinguishment costs (gain), net within our condensed 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 (which was subsequently assigned to BRF Finance Co., LLC ("BRF Finance")) pursuant to which such subsidiary 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 Term Loan"). On March 31, 2022, GP2 XCV and B. Riley Commercial Capital, LLC amended this facility to permit GP2 XCV to borrow up to $51.0 million under a separate revolving loan (the "BRCC Revolver", collectively with the BRCC Term Loan, 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. Interest under the BRCC Facility accrues at a rate of 11.5% per annum (13.5% per annum default rate) and is payable quarterly on the last business day of each March, June, September and December. The purpose of BRCC Term Loan was to fund certain repurchases of the secured indebtedness and to provide funding for certain debt exchange transactions. The purpose of BRCC Revolver is to fund general corporate purposes.

During the three months ended March 31, 2024, we repaid $6.0 million of outstanding principal amount under the BRCC Revolver. The BRCC Facility matured on June 10, 2023. As of December 31, 2023, the Company had fully repaid the outstanding balance under the BRCC Term Loan. As of March 31, 2024, there remained borrowings of $13.9 million outstanding under the BRCC Revolver. The outstanding principal amount under the BRCC Revolver is payable in five (5) monthly installments of $2.0 million commencing April 30, 2024, with the remaining outstanding principal balance of $3.9 million payable on September 30, 2024.

Senior Secured Term Loan

On July 11, 2023, Exela Intermediate LLC and Exela Finance Inc., wholly-owned subsidiaries of the Company, entered into a financing agreement with certain lenders and Blue Torch Finance LLC, as administrative agent, pursuant to which the lenders extended a $40.0 million term loan ("Senior Secured Term Loan"). On the same date, the Company used proceeds of this term loan to repay a corresponding amount of its existing debt. On January 12, 2024, $1.0 million of certain waiver and consent fee payable by subsidiaries of the Company under the term of Senior Secured Term Loan were added to outstanding balance of the Senior Secured Term Loan.

The Senior Secured Term Loan shall be, at the option of the Company, either a Reference Rate Loan, or a Secured Overnight Financing Rate ("SOFR") Loan. Each portion of the Senior Secured Term Loan that is a Reference Rate Loan bears interest on the principal amount outstanding from the date of the Senior Secured Term Loan until repaid, at a rate per annum equal to the Reference Rate plus the Applicable Margin. "Reference Rate" for any period means the greatest of (i) 4.00% per annum, (ii) the federal funds rate plus 0.50% per annum, (iii) the Adjusted Term SOFR (which rate shall be calculated based upon an interest period of 1 month and shall be determined on a daily basis) plus 1.00% per annum, and (iv) the rate last quoted by the Wall Street Journal as the "Prime Rate" in the United States. "Applicable Margin," with respect to the interest rate of (a) any Reference Rate Loan is 10.39% per annum, and (b) any SOFR Rate Loan is 11.39% per annum. SOFR Rate Loans shall bear interest on the principal amount outstanding, at a rate per annum equal to the Adjusted Term SOFR rate for the Interest Period in effect for the Term Loan plus Applicable Margin. "Adjusted Term SOFR" means the rate per annum equal to Term SOFR for such calculation, plus 0.26161%. "Term SOFR," for calculation with respect to a SOFR Rate Loan, is the per annum forward-looking term rate based on secured overnight financing rate for a tenor comparable to the applicable interest period on the day that is two business days prior to the first day of such interest period. However, with respect to a Reference Rate Loan, "Term SOFR" means the per annum forward-looking term rate based on secured overnight financing rate for a tenor of three months on the day that is two business days prior to such day. If Term SOFR as so determined shall ever be less than 4.00%, then Term SOFR shall be deemed to be 4.00%.

The Company may, at any time, elect to have interest on all or a portion of the loans be charged at a rate of interest based upon Term SOFR (the "SOFR Option") by notifying the administrative agent at least three (3) business days prior to the proposed change. Such notice needs to be provided in the case of the continuation of a SOFR Rate Loan as a SOFR Rate Loan on the last day of the then current interest period. The Company shall have not more than 5 SOFR Rate Loans in effect at any given time, and only may exercise the SOFR Option for SOFR Rate Loans of at least $500,000 and integral multiples of $100,000 in excess thereof.

As of March 31, 2024, there were borrowings of $40.5 million outstanding under the Senior Secured Term Loan. The outstanding principal amount of the Senior Secured Term Loan shall be repaid in ten (10) equal quarterly installments of $0.5 million commencing April 1, 2024, with the remaining outstanding principal amount of $35.5 million payable at maturity along with accrued and unpaid interest. The maturity date of the Senior Secured Term Loan is January 14, 2026.

The Company may, at any time, prepay the principal of the Senior Secured Term Loan. Each prepayment shall be accompanied by the payment of accrued interest and the applicable premium, if any. Each prepayment shall be applied against the remaining installments of principal due on the Senior Secured Term Loan in the inverse order of maturity. The applicable premium shall be payable in the form of a make-whole amount if prepayment is made within one year of the borrowing date (the "First Period"). If optional prepayment is made after the year one anniversary of the borrowing date to the date of the two-year anniversary (the "Second Period"), the applicable premium shall be an amount equal to 1% times the amount of the principal amount of the Senior Secured Term Loan being paid on such date. The applicable premium shall be zero in case of prepayment after the date of the two-year anniversary of the borrowing date. Further, during the Second Period, if the prepayment is because of an event of default or termination of contract for any reason, the applicable premium shall be 1% times the aggregate principal amount of the Senior Secured Term Loan outstanding on such date.

The Senior Secured Term Loan contains customary events of default, affirmative and negative covenants, including limitation on the Company's and certain of its subsidiaries' ability to create, incur or allow certain liens; enter into sale and lease-back transactions; make any restricted payments; undergo fundamental changes, as well as certain financial covenants. The Company was in compliance with all financial covenants as of March 31, 2024.

Securitization Facility

On June 17, 2022, the Company entered into an amended and restated receivables purchase agreement (as amended, the “Amended Receivables Purchase Agreement”) under an existing $150.0 million securitization facility (the “Securitization Facility”) among certain of the Company’s subsidiaries, Exela Receivables 3, LLC (the “Securitization Borrower”), Exela Receivables 3 Holdco, LLC (the “Securitization Parent SPE,” and together with the Securitization Borrower, the “SPEs”) and certain global financial institutions (“Purchasers”). The Amended Receivables Purchase Agreement extended the term of the Securitization Facility such that the SPEs may sell certain accounts receivable to the Purchasers until June 17, 2025. Under the Amended Receivables Purchase Agreement, transfers of accounts receivable from the SPEs are treated as sales and are accounted for as a reduction in accounts receivable, because the agreement transfers effective control over and risk related to the accounts receivable to the Purchasers. The Company and related subsidiaries have no continuing involvement in the transferred accounts receivable, other than collection and administrative responsibilities, and, once sold, the accounts receivable are no longer available to satisfy creditors of the Company, the operating subsidiaries of the Company that agreed to sell receivables in connection with the Securitization Facility (the “Securitization Originators”), or any other relevant subsidiaries.

The sales of accounts receivable under the Amended Receivables Purchase Agreement are transacted at 100% of the face value of the relevant accounts receivable, resulting in derecognition of the accounts receivable from the Company’s condensed consolidated balance sheet. The Company de-recognized $522.7 million of accounts receivable under this agreement during the year ended December 31, 2023. The amount remitted to the Purchasers during fiscal year 2023 was $507.6 million. The Company de-recognized $127.3 million and $140.0 million of accounts receivable under this agreement during the three months ended March 31, 2024 and 2023, respectively. The amount remitted to the Purchasers during the three months ended March 31, 2024 and 2023 was $135.9 million and $141.3 million, respectively. Unsold accounts receivable of $37.7 million and $41.2 million were pledged by the SPEs as collateral to the Purchasers as of March 31, 2024 and December 31, 2023, respectively. These pledged accounts receivables are included in accounts receivable, net in the condensed consolidated balance sheets. The program resulted in a pre-tax loss of $1.6 million and $1.9 million for the three months ended March 31, 2024 and 2023, respectively.

The fair value of the sold accounts receivable approximated their book value due to their short-term nature. Sold accounts receivable are presented as a change in receivables within operating activities in the condensed consolidated statements of cash flows.

BR Exar AR Facility

On February 12, 2024, certain of the Company’s subsidiaries entered into a receivables purchase agreement with BR Exar, LLC (“BREL”), an affiliate of B. Riley Commercial Capital, LLC (as subsequently amended on February 29, 2024, March 29, 2024 and March 31, 2024, the “BR Exar AR Facility”). The Company received an aggregate of $14.7 million, net of legal and other fees of $0.2 million, under the BR Exar AR Facility. Under the terms of the BR Exar AR Facility, certain of the Company’s subsidiaries agreed to sell certain existing receivables and all of their future receivables to BREL until such time as BREL shall have collected $16.4 million, net of any costs, expenses or other amounts paid to or owing to the buyer under the agreement. BREL collected $12.2 million under the BR Exar AR Facility during the period from February 2024 to March 2024. As of March 31, 2024, there was a $4.2 million outstanding balance under the BR Exar AR Facility.

Under the BR Exar AR Facility, transfers of accounts receivable from certain of the Company’s subsidiaries are treated as secured borrowings under ASC 860, *Transfers and Servicing* and are not accounted for as a reduction in accounts receivable because the agreements do not transfer effective control over and risk related to the accounts receivable to BREL. Accordingly, the Company treated total of $0.2 million of legal fee and other expense incurred under the BR Exar AR Facility as debt issuances cost and $1.5 million of difference between the net proceeds received by the Company and total amount collected by BREL under the BR Exar AR Facility as original issue discount. Debt issuance cost and original issue discount relating to the BR Exar AR Facility are included in interest expense, net in the condensed consolidated statements of operations for the three months ended March 31, 2024.

Second Lien Note

On February 27, 2023, the SPEs and B. Riley Commercial Capital, LLC entered into a new Secured Promissory Note (which was subsequently assigned to BRF Finance) pursuant to which B. Riley Commercial Capital, LLC agreed to lend up to $35.0 million secured by a second lien pledge of the Securitization Borrower (the "Second Lien Note"). The Second Lien Note is scheduled to mature on June 17, 2025 and bears interest at a per annum rate of one-month Term SOFR plus 7.5%. The SPEs are party to the Amended Receivables Purchase Agreement, thus the transactions necessitated amendments to that agreement and related documents to permit the addition of subordinated debt and additional borrowing capacity into that transaction structure, in addition to providing for a $5.0 million fee to the lenders for facilitating the transaction. In connection with the above-described facility, we also amended the BRCC Term Loan and BRCC Revolver to provide for $9.6 million of borrowing capacity, which was drawn as described above.

As of March 31, 2024, there were borrowings of $31.5 million outstanding under the Second Lien Note payable at maturity.

Long-Term Debt Outstanding

As of March 31, 2024 and December 31, 2023, the following long-term debt instruments were outstanding:

	March 31, 2024	December 31, 2023
Other (a)	$ 21,733	$ 21,101
Secured borrowings under BR Exar AR Facility (b)	3,761	—
Senior secured term loan maturing January 14, 2026 (c)	38,163	37,921
July 2026 Notes maturing July 15, 2026 (d)	22,885	22,788
April 2026 Notes maturing April 15, 2026 (e)	942,287	931,293
Secured borrowings under BRCC Facility matured on June 10, 2023	13,897	19,898
Second lien note maturing June 17, 2025 (f)	28,271	27,608
Total debt	1,070,997	1,060,609
Less: Current portion of long-term debt	(29,057)	(30,029)
Long-term debt, net of current maturities	$ 1,041,940	$ 1,030,580

(a) Other debt represents outstanding loan balances associated with various hardware and software purchases, and maintenance and leasehold improvements, along with loans and receivables factoring arrangements entered into by subsidiaries of the Company.
(b) Net of unamortized net original issue discount of $0.4 million and less than $0.1 million of debt issuance as of March 31, 2024.
(c) Net of unamortized debt issuance costs of $2.3 million as of March 31, 2024 and unamortized debt issuance costs of $1.6 million as of December 31, 2023.
(d) Net of unamortized net original issue discount of $0.9 million and debt issuance costs of $0.2 million as of March 31, 2024; and unamortized net original issue discount of $0.9 million and debt issuance costs of $0.2 million as of December 31, 2023.
(e) Net of unamortized net debt exchange premium of $107.0 million and $119.4 million as of March 31, 2024 and December 31, 2023, respectively.
(f) Net of unamortized debt issuance costs of $3.2 million and $3.9 million as of March 31, 2024 and December 31, 2023, respectively.

6. Income Taxes

The Company applies an estimated annual effective tax rate ("ETR") approach for calculating a tax provision for interim periods, as required under GAAP. The Company recorded an income tax expense of $3.1 million and $2.7 million for the three months ended March 31, 2024 and 2023, respectively.

The Company expects US consolidated taxable income for the year ended December 31, 2024, primarily due to inability to deduct most interest expense in accordance with Internal Revenue Code (IRC) Section 163(j). Since the enactment of IRC 163(j), the Company has been able to claim net operating loss deductions to eliminate U.S. consolidated tax liabilities. On July 11, 2023, a supplemental indenture was entered into with respect to the July 2026 Notes, which generated significant cancellation of indebtedness income (CODI) for tax purposes, most of which was excluded from taxable income. Under the provisions of IRC Section 108, on January 1, 2024 the Company reduced tax attributes, including all its Exela U.S. consolidated net operating loss carryforwards and tax credits. Accordingly, in 2024 the Company will generate current U.S consolidated tax liabilities, which is reflected in the income tax expense for the three months ended March 31, 2024.

The Company's ETR of (13.9)% for the three months ended March 31, 2024 differed from the expected U.S. statutory tax rate of 21.0% and was primarily impacted by permanent tax adjustments, state and local current expense, foreign operations, and valuation allowances, including valuation allowances on a portion of the Company's deferred tax assets on U.S. disallowed interest expense carryforwards created by the provisions of The Tax Cuts and Jobs Act ("TCJA").

For the three months ended March 31, 2023, the Company's ETR of (6.2)% differed from the expected U.S. statutory tax rate of 21.0% and was primarily impacted by permanent tax adjustments, state and local current expense, foreign operations, and valuation allowances, including valuation allowances on a portion of the Company's deferred tax assets on U.S. disallowed interest expense carryforwards created by the provisions of the TCJA.

As of March 31, 2024, there were no material changes to either the nature or the amounts of the uncertain tax positions previously determined for the year ended December 31, 2023.

7. Employee Benefit Plans

German Pension Plan

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

U.K. Pension Plan

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

Norway Pension Plan

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

Asterion Pension Plan

In April 2018, through its acquisition of Asterion International Group, the Company became obligated to provide pension benefits to eligible retirees and eligible dependents of Asterion. Employees eligible for participation include all full-time regular employees who were more than three years from retirement prior to July 2003. A retirement pension or a lump-sum payment may be paid dependent upon length of service at the mandatory retirement age. The Company accrues the cost of these benefits over the service lives of the covered employees based on an actuarial calculation. The Company uses a December 31 measurement date for this plan. No new employees are registered under this plan and the pension obligation for the existing participants of the plan is calculated based on actual salary of the participants as at the earlier of two dates, the participants leaving the Company or April 10, 2018.

Tax Effect on Accumulated Other Comprehensive Loss

As of March 31, 2024 and December 31, 2023 the Company recorded actuarial gain of $0.2 million and actuarial losses of $0.2 million in accumulated other comprehensive loss on the condensed consolidated balance sheets, respectively, which is net of a deferred tax benefit of $2.0 million for each period.

Pension Expense

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

	Three Months Ended March 31,	
	2024	2023
Service cost	$ 9	$ 10
Interest cost	744	749
Expected return on plan assets	(729)	(667)
Amortization:		
Amortization of prior service cost	—	88
Amortization of net loss	307	385
Net periodic benefit cost	$ 331	$ 565

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

Employer Contributions

The Company’s funding of employer contributions is based on governmental requirements and differs from those methods used to recognize pension expense. The Company made contributions of $0 and $0.6 million to its pension plans during the three months ended March 31, 2024 and 2023, respectively. The Company has plans to fund the pension plans with the required contributions for 2024 based on current plan provisions.

8. Commitments and Contingencies

Contract Claim

On October 24, 2018, HOV Services, Inc., a subsidiary of the Company (“HOV Services”), filed a lawsuit against ASG Technologies Group, Inc. (“ASG”) that sought to terminate the renewal of licensing agreement between the parties. HOV Services alleged that the licensing agreement was renewed under duress and brought claims against ASG under the Computer Fraud and Abuse Act, 18 U.S.C. § 1030 et seq., the Stored Communications Act, 18 U.S.C. § 2701 et seq., and various common law doctrines. ASG subsequently brought counterclaims asserting breach of contract and other allegations. On February 27, 2024, a judge granted ASG's motion for directed verdict on its breach of contract claim and awarded ASG $2.5 million in damages plus interest. On February 29, 2024, the jury found in favor of ASG on all remaining claims and awarded ASG damages in the amount of approximately $0.7 million plus interest, for a total award of approximately $4.7 million in the case. On May 3, 2024, HOV Services filed a notice of appeal with the court to preserve its rights. As of March 31, 2024 and December 31, 2023, the Company accrued $4.7 million for this matter included in accrued liabilities on the condensed consolidated balance sheets.

Business Interruption Insurance Claim

During the second half of 2022, the Company experienced a network security incident (the "2022 Network Outage") impacting certain of the Company's operational and information technology systems. As a result of the 2022 Network Outage, the Company experienced lost revenue and incurred certain incremental costs. On August 29, 2023, the Company submitted a claim to its insurers for $44.6 million in covered losses related to the 2022 Network Outage (the "August 2023 Claim"). During the year 2023, the Company received insurance proceeds of $10.8 million in respect of business interruption claims from its underlying and first excess carriers. The August 2023 Claim is currently under review by two additional insurers (collectively, the "Second Excess Insurers"), which the Company expects to provide the next layer of coverage under applicable policies. On April 17, 2024, the Company commenced an action against the Second Excess Insurers seeking a declaratory judgment and alleging breach of contract and bad faith for failing to pay out their share of losses connected to the August 2023 Claim. At this time, it is not practicable to render an opinion regarding the outcome of this matter; however, the Company believes it has meritorious claims and plans to vigorously assert them.

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 condensed consolidated balance sheets, condensed consolidated statements of operations or condensed consolidated statements of cash flows.

9. Fair Value Measurement

Assets and Liabilities Measured at Fair Value

The carrying amount of assets and liabilities including current portion of other debt approximated their fair value as of March 31, 2024 and December 31, 2023, due to the relative short maturity of these instruments. Management estimates the fair values of the July 2026 Notes and the April 2026 Notes at approximately 25.0% and 14.5%, respectively, of the respective principal balances outstanding as of March 31, 2024. Management estimated the fair values of the July 2026 Notes and the April 2026 Notes at approximately 24.0% and 16.5%, respectively, of the respective principal balance outstanding as of December 31, 2023. The fair values of secured borrowings under the Company's securitization facility, BRCC Facility, Second Lien Note and Senior Secured Term Loan 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 and current portion of long-term debts using Level 2 inputs, including any recent issuance of the debt, the Company's credit rating, and the current market rate.

The Company determined the fair value of private warrants liability of XBP Europe included in the other long-term liabilities in the condensed consolidated balance sheets as of March 31, 2024 and December 31, 2023 under Level 3 fair value measurement using the Black-Scholes option pricing model.

The following table provides the carrying amounts and estimated fair values of the Company's financial instruments as of March 31, 2024 and December 31, 2023:

As of March 31, 2024	Carrying Amount	Fair Value	Fair Value Measurements Level 1	Level 2	Level 3
Recurring assets and liabilities:					
Long-term debt	$ 1,041,940	$ 203,867	$ —	$ 203,867	$ —
Current portion of long-term debts	29,057	29,057	—	29,057	—
Private warrants liability of XBP Europe	13	13	—	—	13

As of December 31, 2023	Carrying Amount	Fair Value	Fair Value Measurements Level 1	Level 2	Level 3
Recurring assets and liabilities:					
Long-term debt	$ 1,030,580	$ 216,213	$ —	$ 216,213	$ —
Current portion of long-term debts	30,029	30,029	—	30,029	—
Private warrants liability of XBP Europe	50	50	—	—	50

The significant unobservable inputs used in the fair value of the private warrants liability of XBP Europe are assumptions related to the inputs of exercise price, fair value of the underlying XBP Europe common stock, risk-free interest rate, expected term, expected volatility, and expected dividend yield. Significant increases (decreases) in the discount rate would have resulted in a lower (higher) fair value measurement. Significant increases (decreases) in the forecasted financial information would have resulted in a higher (lower) fair value measurement. For all significant unobservable inputs used in the fair value measurement of the Level 3 liabilities, a change in one of the inputs would not necessarily result in a directionally similar change in the fair value.

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

	March 31, 2024	December 31, 2023
Balance at beginning of period	$ 50	$ 647
Reduction in the fair value of the private warrants liability of XBP Europe	(37)	(597)
Balance at end of period	$ 13	$ 50

10. Stock-Based Compensation

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 694 shares of Common Stock under the 2018 Plan. On June 27, 2022, 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 694 shares to 4,462.

Restricted Stock Unit

Restricted stock unit awards generally vest ratably over a one to two year period. Restricted stock units are subject to forfeiture if employment or service 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 three months ended March 31, 2024 is summarized in the following table:

	Number of Units	Weighted Average Grant Date Fair Value	Average Remaining Contractual Life (Years)
Outstanding Balance as of December 31, 2023	8	$ 6,600.00	—
Granted	—	—	
Forfeited	—	—	
Vested	—	—	
Outstanding Balance as of March 31, 2024 (1)	8	$ 6,600.00	—

(1) All of these outstanding restricted stock units shall vest on the date of the annual general meeting of stockholders for the year 2023.

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 three months ended March 31, 2024 is summarized in the following table:

	Outstanding	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Average Remaining Vesting Period (Years)
Outstanding Balance as of December 31, 2023	313	$ 22,224.00	$ 46,485.00	0.02
Granted	—	—		
Exercised	—	—		
Forfeited	(4)	32,232.00		
Expired	—	—		
Outstanding Balance as of March 31, 2024 (1)	309	$ 22,083.18	$ 46,130.78	0.01

(1) 301 of the outstanding options are exercisable as of March 31, 2024.

As of March 31, 2024, there was less than $0.1 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 $0.9 million and $0.1 million related to restricted stock unit awards and stock option awards under the 2018 Plan for the three months ended March 31, 2024 and 2023, 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). At the election of the compensation committee of the Company, these performance units might be settled in cash or in shares of Common Stock.

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 Common Stock is $40,000 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 Common Stock is $80,000 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, 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 $8,000 per share, and 100% of the Tranche 1 vesting if the per share price is equal to or greater than $40,000 and 100% of the Tranche 2 vesting if the per share price is equal to or greater than $80,000, and a number of Tranche 1 and Tranche 2 vesting determined based on a straight line interpolation if the share price is between $8,000 and $40,000 or $80,000, 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 engaged with the Company in any capacity, including as a non-employee director.

The fair value of the awards was determined to be $5,920 and $6,040 per unit for Tranche 1 and Tranche 2, respectively, on the grant date by application of the Monte Carlo simulation model. On December 31, 2021, the modification date fair value of the awards was determined to be $1,760 and $1,880 per unit 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 three months ended March 31, 2024:

	Number of Units	Weighted Average Fair Value	Remaining Service Period Over Which Expected to be Recognized
Outstanding Balance as of December 31, 2023	2,125	$ 1,820.00	0.98
Granted	—	—	
Forfeited	—	—	
Vested	—	—	
Outstanding Balance as of March 31, 2024	2,125	$ 1,820.00	0.73

As of March 31, 2024, there was approximately $0.6 million of unrecognized compensation expense related to non-vested performance unit awards, which will be recognized over the requisite service period. We recognized $0.2 million compensation expense associated with the performance unit award for each of the three months ended March 31, 2024 and 2023.

11. Stockholders' Equity

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

Common Stock

The Company is authorized to issue 1,600,000,000 shares of Common Stock. Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock, the holders of our Common Stock and Tandem Preferred Stock (that provides a vote to holders of our Series B Preferred Stock, as described below) possess all voting power for the election of our board of directors (the "Board") 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 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. As of March 31, 2024, there were 6,365,355 shares of Common Stock outstanding.

Share Buyback Program

On August 10, 2022, the Board authorized a share buyback program (the "2022 Share Buyback Program"), pursuant to which the Company is permitted to repurchase up to 50,000 shares of Common Stock over the next two-year period. The 2022 Share Buyback Program does not obligate the Company to repurchase any shares of Common Stock. No shares were repurchased under the 2022 Share Buyback Program during the three months ended March 31, 2024 and 2023. As of March 31, 2024, we had repurchased and concurrently retired 1,787 shares of Common Stock pursuant to the 2022 Share Buyback Program.

The Company records such stock repurchases as a reduction to stockholders' equity. The Company allocates the excess of the repurchase price over the par value of shares acquired to accumulated deficit and additional paid-in capital. The portion allocated to additional paid-in capital is determined by dividing the number of shares to be retired by the number of shares issued multiplied by the balance of additional paid-in capital as of the retirement date.

Series A 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. The Company has designated 2,800,000 shares of its authorized preferred stock as Series A Preferred Stock. At March 31, 2024, the Company had 2,778,111 shares of Series A Preferred Stock outstanding. 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 March 31, 2024, after taking into account the effect of the Reverse Stock Split, each outstanding share of Series A Preferred Stock was convertible into 0.000149 shares of Common Stock using this conversion formula. Accordingly, as of March 31, 2024, 413 shares of Common Stock were issuable upon conversion of 2,778,111 shares of outstanding 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 "Series A Liquidation Preference") per share of Series A Preferred Stock, paid or accrued quarterly in arrears on the 15th day of each March, June, September and December. From the issue date through March 31, 2024, the amount of all accrued but unpaid dividends on the Series A Preferred Stock have been added to the Series A Liquidation Preference. The Company shall add the amount of all accrued but unpaid dividends on each quarterly dividend payment date to the Series A 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 Series A 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 gross dividend accumulation for the three months ended March 31, 2024 and 2023 was $1.1 million and $1.0, respectively. As of March 31, 2024, the total accumulated but unpaid dividends on the Series A Preferred Stock since inception on July 12, 2017 was $20.9 million. The per share average of cumulative preferred dividends for the three months ended March 31, 2024 and 2023 is $0.38 and $0.34, respectively.

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.

Series B Preferred Stock and Tandem Preferred Stock

The Company has designated 8,100,000 shares of its authorized and unissued preferred stock as Series B Preferred Stock. At March 31, 2024, the Company had 3,029,900 shares of Series B Preferred Stock outstanding. The par value of the Series B Preferred Stock is $0.0001 per share. Each share of Series B 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 March 31, 2024, after taking into account the effect of the Reverse Stock Split and payment of the accrued dividend, each outstanding share of Series B Preferred Stock was convertible into 0.00547 of one share of Common Stock using this conversion formula. Accordingly, as of March 31, 2024, 16,565 shares of Common Stock were issuable upon conversion of 3,029,900 shares of outstanding Series B Preferred Stock. The shares of Series B Preferred Stock are listed on the Nasdaq under the symbol "XELAP."

Holders of the Series B Preferred Stock are entitled to receive cumulative dividends at a rate per annum of 6% of the dollar amount of per share liquidation preference (plus accumulated but unpaid dividends, the "Series B Liquidation Preference") per share of Series B Preferred Stock, paid or accrued quarterly in arrears on the last day of each of March, June, September and December. The Company shall add the amount of all accrued but unpaid dividends on each quarterly dividend payment date to the Series B 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 Series B 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 B Preferred Stock or for dividends on the shares of Common Stock issued upon conversion of such shares. The gross dividend accumulation was $1.2 million for each of the three months ended March 31, 2024 and 2023, respectively, as reflected on the condensed consolidated statement of operations. As of March 31, 2024, the total accumulated but unpaid dividends on the Series B Preferred Stock since inception on March 23, 2022 was $7.1 million. The per share average of cumulative preferred dividends for the three months ended March 31, 2024 and 2023 was $0.40 and $0.38, respectively.

In addition, holders of the Series B 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 B 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. Holders of Series B Preferred Stock also have rights to vote for the election of one additional director to serve on the Board, if dividends on Series B Preferred Stock are in arrears for eight or more consecutive quarters, until all unpaid and accumulated dividends on the Series B Preferred Stock have been paid or declared and a sum sufficient for payment is set aside for such payment.

On May 17, 2022, the Company issued one share of tandem preferred stock, par value $0.0001 per share (the "Tandem Preferred Stock"), as a dividend on its existing shares of outstanding Series B Preferred Stock. Any issuance of Series B Preferred Stock after this date shall be automatically accompanied by an equal number of shares of Tandem Preferred Stock. Tandem Preferred Stock are embedded in the Series B Preferred Stock and they provide voting rights to the existing shares of Series B Preferred Stock. Each share of Series B Preferred Stock disclosed in the condensed consolidated balance sheet, the condensed consolidated statements of stockholders' deficit and the notes to the condensed consolidated financial statements embeds one share of Tandem Preferred Stock.

On all matters submitted to a vote of the stockholders of the Company, the holders of the Series B Preferred Stock through their holdings of Tandem Preferred Stock will be entitled to vote with the holders of the Common Stock as a single class. Each share of Tandem Preferred Stock entitles the holder to one vote per share, subject to adjustment for issuance of any shares of Common Stock pursuant to any dividend or distribution on shares of Common Stock, share split or share combination or other transactions as specified in the Certificate of Designation of Tandem Preferred Stock.

Shares of Tandem Preferred Stock are not entitled to receive dividends of any kind. In the case of a transfer of the underlying Series B Preferred Stock by a holder to any transferee, the Tandem Preferred Stock shall be automatically transferred simultaneously to such transferee without any further action by such Holder. Upon the redemption of a holder's shares of Series B Preferred Stock or the conversion of shares of Series B Preferred Stock into Common Stock, an equal number of such holder's shares of Tandem Preferred Stock shall, without any further action required by the holder, be automatically transferred to the Company for cancellation without the payment of any additional consideration by the Company. In the event of any liquidation, winding-up or dissolution of the Company each holder of the Tandem Preferred Stock shall be entitled to receive and to be paid out of the assets of the Company available for distribution to its stockholders an amount in cash equal to the par value of such Tandem Preferred Stock with respect to each share of Tandem Preferred Stock held by such holder.

Special Voting Preferred Stock

On October 9, 2023, the Company entered into the Subscription, Voting and Redemption Agreement with GP-HGM LLC, an entity affiliated to the Executive Chairman of the Company, pursuant to which GP-HGM LLC purchased 1,000,000 shares of a new class of preferred stock designated as "Special Voting Stock" for an aggregate purchase price of $100 and agreed to vote all of the shares of Special Voting Stock at the annual meeting of stockholders, scheduled for June 13, 2024 (the "Annual Meeting"), in proportion to the votes cast at the Annual Meeting. Each share of Special Voting Stock is entitled to 20,000 votes per share. The Company has further agreed to redeem the shares of Special Voting Stock for an aggregate price of $100 on the first business day following the date on which the voting on the Amendment to Series B Certificate of Designations Proposal has concluded. The Special Voting Stock are outstanding as of March 31, 2024.

Warrants

At March 31, 2024, there were warrants outstanding to purchase 1,978 shares of our Common Stock, consisting of 7,913,637 warrants to purchase one-four thousandth of one share of Common Stock from the private placement that was completed in March 2021. Each private placement warrant entitles the holder to purchase one-four thousandth of one share of Common Stock, at an exercise price of $16,000.00 per share and will expire on September 19, 2026. The private placement warrants are not listed or traded as of March 31, 2024, and are not subject to mandatory redemption by the Company.

12. Related-Party Transactions

Relationship with HandsOn Global Management

The Company incurred reimbursable travel expenses to HOVS LLC and HandsOn Fund 4 I, LLC (collectively, and together with certain of their affiliated entities managed by HandsOn Global Management LLC, including such entity, "HGM") of $0 and less than $0.1 million of the three months ended March 31, 2024 and 2023, respectively. Certain members of our Board and management, including our Executive Chairman and Interim Chief Financial Officer, (Par Chadha, Matthew Brown, Sharon Chadha, Ron Cogburn, and James Reynolds) are or have been affiliated with HGM. Our Executive Chairman, Par Chadha and his wife, Sharon Chadha, are currently affiliated with HGM. Messrs. Cogburn and Reynolds were affiliated with HGM until 2020, and Mr. Brown was affiliated with HGM until 2017.

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 sales is shared 75%/25% with each of HGM's venture affiliates in favor of the Company.

The brands Zuma, Athena, Peri, BancMate, Spring, Jet, Teletype, CourtQ and Rewardio are part of the HGM managed funds. The Company has the license to use and resell such brands, as described therein. The Company incurred fees relating to these agreements of $1.7 million and $2.4 million for the three months ended March 31, 2024 and 2023, respectively. The Company earned no revenue from third-party sales under the reseller arrangement for the three months ended March 31, 2024 and 2023.

Certain operating companies lease their operating facilities from HOV RE, LLC and HOV Services Limited, which are affiliates under common control with HGM. The rental expense for these operating leases was less than $0.1 million for the three months ended March 31, 2024 and 2023, respectively. In addition, HOV Services, Ltd. provides the Company data capture and technology services. The expense recognized for these services was approximately $0.5 million and $0.4 million for the three months ended March 31, 2024 and 2023, respectively. These expenses are included in cost of revenue in the condensed consolidated statements of operations.

Subscription, Voting and Redemption Agreement

On October 9, 2023, the Company entered into the Subscription, Voting and Redemption Agreement with GP-HGM LLC, an entity affiliated to the Executive Chairman of the Company, pursuant to which GP-HGM LLC purchased 1,000,000 shares of a new class of preferred stock designated as “Special Voting Stock” for an aggregate purchase price of $100 and agreed to vote all of the shares of Special Voting Stock at the Annual Meeting in proportion to the votes cast at the Annual Meeting. Each share of Special Voting Stock is entitled to 20,000 votes per share. The Company has further agreed to redeem the shares of Special Voting Stock for an aggregate price of $100 on the first business day following the date on which the voting on the Amendment to Series B Certificate of Designations Proposal has concluded.

At the Annual Meeting, stockholders will be asked to approve an amendment to the Certificate of Designations of the Company’s Series B Preferred Stock to allow the Company to have the ability to (a) pay dividends in shares of Common Stock, (b) pay less than all of the accrued dividends, and (c) pay dividends on any date designated by the Company’s Board for the payment of dividends. These Special Voting Stock are outstanding as of March 31, 2024.

Invoicing Support and Collection Services

On September 1, 2023, the Company, through one of its subsidiaries, entered into a Master Services Agreement with Doctors of Waikiki LLP (the “DOW”), which is an affiliate under common control with HGM, where the Company could provide services under one or more statement(s) of work (each, a “SOW”) to DOW. Each SOW, together with the terms of this Agreement, shall be deemed a separate contract that is effective as of date set forth in the SOW. The Company, acting under the first statement of work (SOW-1), provides collection services to DOW to collect past-due medical debts from its patients and insurance companies for which the Company receives a commission of 15% for accounts assigned within one year of the service date and 25% for accounts assigned after one year. Under the second statement of work (SOW-2), the Company manages DOW's insurance billing and denial management for medical bills generated after patients receive treatment from DOW for which the Company invoices $2,000 per month for each full-time employee assigned to the project. For the three months ended March 31, 2024, the Company has recognized less than $0.1 million of income under these two SOWs.

Payable and Receivable/Prepaid Balances with Affiliates

Payable and receivable/prepaid balances with affiliates as of March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024		December 31, 2023	
	Receivables and Prepaid Expenses	Payables	Receivables and Prepaid Expenses	Payables
HOV Services, Ltd	$ 428	$ —	$ 296	$ —
Rule 14	—	2,416	—	1,918
HGM	—	47	—	9
DOW	46	—	—	11
	$ 474	$ 2,463	$ 296	$ 1,938

13. Segment and Geographic Area Information

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

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

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

LLPS: The LLPS segment provides a broad array of support services in connection with class action settlement administration, claims adjudication, labor, 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, net and sundry expenses (income), net. The Company manages assets on a total company basis, not by operating segment, and therefore asset information and capital expenditures by operating segments are not presented. A reconciliation of segment profit to net loss before income taxes is presented below.

	Three months ended March 31, 2024			
	ITPS	HS	LLPS	Total
Revenue	$ 176,140	$ 64,852	$ 17,819	$ 258,811
Cost of revenue (exclusive of depreciation and amortization)	144,412	46,156	11,420	201,988
Segment profit	31,728	18,696	6,399	56,823
Selling, general and administrative expenses (exclusive of depreciation and amortization)				40,854
Depreciation and amortization				13,507
Related party expense				2,391
Interest expense, net				21,088
Sundry expense, net				1,881
Other income, net				(451)
Net loss before income taxes				$ (22,447)

	Three months ended March 31, 2023			
	ITPS	HS	LLPS	Total
Revenue	$ 193,708	$ 63,043	$ 16,869	$ 273,620
Cost of revenue (exclusive of depreciation and amortization)	158,511	46,736	11,220	216,467
Segment profit	35,197	16,307	5,649	57,153
Selling, general and administrative expenses (exclusive of depreciation and amortization)				44,381
Depreciation and amortization				16,560
Related party expense				3,112
Interest expense, net				44,180
Debt modification and extinguishment costs (gain), net				(8,773)
Sundry expense, net				748
Other income, net				(282)
Net loss before income taxes				$ (42,773)

14. Subsequent Events

BR Exar AR Facility Amendment

On April 24, 2024, certain of the Company's subsidiaries entered into an amendment to the BR Exar AR Facility (the "Fourth Amendment"), pursuant to which they agreed to sell certain existing and future receivables to BREL until such time as BREL shall have collected $4.9 million, net of any costs, expenses or other amounts paid to or owing to the buyer under the agreement. The Company received an aggregate of $4.5 million in net proceeds under the Fourth Amendment.

Repayments on BRCC Facility and BR Exar AR Facility

During April 1, 2024 through May 15, 2024, the Company repaid $2.0 million of outstanding principal amount under the BRCC Revolver. Accordingly, the amount outstanding under the BRCC Revolver is $11.9 million, as of May 15, 2024.

During April 1, 2024 through May 15, 2024, the Company repaid approximately $7.4 million of outstanding principal amount under the BR Exar AR Facility. Accordingly, the amount outstanding under the BR Exar AR Facility is approximately $1.7 million, as of May 15, 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Forward Looking Statements

Certain statements included in this Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this quarterly report are not historical facts but are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. Forward-looking statements generally are accompanied by words such as "may", "should", "would", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "seem", "seek", "continue", "future", "will", "expect", "outlook" or other similar words, phrases or expressions. These forward-looking statements include statements regarding our industry, future events, estimated or anticipated future results and benefits, future opportunities for Exela, and other statements that are not historical facts. These statements are based on the current expectations of Exela management and are not predictions of actual performance. These statements are subject to a number of risks and uncertainties regarding Exela's businesses and actual results may differ materially. The factors that may affect our results include, among others: the impact of political and economic conditions on the demand for our services; cyber incidents such as a data or security breach; the impact of competition or alternatives to our services on our business pricing and other actions by competitors; our ability to address technological development and change in order to keep pace with our industry and the industries of our customers; the impact of terrorism, natural disasters or similar events on our business; the effect of legislative and regulatory actions in the United States and internationally; the impact of operational failure due to the unavailability or failure of third-party services on which we rely; the effect of intellectual property infringement; and other factors discussed in this quarterly report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Form 10-K") under the heading "Risk Factors", and otherwise identified or discussed in this quarterly report. You should consider these factors carefully in evaluating forward-looking statements and are cautioned not to place undue reliance on such statements, which speak only as of the date of this quarterly report. It is impossible for us to predict new events or circumstances that may arise in the future or how they may affect us. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this quarterly report. We are not including the information provided on any websites that may be referenced herein as part of, or incorporating such information by reference into, this quarterly report. In addition, forward-looking statements provide our expectations, plans or forecasts of future events and views as of the date of this quarterly report. We anticipate that subsequent events and developments may cause our assessments to change. These forward-looking statements should not be relied upon as representing our assessments as of any date subsequent to the date of this quarterly report.

Overview

Exela Technologies, Inc. ("Exela", the "Company", "we", "our" or "us") is a business process automation leader leveraging a global footprint and proprietary technology to help turn the complex into the simple through user friendly software platforms and solutions that enable our customers' digital transformation. We have decades of expertise earned from serving more than 4,000 customers worldwide, including many of the world's largest enterprises and over 60% of the Fortune® 100, in many mission critical environments across multiple industries, including banking, healthcare, insurance and manufacturing. Our technology-enabled solutions allow global organizations to address critical challenges resulting from the massive amounts of data obtained and created through their daily operations. Our solutions address the life cycle of transaction processing and enterprise information management, from enabling payment gateways and data exchanges across multiple systems, to matching inputs against contracts and handling exceptions, to ultimately depositing payments and distributing communications. Through cloud-enabled platforms, built on a configurable stack of automation modules, and approximately 13,600 employees operating in 20 countries, Exela rapidly deploys integrated technology and operations as an end-to-end digital journey partner.

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

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 a 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 shares of our common stock ("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, Business Combinations ("ASC 805") and was accounted for using the acquisition method. The strategic combination of SourceHOV and Novitex formed Exela, which is one of the largest global providers of information processing solutions based on revenues.

On November 29, 2023, we completed the merger of our European business with CF Acquisition Corp. VIII. After this merger, our European business operates as XBP Europe Holdings, Inc. ("XBP Europe"), a majority-owned consolidated subsidiary of the Company. Beginning on November 30, 2023, XBP Europe shares started trading on the Nasdaq Stock Market under the ticker symbol "XBP" and its warrants started trading on the Nasdaq Stock Market under the ticker symbol "XBPEW". We own a majority of the outstanding capital stock of XBP Europe.

Sale of Non-core Assets

On June 8, 2023, the Company completed the sale of its high-speed scanner business for a purchase price of approximately $30.1 million, subject to final working capital adjustments. As a result of this transaction, the Company disposed of $16.5 million of goodwill based on the relative fair value of the high-speed scanner business to the total fair value of the ITPS reporting unit. This transaction resulted in a total pre-tax gain of $7.2 million. Per the terms of the sales agreement, the Company may receive additional cash consideration upon the future occurrence of certain earn out events described in the sales agreement.

Our Segments

Our three reportable segments are Information & Transaction Processing Solutions ("ITPS"), Healthcare Solutions ("HS"), and Legal & Loss Prevention Services ("LLPS"). These segments are comprised of significant strategic business units that align our transaction processing and enterprise information management 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 local 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 an 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 array of support services in connection with class action settlement administration, claims adjudication, labor, 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 March 31, 2024, we had approximately 13,600 employees globally, with 7,000 employees located in Americas and EMEA, and the remainder located primarily in India and the Philippines.

Costs associated with our employees represent the most significant expense for our business. We incurred personnel costs of $114.2 million and $129.4 million for the three months ended March 31, 2024 and 2023, respectively. The majority of our personnel costs are variable and are incurred only while we are providing our services. In certain jurisdictions, for example many countries in Europe, there is a statutory payment requirement for any people made redundant due to automation or relocation of delivery locations.

Key Performance Indicators

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

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

Revenue by segment

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

EBITDA and Adjusted EBITDA

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

Results of Operations

Three months ended March 31, 2024 compared to Three months ended March 31, 2023:

	Three Months Ended March 31,			
	2024	2023	Change	% Change
Revenue:				
ITPS	$ 176,140	$ 193,708	$ (17,568)	(9.07)%
HS	64,852	63,043	1,809	2.87%
LLPS	17,819	16,869	950	5.63%
Total revenue	258,811	273,620	(14,809)	(5.41)%
Cost of revenue (exclusive of depreciation and amortization):				
ITPS	144,412	158,511	(14,099)	(8.89)%
HS	46,156	46,736	(580)	(1.24)%
LLPS	11,420	11,220	200	1.78%
Total cost of revenues	201,988	216,467	(14,479)	(6.69)%
Selling, general and administrative expenses (exclusive of depreciation and amortization)	40,854	44,381	(3,527)	(7.95)%
Depreciation and amortization	13,507	16,560	(3,053)	(18.44)%
Related party expense	2,391	3,112	(721)	(23.17)%
Operating profit (loss)	71	(6,900)	6,971	(101.03)%
Interest expense, net	21,088	44,180	(23,092)	(52.27)%
Debt modification and extinguishment costs (gain), net	—	(8,773)	8,773	(100.00)%
Sundry expense, net	1,881	748	1,133	151.47%
Other income, net	(451)	(282)	(169)	59.93%
Net loss before income taxes	(22,447)	(42,773)	20,326	(47.52)%
Income tax expense	(3,126)	(2,663)	(463)	17.39%
Net loss	$ (25,573)	$ (45,436)	$ 19,863	(43.72)%

Revenue

For the three months ended March 31, 2024, our revenue on a consolidated basis decreased by $14.8 million, or 5.4%, to $258.8 million from $273.6 million for the three months ended March 31, 2023. We experienced revenue decline in ITPS segment and revenue growth in HS and LLPS segments. Our ITPS, HS, and LLPS segments constituted 68.0%, 25.1%, and 6.9% of total revenue, respectively, for the three months ended March 31, 2024, compared to 70.8%, 23.0%, and 6.2%, respectively, for the three months ended March 31, 2023. The revenue changes by reporting segment were as follows:

ITPS— For the three months ended March 31, 2024, revenue attributable to our ITPS segment decreased by $17.6 million, or 9.1% compared to the same period in the prior year. The majority of this revenue decline is attributable to exiting contracts and statements of work from certain customers with revenue that we believe was unpredictable, non-recurring and were not a strategic fit to Company's long-term success. In June 2023, we sold our high-speed scanner business and this resulted in $3.2 million lower revenue in the current period as compared to the period ended March 31, 2023. The reported ITPS segment revenue benefited by $0.7 million from currency conversion during the year ended March 31, 2024, compared to the three months ended March 31, 2023.

HS— For the three months ended March 31, 2024, revenue attributable to our HS segment increased by $1.8 million, or 2.9% compared to the same period in the prior year primarily due to higher volumes from our new and existing healthcare customers.

LLPS— For the three months ended March 31, 2024, revenue attributable to our LLPS segment increased by $1.0 million, or 5.6% compared to the same period in the prior year primarily due to an increase in project based engagements in legal claims administration services.

Cost of Revenue

For the three months ended March 31, 2024, our cost of revenue decreased by $14.5 million, or 6.7%, compared to the three months ended March 31, 2023. Costs in our ITPS segment decreased by $14.1 million, or 8.9%, primarily attributable to the corresponding decline in revenues. HS segment costs decreased by $0.6 million, or 1.2% primarily due to decrease in employee-related cost. LLPS segment cost of revenue increased by $0.2 million, or 1.8% primarily attributable to the corresponding increase in revenues.

The decrease in cost of revenues on a consolidated basis was primarily due to a decrease in employee-related costs of $15.1 million, lower infrastructure and maintenance costs of $4.3 million, lower other operating costs of $0.9 million and lower travel costs of $0.1 million, which was offset by higher pass through costs of $5.9 million.

Cost of revenue for the three months ended March 31, 2024 was 78.0% of revenue compared to the 79.1% for the comparable same period in the prior year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (“SG&A expenses”) decreased $3.5 million, or 7.9%, to $40.9 million for the three months ended March 31, 2024, compared to $44.4 million for the three months ended March 31, 2023. The decrease was primarily attributable to lower legal and professional fees of $8.8 million offset by higher infrastructure, maintenance and operating costs of $0.7 million, higher other SG&A expenses of $4.4 million, higher employee related costs by $0.1 million, higher travel costs of $0.1 million. SG&A expenses decreased as a percentage of revenues to 15.8% for the three months ended March 31, 2024 as compared to 16.2% for the three months ended March 31, 2023.

Depreciation & Amortization

Total depreciation and amortization expenses were $13.5 million and $16.6 million for the three months ended March 31, 2024 and 2023, respectively. The decrease in total depreciation and amortization expenses by $3.1 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 three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Related Party Expenses

Related party expense was $2.4 million for the three months ended March 31, 2024 compared to $3.1 million for the three months ended March 31, 2023.

Interest Expense

Interest expense was $21.1 million for the three months ended March 31, 2024 compared to $44.2 million for the three months ended March 31, 2023. The decrease in total interest expense by $23.1 million was primarily due to amortization of debt exchange premium and reduction in interest costs due to exchange of notes in July 2023, during the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Debt modification and extinguishment costs (gain), net

There was no debt modification and extinguishment cost/(gain) for the three months ended March 31, 2024 compared to a gain of $8.8 million for the three months ended March 31, 2023. During the three months ended March 31, 2023, we repurchased $13.4 million principal amount of 2023 Notes for a net cash consideration of $4.2 million. The gain on early extinguishment of debt for the Exchange Notes during the three months ended March 31, 2023 totaled $9.8 million and is inclusive of less than $0.1 million write off of original issue discount and debt issuance costs. During the three months ended March 31, 2023, we paid $1.0 million of exit fees on the partial prepayment of BRCC Term Loan (as defined and further described in "Indebtedness" below) which was treated as a debt extinguishment cost.

Sundry Expense, net

The increase in sundry expense, net by $1.1 million over the prior year period was primarily attributable to exchange rate fluctuations on foreign currency transactions.

Other Income, net

Other income, net was $0.5 million for the three months ended March 31, 2024 compared to other income, net of $0.3 million for the three months ended March 31, 2023.

Income Tax Expense

The Company recorded income tax expense of $3.1 million for the three months ended March 31, 2024 and an income tax expense of $2.7 million for the three months ended March 31, 2023. The tax expense for the three months ended March 31, 2024 is higher than the three months ended March 31, 2023 largely due to improvement in operating performance. The Company's estimated annual effective tax rate of (13.9)% for the three months ended March 31, 2024 differed from the expected U.S. statutory tax rate of 21.0% and was primarily impacted by permanent tax adjustments, state and local current expense, foreign operations, and valuation allowances, including valuation allowances on a portion of the Company's deferred tax assets on U.S. disallowed interest expense carryforwards created by the provisions of The Tax Cuts and Jobs Act ("TCJA").

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 have historically defined Adjusted EBITDA, including in the Form 10-Q for the three months ended March 31, 2023, 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 consistent with the definitions contained in our debt agreements.

Beginning with the 2023 Form 10-K, the Company has made certain changes to the way it defines Adjusted EBITDA that impact the comparability of the metrics to prior periods. Specifically, the Company will no longer include optimization and restructuring expenses, contract costs and certain other charges that we historically added back to our computation of Adjusted EBITDA consistent with the definitions in our debt agreements. The Company's presentation of Adjusted EBITDA for same period in the prior year also reflects this updated definition of Adjusted EBITDA (i.e., will not be the same as set forth in prior filings due to the change of definition).

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.

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 (the "Board") 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 have important limitations as analytical tools because they exclude some but not all items that affect the most directly comparable GAAP financial measures. These non GAAP financial measures are not required to be uniformly applied, are not audited and should not be considered in isolation or as substitutes for results prepared in accordance with GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of these non GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

Three Months Ended March 31, 2024 compared to the Three Months Ended March 31, 2023

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to our net loss, the most directly comparable GAAP measure, for the three months ended March 31, 2024 and 2023.

	Three Months Ended March 31,	
	2024	**2023**
Net Loss	$ (25,573)	$ (45,436)
Taxes	3,126	2,663
Interest expense	21,088	44,180
Depreciation and amortization	13,507	16,560
EBITDA	12,148	17,967
Transaction and integration costs (1)	133	5,156
Non-cash equity compensation (2)	1,183	111
Other charges including non-cash (3)	—	(89)
Loss/(gain) on sale of assets (4)	(602)	88
Debt modification and extinguishment costs (gain), net	—	(8,773)
Adjusted EBITDA	$ 12,862	$ 14,460

(1) Represents non-recurring legal, consulting and other fees and expenses incurred in connection with acquisitions, dispositions, debt-exchanges and other extraordinary transactions and events during the applicable period.
(2) Represents the non-cash charges related to restricted stock units and options.
(3) Represents 2022 network outage related insurance recoveries.
(4) Represents a loss/(gain) recognized on the disposal of property, plant, and equipment and other assets.

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 are issued. The following conditions raised substantial doubt about our ability to continue as a going concern: a history of continuing net losses, net operating cash outflows, working capital deficits and accumulated deficit. Going concern matters are more fully discussed in Note 1, *General* of the condensed consolidated financial statements.

Liquidity is the availability of adequate amounts of cash with an enterprise to meet its needs for cash requirements. At March 31, 2024, cash, restricted cash, and cash equivalents totaled $34.0 million, including restricted cash of $24.5 million. As of March 31, 2024, our working capital deficit amounted to $214.3 million, an increase of $0.6 million as compared to working capital deficit of $213.7 million as of December 31, 2023.

In the ordinary course of business, we enter into contracts and commitments that obligate us to make payments in the future. These obligations include borrowings, interest obligations, purchase commitments, operating and finance lease commitments, employee benefit payments and taxes. Specifically, $13.9 million outstanding under the BRCC Revolver (as defined and described further in the description of “Indebtedness” below) is payable in five (5) monthly installments of $2.0 million commencing April 30, 2024, with the remaining outstanding principal balance of $3.9 million payable on September 30, 2024. The current maturities under the Senior Secured Term Loan, the secured borrowings under BR Exar AR Facility (as defined and further described in “Indebtedness” below) and the other debts are $2.5 million, $4.2 million and $8.9 million, respectively. See Note 5 – *Long-Term Debt and Credit Facilities*, Note 7 – *Employee Benefit Plans*, and Note 8 – *Commitments and Contingencies,* to our condensed consolidated financial statements herein for further information on material cash requirements from known contractual and other obligations.

We plan to spend approximately 1.5% of total revenue on total capital expenditures over the next twelve months. Our business model has evolved to leverage cloud hosted platforms. This has reduced our capital expenditures and increased our operating expenses. This is the primary driver of changes in our capital expenditures when compared with historical periods. Our future cash requirements will depend on many factors, including our rate of revenue growth, our investments in strategic initiatives, applications or technologies, operation centers and acquisition of complementary businesses, which may require the use of significant cash resources and/or additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all adversely impacting our plans.

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 Internal Revenue Service’s guidance. The remaining balance of deferred employer social security taxes will need to be paid by fiscal year 2024. The Company similarly used 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 European deferred payroll taxes, social security and value added taxes will need to be paid by April 2027 as per deferment timeline.

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 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, have been 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 have been 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, and the Company’s Registration Statement on Form S-3 (File No. 333-263909), filed with the SEC on March 28, 2022 and declared effective on May 10, 2022, and the prospectuses and related prospectus supplements included therein 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 $100.0 million ("Common ATM Program–1")	May 28, 2021 through July 1, 2021	12,356	$8,032.74	$99.3 million	$95.7 million
Prospectus supplement dated June 30, 2021 with an aggregate offering price of up to $150.0 million ("Common ATM Program–2")	June 30, 2021 through September 2, 2021	14,395	$10,413.79	$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 March 31, 2022	83,719	$2,986.18	$250.0 million	$241.0 million
Prospectus supplement dated May 23, 2022 with an aggregate offering price of up to $250.0 million ("Common ATM Program–4") (1)	May 24, 2022 through March 31, 2023	6,262,182	$36.15	$226.4 million	$219.3 million

(1) Due to the late filing of 2022 Form 10-K the Company lost eligibility to use Form S-3 (and thereby the ability to conduct at the market offerings and one of its sources of liquidity) for a period of time which was extended, as a result of subsequent delinquent quarterly reports on Form 10-Q, including for the period ended September 30, 2023 (the "Q3 Form 10-Q"). As of the date of this filing, the Company does not expect to regain eligibility to use Form S-3 until twelve full calendar months following the date the Q3 Form 10-Q was due. Any future delinquency with respect to the filing of a Form 10-K, Form 10-Q, or certain Form 8-Ks will cause the Company to lose Form S-3 eligibility for at least twelve (12) calendar months from the due date of the delinquent filing.

The Amended Receivables Purchase Agreement (as defined and described further in the description of "Indebtedness" below) entered into on June 17, 2022 provides us access to liquidity through the sale of receivables. Under the Amended Receivables Purchase Agreement, transfers of accounts receivable are treated as sales and are accounted for as a reduction in accounts receivable because the agreement transfers effective control over and risk related to the accounts receivable to the purchasers of the receivables. The Company de-recognized $127.3 million and $140.0 million of accounts receivable under this agreement during the three months ended March 31, 2024 and 2023, respectively. The amount remitted to the Purchasers during the three months ended March 31, 2024 and 2023 was $135.9 million and $141.3 million, respectively. Unsold accounts receivable of $37.7 million and $41.2 million were pledged by the SPEs as collateral to the Purchasers as of March 31, 2024 and December 31, 2023, respectively.

On August 10, 2022, the Company's board of directors (the "Board") authorized a share buyback program (the "2022 Share Buyback Program"), pursuant to which the Company is authorized to repurchase, from time to time, up to 50,000 shares of Common Stock over the following two-year period through various means, including, open market transactions and privately negotiated transactions. The 2022 Share Buyback Program does not obligate the Company to repurchase any shares. The decision as to whether to repurchase any shares and the timing of repurchases will be based on the price of the Common Stock, general business and market conditions and other investment considerations and factors. No shares were repurchased under the 2022 Share Buyback Program during the three months ended March 31, 2024. As of March 31, 2024, we had repurchased and concurrently retired a total of 1,787 shares of Common Stock pursuant to the 2022 Share Buyback Program.

On December 7, 2023, the Company received insurance claim settlement proceeds of $9.9 million under the business interruption claim filed for a network outage which occurred in June 2022. The Company received additional settlement proceeds of $0.9 million over the year 2023 under similar claims. These proceeds were used for working capital.

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 the acquisition of businesses that enhance the value proposition. The Company also plans to take further action to raise additional funds in the debt and equity capital markets. Based on our experience with the at-the-market programs and our knowledge of the Company and the financial market, we believe that we will be able to raise those additional funds. There can be no assurances, however, that any of these initiatives will be consummated or will achieve its desired result.

Cash Flows

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

	Three Months Ended March 31,		
	2024	2023	Change
Net cash used in operating activities	$ (29,080)	$ (55,269)	$ 26,189
Net cash used in investing activities	(584)	(2,902)	2,318
Net cash (used in) provided by financing activities	(3,547)	63,783	(67,330)
Subtotal	$ (33,211)	5,612	$ (38,823)
Effect of exchange rates on cash, restricted cash and cash equivalents	82	140	(58)
Net increase (decrease) in cash, restricted cash and cash equivalents	$ (33,129)	$ 5,752	$ (38,881)

Analysis of Cash Flow Changes between the three months ended March 31, 2024 and March 31, 2023

Operating Activities—The decrease of $26.2 million in net cash used in operating activities for the three months ended March 31, 2024 was primarily due to lower cost of revenue, lower selling, general and administrative expenses and other expenses, improvement in operating cycle for accounts payable and accrued liabilities. This increase in cash generated in operating activities was partially offset by lower realization from accounts receivable and prepaid expenses during the three months ended March 31, 2024.

Investing Activities—The decrease of $2.3 million in net cash used by investing activities for the three months ended March 31, 2024 was primarily due to sale of property, plant and equipment.

Financing Activities— Cash used by financing activities during the three months ended March 31, 2024 was $3.5 million, primarily as a result of $14.9 million of proceeds from borrowings under BR Exar AR Facility and net proceeds of $1.3 million from other loans offset by $8.7 million of principal repayments on senior secured term loans, BRCC Revolver and other loans and $11.1 million of repayment under BR Exar AR Facility.

Cash provided by financing activities during the three months ended March 31, 2023 was $63.8 million, primarily as a result of $67.0 million of net proceeds from equity offerings, $31.5 million of proceeds from Second Lien Note, $12.1 million of proceeds from borrowings from other loans offset by debt issuance costs of $6.3 million, repayments on the BRCC Facility and senior secured term loans and other loans of $48.3 million and cash outflow of $3.6 million for 2023 Notes repurchases.

Indebtedness

Following is a description of the Company's key credit facilities.

July 2026 Notes

As of January 1, 2023, there was outstanding $980.0 million aggregate principal amount of 11.500% First-Priority Senior Secured Notes scheduled to mature July 15, 2026 (the "July 2026 Notes") issued by Exela Intermediate LLC and Exela Finance Inc. (together, the "Issuers"), wholly-owned subsidiaries of the Company . The July 2026 Notes are guaranteed by nearly all U.S. subsidiaries of Exela Intermediate LLC. The July 2026 Notes bear interest at a rate of

11.5% per year. We are required to pay interest on the July 2026 Notes on January 15 and July 15 of each year, and commenced making such interest payments on July 15, 2022. The Issuers may redeem the July 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.

On July 11, 2023, the Issuers, certain guarantors and U.S. Bank Trust Company, National Association, as trustee, entered into an indenture (the "April 2026 Notes Indenture") governing the 11.500% First-Priority Senior Secured Notes scheduled to mature July 12, 2026 (the "April 2026 Notes"), and the Issuers issued approximately $764.8 million aggregate principal amount of the April 2026 Notes as consideration for the exchange of $956.0 million aggregate principal amount of the Issuers' existing July 2026 Notes pursuant to a public exchange offer (the "2023 Exchange"), which was equivalent to issuing $800 of the April 2026 Notes per $1,000 principal amount of the existing July 2026 Notes. The Company performed an assessment of the 2023 Exchange and determined that it met the criteria to be accounted for as a troubled debt restructuring under ASC 470-60. The undiscounted cash flows associated with the April 2026 Notes issued were compared to the carrying value of the exchanged July 2026 Notes and since the undiscounted cash flows of the April 2026 Notes exceeded the carrying value of the exchanged July 2026 Notes, the carrying value of the April 2026 Notes was established at the carrying value of the exchanged July 2026 Notes and the Company established new effective interest rates based on the carrying value of the exchanged July 2026 Notes prior to the 2023 Exchange. The difference between the principal amount of the issued April 2026 Notes and their carrying value was recorded as a premium and is included in long-term debt on the Company's condensed consolidated balance sheets. The Company recorded a premium of $142.3 million on the notes exchange, which will be reduced as contractual interest payments are made on the April 2026 Notes.

On July 11, 2023, the Company entered into a seventh supplemental indenture to the indenture governing the July 2026 Notes which eliminated substantially all of the restrictive covenants, eliminated certain events of default, modified covenants regarding mergers and consolidations and modified or eliminated certain other provisions, including certain provisions relating to future guarantors and defeasance, contained in the July 2026 Notes Indenture and the July 2026 Notes. In addition, all of the collateral securing the July 2026 Notes was released pursuant to the seventh supplemental indenture.

As a result of the 2023 Exchange and periodic repurchases, $24.0 million aggregate principal amount of the July 2026 Notes maturing July 15, 2026 remained outstanding as of March 31, 2024.

Senior Secured April 2026 Notes

On July 11, 2023, the Issuers issued approximately $767.8 million aggregate principal amount of the April 2026 Notes under the April 2026 Notes Indenture, which includes the April 2026 Notes issued pursuant to the 2023 Exchange (as described above) and $3.0 million issued in exchange of other indebtedness. The April 2026 Notes are scheduled to mature on April 15, 2026.

Interest on the April 2026 Notes will accrue at 11.500% per annum and will be paid semi-annually, in arrears, on January 15 and July 15 of each year, beginning July 15, 2023. Interest will be payable in cash or in kind by issuing additional April 2026 Notes (or increasing the principal amount of the outstanding April 2026 Notes) ("PIK Interest") as described below: (A) for the July 15, 2023 interest payment date, such interest was paid in kind as PIK Interest, (B) for each interest payment date from and including the January 15, 2024 interest payment date through and including the July 15, 2024 interest payment date, such interest shall be paid in cash in an amount equal to (i) 50% of such interest plus (ii) an amount not to exceed an amount that, pro forma for such payment, would leave the issuers with Unrestricted Cash (as defined in the April 2026 Notes Indenture) of at least $15.0 million, with the remaining interest paid in kind as PIK Interest, and (C) for interest payment dates falling on or after January 15, 2025, such interest shall be paid in cash.

On July 15, 2023, the Company issued $44.1 million in aggregate principal amount of the April 2026 Notes as a payment for PIK Interest that would otherwise have been due to holders of the July 2026 Notes that participated in the Public Exchange on July 15, 2023. On January 15, 2024, the Company issued $23.3 million in aggregate principal amount of the April 2026 Notes as a payment for PIK Interest due on January 15, 2024 in respect of the April 2026 Notes. $835.3 million aggregate principal amount of the April 2026 Notes remained outstanding as of March 31, 2024.

The Issuers' obligations under the April 2026 Notes and the April 2026 Notes Indenture are irrevocably and unconditionally guaranteed, jointly and severally, by the same guarantors (the "Guarantors") that guarantee the July 2026 Notes (other than certain guarantors that have ceased to have operations or assets) and by certain of the Issuers' other affiliates (the "Affiliated Guarantors"). The April 2026 Notes and the related guarantees are first-priority senior secured obligations of the Issuers, the Guarantors and Affiliated Guarantors.

The issuers may redeem the April 2026 Notes at their option, in whole at any time 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, the April 2026 Notes will be mandatorily redeemable in part upon the sale of certain assets that constitute additional credit support.

The April 2026 Notes Indenture contains covenants that limit the Issuers' and the Affiliated Guarantors and their respective subsidiaries' ability to, among other things, (i) incur or guarantee additional indebtedness, (ii) pay dividends or distributions on, or redeem or repurchase, capital stock and make other restricted payments, (iii) make investments, (iv) consummate certain asset sales, (v) engage in certain transactions with affiliates, (vi) grant or assume certain liens and (vii) consolidate, merge or transfer all or substantially all of their assets. These covenants are subject to a number of important limitations and exceptions. In addition, upon the occurrence of specified change of control events, the Issuers must offer to repurchase the April 2026 Notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date. The April 2026 Notes Indenture also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all of the then outstanding April 2026 Notes to be due and payable immediately.

Repurchases

In July 2021 the Company commenced a debt buyback program to repurchase senior secured indebtedness, which is ongoing. During the three months ended March 31, 2023, we repurchased $13.4 million principal amount of the Issuers' 10.0% First Priority Senior Secured Notes due 2023 ("2023 Notes") for a net cash consideration of $4.2 million. The gain on early extinguishment of debt during the three months ended March 31, 2023 totaled $9.8 million and is inclusive of less than $0.1 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 (which was subsequently assigned to BRF Finance Co., LLC ("BRF Finance")) pursuant to which such subsidiary 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 Term Loan"). On March 31, 2022, GP2 XCV and B. Riley Commercial Capital, LLC amended this facility to permit GP2 XCV to borrow up to $51.0 million under a separate revolving loan (the "BRCC Revolver", collectively with the BRCC Term Loan, 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. Interest under the BRCC Facility accrues at a rate of 11.5% per annum (13.5% per annum default rate) and is payable quarterly on the last business day of each March, June, September and December. The purpose of BRCC Term Loan was to fund certain repurchases of the secured indebtedness and to provide funding for certain debt exchange transactions. The purpose of BRCC Revolver is to fund general corporate purposes.

During the three months ended March 31, 2024, we repaid $6.0 million of outstanding principal amount under the BRCC Revolver. The BRCC Facility matured on June 10, 2023. As of December 31, 2023, the Company had fully repaid the outstanding balance under the BRCC Term Loan. As of March 31, 2024, there remained borrowings of $13.9 million outstanding under the BRCC Revolver. The outstanding principal amount under the BRCC Revolver is payable in five (5) monthly installments of $2.0 million commencing April 30, 2024, with the remaining outstanding principal balance of $3.9 million payable on September 30, 2024.

Senior Secured Term Loan

On July 11, 2023, Exela Intermediate LLC and Exela Finance Inc., wholly-owned subsidiaries of the Company, entered into a financing agreement with certain lenders and Blue Torch Finance LLC, as administrative agent, pursuant to which the lenders extended a $40.0 million term loan (“Senior Secured Term Loan”). On the same date, the Company used proceeds of this term loan to repay a corresponding amount of its existing debt. On January 12, 2024, $1.0 million of certain waiver and consent fee payable by subsidiaries of the Company under the term of Senior Secured Term Loan were added to outstanding balance of the Senior Secured Term Loan.

The Senior Secured Term Loan shall be, at the option of the Company, either a Reference Rate Loan, or a Secured Overnight Financing Rate (“SOFR”) Loan. Each portion of the Senior Secured Term Loan that is a Reference Rate Loan bears interest on the principal amount outstanding from the date of the Senior Secured Term Loan until repaid, at a rate per annum equal to the Reference Rate plus the Applicable Margin. “Reference Rate” for any period means the greatest of (i) 4.00% per annum, (ii) the federal funds rate plus 0.50% per annum, (iii) the Adjusted Term SOFR (which rate shall be calculated based upon an interest period of 1 month and shall be determined on a daily basis) plus 1.00% per annum, and (iv) the rate last quoted by the Wall Street Journal as the "Prime Rate" in the United States. “Applicable Margin,” with respect to the interest rate of (a) any Reference Rate Loan is 10.39% per annum, and (b) any SOFR Rate Loan is 11.39% per annum. SOFR Rate Loans shall bear interest on the principal amount outstanding, at a rate per annum equal to the Adjusted Term SOFR rate for the Interest Period in effect for the Term Loan plus Applicable Margin. “Adjusted Term SOFR” means the rate per annum equal to Term SOFR for such calculation, plus 0.26161%. “Term SOFR,” for calculation with respect to a SOFR Rate Loan, is the per annum forward-looking term rate based on secured overnight financing rate for a tenor comparable to the applicable interest period on the day that is two business days prior to the first day of such interest period. However, with respect to a Reference Rate Loan, “Term SOFR” means the per annum forward-looking term rate based on secured overnight financing rate for a tenor of three months on the day that is two business days prior to such day. If Term SOFR as so determined shall ever be less than 4.00%, then Term SOFR shall be deemed to be 4.00%.

The Company may, at any time, elect to have interest on all or a portion of the loans be charged at a rate of interest based upon Term SOFR (the “SOFR Option”) by notifying the administrative agent at least three (3) business days prior to the proposed change. Such notice needs to be provided in the case of the continuation of a SOFR Rate Loan as a SOFR Rate Loan on the last day of the then current interest period. The Company shall have not more than 5 SOFR Rate Loans in effect at any given time, and only may exercise the SOFR Option for SOFR Rate Loans of at least $500,000 and integral multiples of $100,000 in excess thereof.

As of March 31, 2024, there were borrowings of $40.5 million outstanding under the Senior Secured Term Loan. The outstanding principal amount of the Senior Secured Term Loan shall be repaid in ten (10) equal quarterly installments of $0.5 million commencing April 1, 2024, with the remaining outstanding principal amount of $35.5 million payable at maturity along with accrued and unpaid interest. The maturity date of the Senior Secured Term Loan is January 14, 2026.

The Company may, at any time, prepay the principal of the Senior Secured Term Loan. Each prepayment shall be accompanied by the payment of accrued interest and the applicable premium, if any. Each prepayment shall be applied against the remaining installments of principal due on the Senior Secured Term Loan in the inverse order of maturity. The applicable premium shall be payable in the form of a make-whole amount if prepayment is made within one year of the borrowing date (the “First Period”). If optional prepayment is made after the year one anniversary of the borrowing date to the date of the two-year anniversary (the “Second Period”), the applicable premium shall be an amount equal to 1% times the amount of the principal amount of the Senior Secured Term Loan being paid on such date. The applicable premium shall be zero in case of prepayment after the date of the two-year anniversary of the borrowing date. Further, during the Second Period, if the prepayment is because of an event of default or termination of contract for any reason, the applicable premium shall be 1% times the aggregate principal amount of the Senior Secured Term Loan outstanding on such date.

The Senior Secured Term Loan contains customary events of default, affirmative and negative covenants, including limitation on the Company’s and certain of its subsidiaries’ ability to create, incur or allow certain liens; enter into sale and lease-back transactions; make any restricted payments; undergo fundamental changes, as well as certain financial covenants. The Company was in compliance with all financial covenants as of March 31, 2024.

Securitization Facility

On June 17, 2022, the Company entered into an amended and restated receivables purchase agreement (as amended, the "Amended Receivables Purchase Agreement") under an existing $150.0 million securitization facility (the "Securitization Facility") among certain of the Company's subsidiaries, Exela Receivables 3, LLC (the "Securitization Borrower"), Exela Receivables 3 Holdco, LLC (the "Securitization Parent SPE," and together with the Securitization Borrower, the "SPEs") and certain global financial institutions ("Purchasers"). The Amended Receivables Purchase Agreement extended the term of the Securitization Facility such that the SPEs may sell certain accounts receivable to the Purchasers until June 17, 2025. Under the Amended Receivables Purchase Agreement, transfers of accounts receivable from the SPEs are treated as sales and are accounted for as a reduction in accounts receivable, because the agreement transfers effective control over and risk related to the accounts receivable to the Purchasers. The Company and related subsidiaries have no continuing involvement in the transferred accounts receivable, other than collection and administrative responsibilities, and, once sold, the accounts receivable are no longer available to satisfy creditors of the Company, the operating subsidiaries of the Company that agreed to sell receivables in connection with the Securitization Facility (the "Securitization Originators"), or any other relevant subsidiaries.

The sales of accounts receivable under the Amended Receivables Purchase Agreement are transacted at 100% of the face value of the relevant accounts receivable, resulting in derecognition of the accounts receivable from the Company's condensed consolidated balance sheet. The Company de-recognized $522.7 million of accounts receivable under this agreement during the year ended December 31, 2023. The amount remitted to the Purchasers during fiscal year 2023 was $507.6 million. The Company de-recognized $127.3 million and $140.0 million of accounts receivable under this agreement during the three months ended March 31, 2024 and 2023, respectively. The amount remitted to the Purchasers during the three months ended March 31, 2024 and 2023 was $135.9 million and $141.3 million, respectively. Unsold accounts receivable of $37.7 million and $41.2 million were pledged by the SPEs as collateral to the Purchasers as of March 31, 2024 and December 31, 2023, respectively. These pledged accounts receivables are included in accounts receivable, net in the condensed consolidated balance sheets. The program resulted in a pre-tax loss of $1.6 million and $1.9 million for the three months ended March 31, 2024 and 2023, respectively.

BR Exar AR Facility

On February 12, 2024, certain of the Company's subsidiaries entered into a receivables purchase agreement with BR Exar, LLC ("BREL"), an affiliate of B. Riley Commercial Capital, LLC (as subsequently amended on February 29, 2024, March 29, 2024 and March 31, 2024, the "BR Exar AR Facility"). The Company received an aggregate of $14.7 million, net of legal and other fees of $0.2 million, under the BR Exar AR Facility. Under the terms of the BR Exar AR Facility, certain of the Company's subsidiaries agreed to sell certain existing receivables and all of their future receivables to BREL until such time as BREL shall have collected $16.4 million, net of any costs, expenses or other amounts paid to or owing to the buyer under the agreement. BREL collected $12.2 million under the BR Exar AR Facility during the period from February 2024 to March 2024. As of March 31, 2024, there was a $4.2 million outstanding balance under the BR Exar AR Facility.

Second Lien Note

On February 27, 2023, the SPEs and B. Riley Commercial Capital, LLC entered into a new Secured Promissory Note (which was subsequently assigned to BRF Finance) pursuant to which B. Riley Commercial Capital, LLC agreed to lend up to $35.0 million secured by a second lien pledge of the Securitization Borrower (the "Second Lien Note"). The Second Lien Note is scheduled to mature on June 17, 2025 and bears interest at a per annum rate of one-month Term SOFR plus 7.5%. The SPEs are party to the Amended Receivables Purchase Agreement, thus the transactions necessitated amendments to that agreement and related documents to permit the addition of subordinated debt and additional borrowing capacity into that transaction structure, in addition to providing for a $5.0 million fee to the lenders for facilitating the transaction. In connection with the above-described facility, we also amended the BRCC Term Loan and BRCC Revolver to provide for $9.6 million of borrowing capacity, which was drawn as described above.

As of March 31, 2024, there were borrowings of $31.5 million outstanding under the Second Lien Note payable at maturity.

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, or we may seek to raise additional debt or equity financing through private placements or through underwritten offerings. There can be no assurance that we will enter into additional strategic transactions or alliances, nor do we know if we will be able to obtain the necessary financing for transactions that require additional funds on favorable terms, if at all. In addition, pursuant to registration rights agreements that we have entered into, or may enter into in the future, certain of our stockholders may 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 and estimates 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 condensed consolidated financial statements are appropriate; however, actual results may differ under different conditions. This discussion and analysis should be read in conjunction with our condensed consolidated financial statements and related notes included in this document. Refer to "Critical Accounting Policies and Estimates" contained in Part II, Item 7 of the 2023 Form 10-K for a complete discussion of our critical accounting estimates. There have been no material changes to the Company’s critical accounting estimates since the 2023 Form 10-K.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There have been no material changes to the Company’s market risk during the three months ended March 31, 2024. For a discussion of the Company’s exposure to market risk, refer to the Company’s market risk disclosures set forth in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of the 2023 Form 10-K.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

As of the end of the period covered by this quarterly report, we carried out an evaluation, under the supervision and with the participation of our management, including our Executive Chairman and Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon that evaluation, our Executive Chairman and Interim Chief Financial Officer concluded that our disclosure controls and procedures were not effective due to the material weaknesses in internal control over financial reporting that are described in the 2023 Form 10-K.

Notwithstanding such material weaknesses in internal control over financial reporting, our management, including our Executive Chairman and Interim Chief Financial Officer, has concluded that our condensed consolidated financial statements present fairly, in all material respects, our financial position, results of our operations and our cash flows for the periods presented in this quarterly report, in conformity with U.S. generally accepted accounting principles.

Remediation

As previously described in Part II—Item 9A – Controls and Procedures of the 2023 Form 10-K, we continue to implement a remediation plan to address the material weaknesses mentioned above. The material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Derivative Actions

On July 8, 2020, Plaintiff Gregory McKenna filed a shareholder derivative action asserting the following claims against current and former directors and officers of Exela: (1) Violations of Section 14(a) of the Exchange Act; (2) Violations of Section 10(b) and Rule 10b-5 of the Exchange Act; (3) Violations of Section 20(a) of the Exchange Act; (4) breach of fiduciary duty; (5) unjust enrichment; and (6) waste of corporate assets. On December 21, 2020, Plaintiffs Richard W. Moser and Jonathan Gonzalez filed a substantially similar shareholder derivative action, which has been consolidated with the McKenna action. The claims stem from substantially the same factual allegations relating to the Company's 2020 restatement of its financial statements for 2017, 2018 and interim periods through September 30, 2019 that were the subject of the Shen securities class action lawsuit which was settled in December 2023. These claims were not discharged by the settlement, however, and at this time, it is not practicable to render an opinion about whether an unfavorable outcome is probable or remote with respect to this matter; however, the Company believes it has meritorious defenses.

Contract Claim

On October 24, 2018, HOV Services, Inc., a subsidiary of the Company ("HOV Services"), filed a lawsuit against ASG Technologies Group, Inc. ("ASG") that sought to terminate the renewal of licensing agreement between the parties. HOV Services alleged that the licensing agreement was renewed under duress and brought claims against ASG under the Computer Fraud and Abuse Act, 18 U.S.C. § 1030 et seq., the Stored Communications Act, 18 U.S.C. § 2701 et seq., and various common law doctrines. ASG subsequently brought counterclaims asserting breach of contract and other allegations. On February 27, 2024, a judge granted ASG's motion for directed verdict on its breach of contract claim and awarded ASG $2.5 million in damages plus interest. On February 29, 2024, the jury found in favor of ASG on all remaining claims and awarded ASG damages in the amount of approximately $0.7 million plus interest, for a total award of approximately $4.7 million in the case. On May 3, 2024, HOV Services filed a notice of appeal with the court to preserve its rights.

Business Interruption Insurance Claim

During the second half of 2022, the Company experienced a network security incident (the "2022 Network Outage") impacting certain of the Company's operational and information technology systems. As a result of the 2022 Network Outage, the Company experienced lost revenue and incurred certain incremental costs. On August 29, 2023, the Company submitted a claim to its insurers for $44.6 million in covered losses related to the 2022 Network Outage (the "August 2023 Claim"). During the year 2023, the Company received insurance proceeds of $10.8 million in respect of business interruption claims from its underlying and first excess carriers. The August 2023 Claim is currently under review by two additional insurers (collectively, the "Second Excess Insurers"), which the Company expects to provide the next layer of coverage under applicable policies. On April 17, 2024, the Company commenced an action against the Second Excess Insurers seeking a declaratory judgment and alleging breach of contract and bad faith for failing to pay out their share of losses connected to the August 2023 Claim. At this time, it is not practicable to render an opinion regarding the outcome of this matter; however, the Company believes it has meritorious claims and plans to vigorously assert them.

Other

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

Item 1A. Risk Factors.

In addition to the other information set forth in this quarterly report, you should carefully consider the risk factors described in Part I, "Item 1A. Risk Factors" in the 2023 Form 10-K, which could materially affect our business, financial condition and/or operating results. The risks described in those Risk Factors are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds, and Issuer Purchases of Equity Securities.

On August 10, 2022, the Board authorized a share buyback program (the "2022 Share Buyback Program"), pursuant to which the Company was authorized to repurchase, from time to time, up to 50,000 shares of the Common Stock over a two-year period through various means, including, open market transactions and privately negotiated transactions. The 2022 Share Buyback Program does not obligate the Company to repurchase any shares. The decision as to whether to repurchase any shares and the timing of repurchases will be based on the price of the Common Stock, general business and market conditions and other investment considerations and factors. No shares were repurchased under the 2022 Share Buyback Program during the three months ended March 31, 2024. As of March 31, 2024, we had repurchased and concurrently retired a total of 1,787 shares of Common Stock pursuant to the 2022 Share Buyback Program.

Share repurchase activity during the three months ended March 31, 2024 was as follows::

Period	Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2024-January 31, 2024	—	$ —	1,787	48,213
February 1, 2024-February 29, 2024	—	—	1,787	48,213
March 1, 2024-March 31, 2024	—	$ —	1,787	48,213
Total	—			

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Delisting Determination

On May 14, 2024, as anticipated, the Company received a delist notification from the Nasdaq Stock Market LLC ("Nasdaq"), due to noncompliance with the MVLS Requirement (as defined below). The Company received notification on November 13, 2023 that it was not in compliance with Nasdaq's minimum market value of listed securities requirement (Listing Rule 5550(b)(2)), as the market value of the Company's listed securities had been below the minimum $35 million required (the "MVLS Requirement") for 30 consecutive days. The Company was provided 180 calendar days, or until May 13, 2024, to regain compliance with the MVLS Requirement or the alternative criteria. Further, on March 14, 2024, Nasdaq notified the Company that it had not held an annual meeting of shareholders within twelve months of the end of its fiscal year end, so it no longer complied with Listing Rule 5810(b) requirement (the

“Annual Meeting Rule”) for continued listing. On May 7, 2024, Nasdaq’s Staff provided the Company an extension through July 1, 2024 to regain compliance with the Annual Meeting Rule. However, since the Company has not regained compliance with the Annual Meeting Rule, this matter serves as an additional basis for delisting the Company’s securities from Nasdaq. The Nasdaq Listing Rules provide that the Company may request a hearing before a Nasdaq Hearings Panel (the "Panel"), and such hearing request will stay the suspension of the Company's securities pending the Panel's decision. The Company intends to appeal the determination made by Nasdaq pursuant to the procedures set forth in the Nasdaq Listing Rules. There can be no assurance, however, as to the success or outcome of the appeal.

Employment Agreement

On May 13, 2024, the Company entered into an agreement with its Executive Chairman, Par Chadha, reviving, amending and reinstating the employment letter agreement entered into in connection with Mr. Chadha’s appointment as Executive Chairman in September 2021, which would otherwise have expired December 31, 2023. The new agreement provides for a term that continues until terminated by either party in accordance with its terms, states that while employed, Mr. Chadha will be paid a base salary at an annual rate of $1.25 million. During the term, Mr. Chadha is also eligible to earn an annual bonus equal to up to 200% of his base salary (with a threshold level of 100%), subject to the achievement of applicable performance objectives, payable no later than March 15th of the year following the calendar year to which the bonus relates, and subject to his continued employment with the Company through the last day of the calendar year to which the bonus relates. If Mr. Chadha’s employment is terminated at any time by the Company without “cause” (as defined in the agreement), he will remain eligible to receive a non pro-rated bonus for the year in which such qualifying termination occurs, determined based on actual performance. The agreement further provides for a $4,000,000 long term incentive compensation plan payable based on the achievement of metrics to be determined by the Company’s Compensation Committee and a one-time $1.25 million sign on bonus. The agreement also subjects Mr. Chadha to an indefinite confidentiality provision and covenant not to solicit the Company’s employees or customers during the term of his employment. The foregoing description is qualified in its entirety by reference to Mr. Chadha’s employment agreement, which is attached hereto as Exhibit 10.1.

Item 6. Exhibits.

Exhibit No.	Description
10.1*	Employment Agreement, dated May 13, 2024, by and between Exela Technologies, Inc. and Par Chadha
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
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
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
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
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101)

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 15th day of May 2024.

EXELA TECHNOLOGIES, INC.

By: /s/ Par Chadha
Par Chadha
Executive Chairman (Principal Executive Officer)

By: /s/ Matthew T. Brown
Matthew T. Brown
Interim Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 10.1

AGREEMENT
(regarding Employment Agreement)

This Agreement is made and entered into on May 13, 2024 by and among Exela Technologies, Inc. (the "Company") and Par Chadha (the "Executive").

WHEREAS, Company and Executive are parties to an Employment Agreement, dated September 14, 2021, governing Executive's service as the Executive Chairman of the Company through December 31, 2023 (the "Employment Agreement");

WHEREAS, Company and Executive desire to reinstate the Employment Agreement effective as of January 1, 2024, subject to certain changes as described below;

NOW, THEREFORE, in consideration of Executive's continued employment by Company and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive agree:

1. The Employment Agreement is hereby reinstated effective as of January 1, 2024, and shall be treated as having been continuously in effect since September 14, 2021, subject to the terms of this Agreement.

2. The Employment Agreement shall constitute the reinstated employment agreement except as modified as follows:

(i) The first sentence of Section 1 (titled "Duties and Responsibilities") of the Employment Agreement shall be amended and restated as follows:

Your term as the Executive Chairman shall be deemed to have commenced as of September 14, 2021 (the "Appointment Date") and continue until either you or the Company terminate the employment as set forth in Section 5 below (this period of service as Executive Chairman, the "Term").

(ii) The first sentence of Section 2(a) (titled "Base Salary") of the Employment Agreement shall be amended to replace "$1,000,000" with "$1,250,000, less deductions as required by law, payable in equal monthly installments, for each year of the Term beginning with 2024." The remainder of Section 2(a) shall be deleted in its entirety.

(iii) The first sentence of Section 2(b) (titled "Annual Bonus") of the Employment Agreement shall be amended to replace "50%" with "100%" for each year of the Term beginning with 2024.

(iv) The Employment Agreement shall be amended to add a new section entitled Section 3A "Long Term Incentive Compensation" as follows:

3A. Long Term Incentive Compensation. You will be eligible for a long-term incentive grant (the "LTI") covering $4,000,000, to be split between (i) a number of Performance Units (as defined in the Equity Plan) equal to the number of shares of common stock of the Company having an aggregate fair market value of $2,000,000 on the date hereof ("Common Stock") and (ii) $2,000,000 in cash, and in each case subject to vesting and settlement as follows:

(a) Vesting Conditions. The LTI will be subject to vesting conditions based on the attainment of one or more performance metrics measured over a three-year performance period beginning with the fiscal year ending December 31, 2024 and ending with the fiscal year ending December 31, 2026, based on pre-established performance criteria determined by the Compensation Committee in its sole discretion.

(b) Settlement. Subject to Section 3A(c) below, following the end of the performance period the vested portion of the LTI, if any, will be paid by the Company within 30 days following the Compensation Committee's determination of the level of attainment of the performance metrics. Vested Performance Units shall be settled in cash in an amount determined based on the volume weighted average of the reported closing prices of the Common Stock for the 30 trading days ending with the trading day immediately preceding the applicable payment date; provided, that the vested Performance Units may, at the Company's option, be settled in cash or in Common Stock following such time that the Company's shareholders approve an increase to the number of shares authorized for issuance under the Equity Plan by a number equal to or greater than the Performance Units issued hereunder or if a sufficient number of shares is available thereunder or if the Company's shareholders approve an additional stock plan having a sufficient number of shares available for grant as determined by the Compensation Committee, at the election of the Compensation Committee. Notwithstanding anything in this Agreement to the contrary, to the extent that the payment in cash of any amount due and payable with respect to the LTI may be delayed as a result of one or more Valid Liquidity Concerns then the payment of such amount may be deferred pursuant to Treasury Regulation section 1.409A-1(b)(4)(ii) until the earliest date on which the Valid Liquidity Concern is no longer present.

(c) Effect of Termination of Services. The termination of your services as Executive Chairman during the performance period, other than by the Company for Cause, shall have no effect on the unvested LTI as long as you continue to provide services to the Company Group in any capacity, including as a non-employee member of the Board. Upon any termination of your services to the Company as Executive Chairman by the Company without Cause or due to your death or disability, the unvested LTI shall remain outstanding and eligible to vest in accordance with the terms established by the Compensation Committee as though there had been no such termination. Upon any termination of your services to the Company Group (i) in all capacities (whether initiated by the Company or by the Executive) other than due to death or disability, or (ii) as Executive Chairman at a time when Cause exists, in each case, at any time when any of your LTI remains unvested and outstanding, such unvested LTI shall be automatically forfeited without payment. For clarity and avoidance of doubt, the termination of your services to the Company Group for any reason, whether initiated by the Executive or by the Company Group, shall have no effect on LTI that vested prior to the date of such termination.

3. Signing Bonus. Contingent on complete execution of this Agreement, Company shall pay you a signing bonus, in the amount of $1,250,000, less applicable withholding and deductions ("Signing Bonus"). Such Signing Bonus shall be paid in a lump sum within 30 days after complete execution of this letter agreement.

***

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the day and year first written above.

PAR CHADHA	**EXELA TECHNOLOGIES INC.**
By:/s/ Par Chadha	By:/s/ Zach Maul
(Signature)	Zach Maul
	Secretary

Exhibit 31.1

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

I, Par Chadha, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exela Technologies, Inc. for the quarter ended March 31, 2024;

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: May 15, 2024

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

Exhibit 31.2

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

I, Matthew T. Brown, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exela Technologies, Inc. for the quarter ended March 31, 2024;

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: May 15, 2024

/s/ Matthew T. Brown

Name: Matthew T. Brown
Title: Interim 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 the Quarterly Report of Exela Technologies, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024, 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: May 15, 2024

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

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 the Quarterly Report of Exela Technologies, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew T. Brown, Interim 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: May 15, 2024

	/s/ Matthew T. Brown
Name:	Matthew T. Brown
Title:	*Interim Chief Financial Officer*