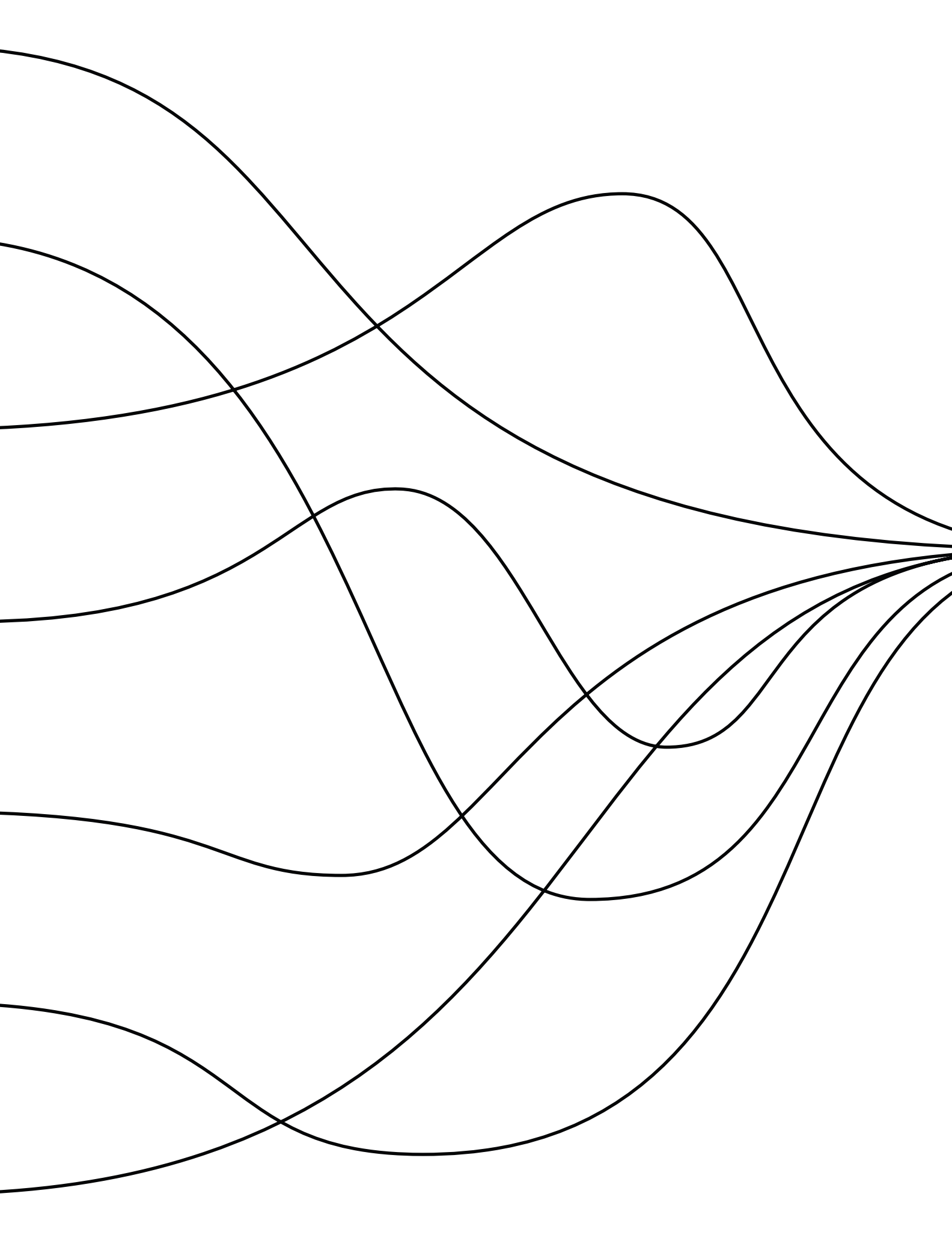
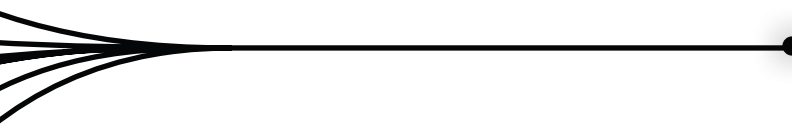


2020
ANNUAL
REPORT

2021
PROXY
STATEMENT





**Embracing Complexity.
Delivering Simplicity.SM**



Letter from our Executive Chairman and fellow Exelarator, Par Chadha

November 5, 2021

Fellow Shareholders,

I consider it an honor and am humbled to serve as your Executive Chairman. We are grateful that you are part of our exciting journey. We have made significant progress on several strategic initiatives and as we approach 2022, we believe we will benefit from our financial strength. 2020 was the most unusual and disruptive of years and thanks to our dedicated, capable teams, we minimized COVID-19 impact to the benefit of our employees and customers. 2021 has continued to present challenges for us, but our tenacity and steadfast resolve in taking care of our customers and our employees have brought about great results.



I would also like to express my gratitude to our employees worldwide. In a challenging environment for both our customers and us, our people were resilient, took care of business, adapted to the changing work environment and won the respect of our customers. I am pleased to say that our pandemic protocols and proactive steps across our network have been very successful in reducing the impact of COVID-19 on our employees.

We have taken actions to simplify our management structure by enabling our business leaders to take greater charge of the individual business units, we launched the Digital Assets Group to expand our enterprise platforms to SMB markets, we raised substantial equity, and we reduced our debt. All these initiatives are meant to position us for the future as a stronger company that will continue to support a supply chain across 6 continents, serving more than 4,000 customers, including some of the most valuable companies in the world.

We are prudently accelerating our plans to reach sustainable debt levels. Also, we need to continue to leverage our financial strength to further expand our cash flow.

We have a defined purpose and we are playing our part to provide equal opportunities, to invest responsibly in a greener, more sustainable world, and to digitally transform others for a better tomorrow. We have much to do still. We will not stop until the job is done.

Par Chadha

A handwritten signature in black ink, appearing to read 'P. Chadha'. The signature is stylized and fluid.

Executive Chairman

Powering the future of business, today.

Exela Technologies, Inc. is a global business process automation (BPA) leader, leveraging a global footprint and proprietary technology to provide digital transformation solutions enhancing quality, productivity, and end-user experience. 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 and in many mission-critical environments across multiple industries, including banking, healthcare, insurance, and manufacturing. Utilizing foundational technologies spanning information management, workflow automation, and integrated communications, Exela's software and services include multi-industry, departmental solution suites addressing finance and accounting, human capital management, and legal management, as well as industry-specific solutions for banking, healthcare, insurance, and the public sector. Through cloud-enabled platforms, built on a configurable stack of automation modules, and approximately 17,500 employees operating in 23 countries, Exela rapidly deploys integrated technology and operations as an end-to-end digital journey partner.

STOCK
NASDAQ: XELA

EXELA AT A GLANCE

Global Leader in Business Process Management Solutions

Part Of Critical Supply Chain Across 6 Continents

30+

YEARS OF
BPA EXPERIENCE

4K+

GLOBAL
CUSTOMERS

60+

FORTUNE® 100
SERVED

2K+

IT PROFESSIONALS

23

COUNTRIES

17K+

EMPLOYEES

**PROXY STATEMENT
& MEETING NOTICE**



NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD December 16, 2021

The Annual Meeting of Stockholders (the “Annual Meeting”) of Exela Technologies, Inc. (“Exela” or the “Company”) will be conducted virtually at <https://www.cstproxy.com/exelatech/2021>, at 9:00 a.m., Central Time, on Thursday, December 16, 2021 for the purpose of:

1. Electing to the Board of Directors the three nominees named in the accompanying Proxy Statement who have been nominated by the Board of Directors to serve as Class A directors and whose current terms will expire at the Annual Meeting;
2. Acting upon a proposal to ratify the appointment of KPMG LLP as the Company’s independent registered public accounting firm for the year ending December 31, 2021;
3. Acting upon a proposal to approve, on a non-binding, advisory basis, compensation of the Company’s named executive officers as described in the accompanying Proxy Statement; and
4. Acting upon a proposal to approve the Amended and Restated Exela Technologies, Inc. 2018 Stock Incentive Plan.

The Board of Directors has fixed the close of business October 20, 2021 as the date for determining stockholders of record entitled to receive notice of, and to vote at, the Annual Meeting. The Board of Directors unanimously recommends that stockholders vote their shares in favor of the election of the Class A nominees, and in favor of Proposals 2, 3 and 4.

This Notice and accompanying Proxy Statement and proxy or voting instruction card will be first mailed to you and to other stockholders of record commencing on or about November 6, 2021. All stockholders are cordially invited to attend the Annual Meeting. Due to COVID-19, and our new operative reality, the Annual Meeting will be held in a virtual meeting format only and you will not be able to attend in person. Whether or not you plan to attend the Annual Meeting virtually, I hope that you will vote as soon as possible. Please review the instructions on the proxy or voting instruction card regarding your voting options.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read "P. Chadha", is written over a horizontal line.

Par Chadha
Executive Chairman of the Board

November 5, 2021

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on December 16, 2021

This 2021 Proxy Statement, a form of proxy and Exela’s Annual Report on Form 10-K for the year ended December 31, 2020 are available at: www.exelatech.com and at <https://www.cstproxy.com/exelatech/2021>.

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**Exela Technologies, Inc.
2701 E. Grauwlyer Road
Irving, Texas 75061**

PROXY STATEMENT

Questions and Answers About the Annual Meeting and Voting

Why did I receive this proxy statement?

We have sent you this Notice of Annual Meeting and Proxy Statement and proxy or voting instruction card because the Board of Directors (the “Board of Directors” or the “Board”) of Exela Technologies, Inc. (“Exela” or the “Company,” “we” and “us”) is soliciting your proxy to vote at our Annual Meeting of Stockholders on December 16, 2021 (the “Annual Meeting”). This Proxy Statement contains information about the items being voted on at the Annual Meeting and information about us.

Who is entitled to vote?

You may vote on each matter properly submitted for stockholder action at the Annual Meeting if you were the record holder of our common stock, par value \$0.0001 per share (“Common Stock”), as of the close of business on October 20, 2021. On October 20, 2021, there were 172,495,166 shares of our Common Stock outstanding and entitled to vote at the Annual Meeting. On January 25, 2021, we effected a one-for-three Reverse Stock Split (the “Reverse Stock Split”). Except as otherwise indicated, all share and per share information herein gives effect to the Reverse Stock Split.

How many votes do I have?

Each share of our Common Stock that you own entitles you to one vote on each matter properly submitted for stockholder action at the Annual Meeting.

What am I voting on?

You will be voting on the following:

Proposal 1: To elect to the Board of Directors the three nominees named in this Proxy Statement who have been nominated by the Board of Directors to serve as Class A directors and whose current terms will expire at the Annual Meeting;

Proposal 2: To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2021;

Proposal 3: To approve, on a non-binding, advisory basis, compensation of the Company’s named executive officers as described in this Proxy Statement; and

Proposal 4: To approve the Amended and Restated Exela Technologies, Inc. 2018 Stock Incentive Plan.

How do I vote?

If you are a holder of record of the Company’s common stock as of October 20, 2021, you may vote online at the Annual Meeting or by submitting a proxy for the Annual Meeting. Whether or not you plan to attend the Annual Meeting online, we urge you to vote by proxy to ensure your vote is counted. You may submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed postage paid envelope. You may still attend the Annual Meeting and vote online if you have already voted by proxy.

If your Exela shares are held in “street name” by a broker or other agent, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the

Annual Meeting online. However, since you are not the shareholder of record, you may not vote your shares online at the Annual Meeting unless you request and obtain a valid proxy from your broker or other agent.

What if I return my proxy or voting instruction card but do not mark it to show how I am voting?

Your shares will be voted according to the instructions you have indicated on your proxy or voting instruction card. If no direction is indicated, your shares will be voted “FOR” the election of the Class A nominees and “FOR” Proposals 2, 3 and 4.

May I change my vote after I return my proxy or voting instruction card?

You may change your vote at any time before your shares are voted at the Annual Meeting in one of three ways:

- Notify our Corporate Secretary in writing before the Annual Meeting that you are revoking your proxy;
- Submit another proxy by mail, telephone or the Internet (or voting instruction card if you hold your shares in street name) with a later date; or
- Vote virtually at the Annual Meeting.

What does it mean if I receive more than one proxy or voting instruction card?

It means you have multiple accounts at the transfer agent and/or with banks and stockbrokers. Please vote all of your shares.

What constitutes a quorum?

Any number of stockholders, together holding at least a majority in voting power of the capital stock of the Company issued and outstanding and generally entitled to vote in the election of directors, present in person or represented by proxy at any meeting duly called, shall constitute a quorum for the transaction of all business. Abstentions and “broker non-votes” are counted as shares “present” at the meeting for purposes of determining whether a quorum exists. A “broker non-vote” occurs when shares held of record by a bank, broker or other holder of record for a beneficial owner are deemed present at the meeting for purposes of a quorum but are not voted on a particular proposal because that record holder does not have discretionary voting power for that particular matter under the applicable rules of the Nasdaq Stock Market LLC (“Nasdaq”) and has not received voting instructions from the beneficial owner.

What vote is required in order to approve Proposals 1, 2 and 4?

Proposal 1 (Election of Directors): The three nominees named in this Proxy Statement who have been nominated by the Board of Directors to serve as Class A directors will be elected to the Class A directorships by plurality vote. This means that the three nominees with the most votes cast in their favor will be elected to the Class A directorships. Votes withheld from one or more director nominees will have no effect on the election of any director from whom votes are withheld. If you do not want to vote your shares for a nominee, you may indicate that in the space provided on the proxy card or the voting instruction card or withhold authority as prompted during telephone or Internet voting. Subject to the Director Nomination Agreement (described below), in the unanticipated event that a director nominee is unable or declines to serve, the proxy will be voted for such other person as shall be designated by the Board of Directors to replace the nominee, or the Board may choose to reduce the number of directors.

Proposal 2 (Ratification of Appointment of KPMG LLP): This proposal requires the affirmative vote of the holders of a majority of the voting power of our outstanding Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on Proposal 2. Abstentions will have the effect of votes against the proposal. Broker non-votes will not occur in connection with this proposal because brokers, banks, trustees and other nominees have discretionary voting authority to vote shares on this proposal under stock exchange rules without specific instructions from the beneficial owner of such shares.

Proposal 4 (Amendment and Restatement of the Exela Technologies, Inc. 2018 Stock Incentive Plan):

This proposal requires the affirmative vote of the holders of a majority of the voting power of our outstanding Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on Proposal 4. Abstentions will have the effect of votes against the proposal. “Broker non-votes,” if any, will not have any effect on the adoption of the proposal.

What is the standard for approving the non-binding, advisory proposal (Proposal 3)?

Proposal 3 (Advisory Vote on Compensation Paid to Named Executive Officers): This proposal requires the affirmative vote of the holders of a majority of the voting power of our outstanding Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on Proposal 3. Abstentions will have the effect of votes against the proposal. “Broker non-votes,” if any, will not have any effect on the adoption of the proposal. The results of this vote are not binding on the Board, whether or not it is adopted by the aforementioned voting standard. In evaluating the vote on this advisory resolution, the Board will consider the voting results in their entirety.

May my broker vote my shares?

Brokers may no longer use discretionary authority to vote shares on the election of directors or non-routine matters if they have not received instructions from their clients. It is important, therefore, that you cast your vote if you want it to count in the election of directors (Proposal 1), or to be considered in the advisory vote on compensation paid to our named executive officers (Proposal 3) or the Amendment and Restatement of the 2018 Stock Incentive Plan (Proposal 4). Your broker has the authority to exercise discretion with respect to ratification of appointment of KPMG LLP (Proposal 2) if it has not received your instructions for that proposal because that matter is treated as “routine” under applicable rules.

How will voting on any other business be conducted?

We do not know of any business or proposals to be considered at the Annual Meeting other than those set forth in this Proxy Statement. If any other business is properly presented at the Annual Meeting, the proxies received from our stockholders give the proxy holders the authority to vote on the matter in their sole discretion. In accordance with our Bylaws, no business (other than the election of the three Class A nominees and Proposals 2, 3 and 4 may be brought before the Annual Meeting, or any adjournment or postponement thereof, unless such business is brought by or at the direction of the Board or a committee of the Board.

Who will count the votes?

Continental Stock Transfer & Trust will act as the inspector of election and will tabulate the votes.

**Important Notice Regarding the Availability of Proxy Materials
for the Stockholder Meeting to Be Held on December 16, 2021**

This 2021 Proxy Statement, a form of proxy and Exela’s Annual Report on Form 10-K for the year ended December 31, 2020 are available at: www.exelatech.com and at <https://www.cstproxy.com/exelatech/2021>.

PROPOSAL 1 — ELECTION OF DIRECTORS

The Company has three classes of directors serving staggered three-year terms, with Class A consisting of three directorships and each of Class B and Class C consisting of three directorships. The terms of the Class A, B and C directorships expire on the date of the Annual Meeting in 2021, 2022, and 2023, respectively.

Name	Age	Class	Positions and Offices Held With the Company
Ronald C. Cogburn	66	A	Director, Chief Executive Officer
J. Coley Clark	76	A	Director
Sharon Chadha	66	A	Director
James G. Reynolds	53	B	Director
John H. Rexford	64	B	Director
Marc A. Beilinson	63	B	Director
Par S. Chadha	66	C	Director, Executive Chairman
Martin P. Akins	55	C	Director
William L. Transier	67	C	Director

At the Annual Meeting, stockholders will be asked to elect the three nominees named in this Proxy Statement who have been nominated by the Board of Directors to serve as Class A directors and whose current terms will expire at the Annual Meeting. Mr. Ronald C. Cogburn, Mr. J. Coley Clark and Mrs. Sharon Chadha, each of whom is a current Class A director, are the nominees to serve as Class A directors for a new three-year term. Each nominee, if elected, will serve for a term of three years and will remain in office until a qualified successor director has been elected or until he resigns or is removed from the Board. Class A directors will be elected by plurality vote.

The Board of Directors unanimously recommends a vote FOR the director nominees.

Nominees for Election to the Board of Directors in 2021

The following are brief biographical sketches of each of our nominees, including their experience, qualifications, attributes and skills, which, taken as a whole, have enabled the Board to conclude that each nominee should, in light of the Company's business and structure, serve as a director of the Company.

Nominees for Class A Directorship — Term Expiring in 2021

Ronald C. Cogburn

Age: 66

Director Since: July 2017

Class: Class A

Business Experience: Mr. Cogburn is our Chief Executive Officer and served as Chief Executive Officer of SourceHOV from 2013 until the closing of the business combination among Exela, SourceHOV Holdings, Inc. ("SourceHOV"), and Novitex Holdings, Inc. ("Novitex") on July 12, 2017, which resulted in SourceHOV and Novitex becoming our wholly owned subsidiaries (the "Novitex Business Combination"). Mr. Cogburn has been part of companies that were predecessors to SourceHOV since 1993, bringing over 30 years of diversified experience in executive management, construction claims consulting, litigation support, program management project management, cost estimating, damages assessment and general building construction. Mr. Cogburn has also been a principal of HandsOn Global Management ("HGM") since 2003. Prior to his role as Chief Executive Officer of SourceHOV, Mr. Cogburn was SourceHOV's President, KPO from March 2011 to July 2013. Prior to this role, Mr. Cogburn was the President of HOV Services, LLC from January 2005 to September 2007, providing executive leadership during the company's growth to its IPO on the India Stock Exchange in September 2006. Mr. Cogburn holds a BSCE in Structural Design/Construction Management from Texas A&M University and is a registered Professional Engineer. We believe that Mr. Cogburn's significant, diversified business experience in Exela's industry makes him well-qualified to serve as a director of Exela.

J. Coley Clark

Age: 76

Director Since: December 2019

Class: Class A

Business Experience: J. Coley Clark is the retired Chief Executive Officer and Chairman of the Board of BancTec, Inc., a global provider of document and payment processing solutions and currently serves on the board of directors of Moneygram International, Inc. At BancTec, Inc., Mr. Clark was Co-Chairman of the Board from 2014 to December 2016, and Chairman of the Board and Chief Executive Officer from September 2004 to 2014. In 2004, Mr. Clark retired from Electronic Data Systems Corporation, or EDS, an outsourcing services company that was acquired by Hewlett-Packard in 2008, as Senior Vice President and head of the Financial and Transportation Industry Group. Mr. Clark joined EDS in 1971 in the Systems Engineering Development Program and progressed through a variety of technical, sales and management roles related to the financial and insurance industries. Prior to his time at EDS, Mr. Clark served three years in the U.S. Army, attaining the rank of Captain, and served as a company commander in Europe and Southeast Asia. Mr. Clark received a Bachelor of Arts in Sociology from the University of Texas. We believe that Mr. Clark's significant, diversified business experience in Exela's industry makes him well-qualified to serve as a director of Exela.

Sharon Chadha

Age: 66

Director Since: October 2021

Class: Class A

Business Experience: Sharon Chadha is the co-founder of Rule14 LLC, a leading big data-mining company which offers a suite of solutions and services powered by predictive analytics, and has led that company since 2011. Mrs. Chadha has been involved in technology companies throughout her career as a founder, investor, and c-level officer. Mrs. Chadha has invested in and built technology companies by providing vision, setting expectations and accountability standards, motivating and mentoring employees to balance the needs of employees and stakeholders to achieve investment goals. She holds fourteen key patents in Real Time Adaptive machines in artificial intelligence along with Mr. Chadha and Dr. Xin Cheng. She has published various articles and a book on the topic of international security. Mrs. Chadha is the wife of Par Chadha, our Executive Chairman and a director. Mrs. Chadha holds a B.S. in Mathematics from the Massachusetts Institute of Technology. We believe that Mrs. Chadha's significant experience in the technology industry makes her well-qualified to serve as a director of Exela.

Continuing Members of the Board of Directors

The following are brief biographical sketches of each of our directors whose term continues beyond 2021 and who is not subject to election this year, including his experience, qualifications, attributes and skills, which, taken as a whole, have enabled the Board to conclude that each director should, in light of the Company's business and structure, serve as a director of the Company. Class B Directors — Term Expiring in 2022

James G. Reynolds

Age: 53

Director Since: July 2017

Class: Class B

Business Experience: Mr. Reynolds was our Chief Financial Officer from the closing of the Novitex Business Combination until May 2020. Mr. Reynolds served as Co-Chairman of SourceHOV from 2014 until the closing of the Novitex Business Combination in 2017. Mr. Reynolds is also the Chief Operating Officer and a Partner at HGM, bringing over 25 years of industry experience to the team. Prior to HGM Mr. Reynolds held numerous executive management or senior advisory positions at SourceHOV and its related subsidiaries and predecessor companies, including serving as Chief Financial Officer for HOV Services, LLC from 2007 to 2011 and Vice President and Corporate Controller for Lason from 2001 to 2006. Mr. Reynolds was a Senior Manager in the Business Advisory Services Practice at PricewaterhouseCoopers from 1990 to 2001. Mr. Reynolds is a C.P.A. and holds a B.S. in Accounting from Michigan State University. We believe that Mr. Reynolds's significant industry and management experience make him well-qualified to serve as a director of the Company.

John H. Rexford

Age: 64

Director Since: July 2017

Class: Class B

Business Experience: Mr. Rexford is the Managing Director of Ramona Park Consulting LLC, which he founded in 2016. Mr. Rexford has over 36 years of finance experience that includes serving as Global M&A Head from 2010 to 2015 at the Xerox Corporation and serving in various positions at Affiliated Computer Services, Inc. (which was acquired by the Xerox Corporation), including Chief Financial Officer from 2006 to 2007, Executive Vice President from 2001 to 2009 and Senior Vice President of Mergers and Acquisitions from 1996 to 2001. Mr. Rexford holds a B.S. and a M.B.A. from Southern Methodist University. We believe that Mr. Rexford's prior experiences give him an understanding of the business models, structures and attributes of Exela, as well as the risks and operating environment of Exela, which make him well-qualified to serve as a director of Exela.

Marc A. Beilinson

Age: 63

Director Since: April 2020

Class: Class B

Business Experience: Marc Beilinson has served as a director of Athene Annuity, a global annuity company, since 2013. Since August 2011, Mr. Beilinson has been the Managing Director of Beilinson Advisory Group, a financial restructuring and hospitality advisory group that specializes in assisting distressed companies. Most recently, Mr. Beilinson served as Chief Restructuring Officer of Newbury Common Associates LLC (and certain affiliates) from December 2016 to June 2017. Mr. Beilinson previously served as Chief Restructuring Officer of Fisker Automotive from November 2013 to August 2014 and as Chief Restructuring Officer and Chief Executive Officer of Eagle Hospitality Properties Trust, Inc. from August 2011 to December 2014 and Innkeepers USA Trust from November 2008 to March 2012. Mr. Beilinson oversaw the Chapter 11 reorganization of Innkeepers USA, Fisker Automotive and Newbury Common Associates in his interim management roles as the Chief Restructuring Officer of those companies. Mr. Beilinson currently serves on the boards of directors of MFG Assurance Company Limited, Dura Automotive Systems, Sigue Corporation, Acosta, Inc., Kingfisher Midstream LLC and KB US, Inc., as well

as the audit committee of MFG Assurance Company Limited. Mr. Beilinson has previously served on the boards of directors and audit committees of a number of public and privately held companies, including Westinghouse Electric, Caesars Acquisition Company, Wyndham International, Inc., Apollo Commercial Real Estate Finance, Inc., Innkeepers USA Trust, Gastar Inc., American Tire, UCI Holdings, Hagen, Agrokor and Monitronics. Mr. Beilinson graduated from UCLA, magna cum laude. We believe Mr. Beilinson's extensive experience resulting from over thirty years of service to the boards of both public and private companies, and his deep knowledge of legal and compliance issues, including the Sarbanes-Oxley Act of 2002, makes him well-qualified to serve as a director of Exela.

Class C Directors — Term Expiring in 2023

Par S. Chadha

Age: 66

Director Since: July 2017

Class: Class C

Business Experience: Mr. Chadha is the founder, Chief Executive Officer and Chief Investment Officer of HGM, a family office, formed in 2001, and was the principal stockholder of SourceHOV immediately prior to the July 12, 2017 closing of the Novitex Business Combination. Mr. Chadha also served as Chairman of SourceHOV from 2011 until the closing of the Novitex Business Combination and as Chairman of our Board of Directors from the closing of the Novitex Business Combination until March 27, 2020 when he became our Executive Chairman. On March 17, 2021, Mr. Chadha stepped down as Executive Chairman of Exela and returned to being Chairman. On September 14, 2021, Mr. Chadha was appointed as Executive Chairman. Mr. Chadha brings over 40 years of experience in building businesses in the Americas, Europe and Asia, including execution of mergers and acquisitions, integration of businesses and public offerings. Mr. Chadha is a co-founder of Rule 14, LLC and has founded or co-founded other technology companies in the fields of metro optical networks, systems-on-silicon and communications. Through HGM, Mr. Chadha previously participated in director and executive roles in joint ventures with major financial and investment institutions, including Apollo Global Management ("Apollo"), as well as other portfolio companies of HGM, and currently holds and manages investments in evolving financial technology, health technology and communications industries. Since 2005, Mr. Chadha has served as a Director of HOV Services Limited, a company listed on the National Stock Exchange of India, acting as its Chairman from 2009 to 2011. Mr. Chadha is the husband of Sharon Chadha, a director and director nominee. Mr. Chadha holds a B.S. degree in Electrical Engineering from the Punjab Engineering College, India, and completed graduate-level coursework in computer science at the Illinois Institute of Technology. We believe Mr. Chadha's significant experience with our business and in the public information technology and business services industry and his experience with mergers and integration of businesses make him well qualified to serve as a director of Exela.

Martin P. Akins

Age: 55

Director Since: July 2019

Class: Class C

Business Experience: Mr. Akins most recently worked at publicly traded Express Scripts Holding Company, a Fortune 25 company and the largest independent pharmacy benefit management company in the United States. In December of 2018, the Company merged with Cigna. As Senior Vice President and General Counsel, at Express Scripts Holding Company he served as the chief legal advisor and was also a member of Express Scripts' senior executive team where he advised the CEO and outlined strategy to the Board of Directors. He was at Express Scripts Holding Company from 2001 through 2019, serving in various legal capacities including Vice President, Deputy General Counsel and Associate General Counsel. Prior to his time at Express Scripts, Mr. Akins was with the Polsinelli law firm. Mr. Akins began his legal career with the firm Thompson Coburn LLP. He received his Juris Doctorate from the University of Illinois College of Law. We believe that Mr. Akins' significant, strategic, legal, regulatory and governance experience, make him well-qualified to serve as a director of Exela.

William L. Transier

Age: 67

Director Since: April 2020

Class: Class C

Business Experience: Mr. Transier is Chief Executive Officer of Transier Advisors, LLC, an independent advisory firm providing services to companies facing stressed operational situations, turnaround, restructuring or in need of interim executive leadership. He was co-founder of Endeavour International Corporation, an international oil and gas exploration and production company. He served as non-executive Chairman of Endeavour's Board of Directors from December 2014 until November 2015. He served from September 2006 until December 2014 as Chairman, Chief Executive Officer and President of Endeavour and as its Chairman and Co-Chief Executive Officer from its formation in February 2004 through September 2006. Mr. Transier served as Executive Vice President and Chief Financial Officer of Ocean Energy, Inc. from March 1999 to April 2003 and prior to that, Mr. Transier served in various positions of increasing responsibility with Seagull Energy Corporation. Before his tenure with Seagull, Mr. Transier served in various roles including partner in the audit department and head of the Global Energy practice of KPMG LLP from June 1986 to April 1996. In October 2019, Mr. Transier was elected to the Board of Directors of Battalion Oil Corporation (which changed its name from Halcón Resources Corporation) and as Chairman of the Board and of its audit committee. In March 2019 Mr. Transier was elected to the Board of Directors of Teekay Offshore GP L.L.C. (the general partner of Teekay Offshore Partners L.P.) and as chairman of its audit committee. Teekay was taken private in January 2020 and changed its name to Altera Infrastructure L.P. Since October 2018 Mr. Transier has served as a member of the Board of Directors of Sears Holding Corporation including the Board's Restructuring Committee and Restructuring Subcommittee. From August 2018 to February 2019, Mr. Transier served as a member of the Board of Directors of Gastar Exploration, Inc. From May 2016 to July 2017, Mr. Transier was a member of the Board of Directors of CHC Group Ltd. From August 2014 to July 2017, Mr. Transier was a member of the Board of Directors of Paragon Offshore plc. On April 27, 2021, Mr. Transier was honored as a 2021 Outstanding Director by the Dallas Business Journal. Mr. Transier graduated from the University of Texas with a B.B.A. in accounting, has an M.B.A. from Regis University and has a Master of Arts in Theological Studies from Dallas Baptist University. We believe that Mr. Transier's extensive audit, accounting and financial reporting experience and extensive professional background provide valuable contributions to the Company's board and make him well-qualified to serve as a director of Exela.

Additional Information Concerning the Board of Directors of the Company

During the 2020 calendar year, the Board of Directors held 28 meetings. No director attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors or of the committees of the Board of which he was a member. We attempt to schedule our Annual Meeting of stockholders at a time and date to accommodate attendance by our Board of Directors taking into account the directors' schedules. All directors are encouraged to attend our Annual Meeting of stockholders. The date of our last Annual Meeting was December 29, 2020. All but one of our then-appointed directors were present telephonically at our last annual meeting.

Director Independence

The Company's Common Stock is listed on Nasdaq, and the Company is required to comply with the Nasdaq listing requirements regarding independent directors. Under Nasdaq's Marketplace Rules, the definition of an "independent director" is a person other than an executive officer or employee of the company or any other individual having a relationship which, in the opinion of the issuer's Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our Board of Directors has reviewed such information as the Board has deemed appropriate for purposes of determining whether any of the directors has a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, including the beneficial ownership by our directors of Common Stock (see "Ownership of Common Stock — Common Stock Ownership by Directors and Executive Officers") and transactions between the Company, on the one hand, and our directors and their affiliates, on the other hand (see "Certain Relationships and Related Party Transactions"). Based on such review, the Board of Directors has determined that we have five

“independent directors” as defined in the Nasdaq listing standards and applicable SEC rules: Messrs. Akins, Beilinson, Clark, Rexford and Transier. Accordingly, independent directors constitute a majority of our Board. Non-management directors meet periodically in executive session without members of the Company’s management at the conclusion of regularly scheduled Board meetings. In addition, Messrs. Akins, Beilinson, Clark, Rexford and Transier qualify as independent directors for the purpose of serving on the audit committee of the Company under SEC rules.

Director Nomination Agreement

At the closing of the Novitex Business Combination, the Company entered into a Director Nomination Agreement (the “Director Nomination Agreement”) with each of Novitex Parent, L.P., an Apollo affiliate, and certain affiliates of HGM, including HOVS LLC and HandsOn Fund 4 I, LLC (each a “Nominating Stockholder”), which will remain in effect for so long as the applicable Nominating Stockholder (or its affiliates) continues to beneficially own at least 5% of the then outstanding shares of our Common Stock (without giving effect to the exercise of any outstanding warrants to purchase our Common Stock). As of March 11, 2020, Novitex Parent, L.P. no longer owned any stock, directly or indirectly, of the Company and is therefore no longer a Nominating Stockholder.

The Director Nomination Agreement requires that the individuals nominated for election as directors by our Board of Directors shall include a number of individuals selected by the Nominating Stockholder (to the extent such right is exercised) such that, upon the election of each such individual, and each other individual nominated by or at the direction of our Board of Directors or a duly-authorized committee of the Board, as a director of our Company, the individuals selected by the Nominating Stockholder (or Nominating Stockholder’s affiliate) shall be: for so long as the applicable Nominating Stockholder beneficially owns at least 35% of the then outstanding shares of our Common Stock (without giving effect to the exercise of any outstanding warrants to purchase our Common Stock), three directors; for so long as the applicable Nominating Stockholder beneficially owns at least 15%, but less than 35%, of the then outstanding shares of Common Stock (without giving effect to the exercise of any outstanding warrants to purchase our Common Stock), two directors; and for so long as the applicable Nominating Stockholder (or Nominating Stockholder’s affiliate) beneficially owns at least 5%, but less than 15%, of the then outstanding shares of our Common Stock (without giving effect to the exercise of any outstanding warrants to purchase our Common Stock), one director. In the case of a vacancy on our Board of Directors created by the removal or resignation of an individual selected for nomination by a Nominating Stockholder (or Nominating Stockholder’s affiliate), the Director Nomination Agreement requires us to appoint another individual selected by the Nominating Stockholder. The Director Nomination Agreement also provides for observation rights for each Nominating Stockholder (or Nominating Stockholder’s Affiliate) to the extent that it has a right of nomination that it does not utilize. The Director nomination rights of HGM have not currently been exercised.

In addition, the Director Nomination Agreement provides that for so long as a Nominating Stockholder continues to beneficially own at least 15% of the then outstanding shares of our Common Stock (without giving effect to the exercise of any outstanding warrants to purchase our Common Stock), we cannot, without the consent of such Nominating Stockholder, engage in certain related-party transactions, adopt an equity incentive plan or amend the same to increase the number of securities that may be granted thereunder, issue certain equity securities, including with a fair market value of more than \$100 million, amend our certificate of incorporation or bylaws in a manner that adversely affects such Nominating Stockholder’s rights under the applicable Director Nomination Agreement or has a disproportionate impact on the interests of such Nominating Stockholder, enter into certain new lines of business, or increase or decrease the size of the Board of Directors or change the classes in which the members of the Board of Directors serve. For additional information on ownership of the remaining Nominating Stockholder, see the information provided for “Various entities affiliated with HGM” in the section entitled “Ownership of Common Stock.”

Directors and Officers Liability Insurance

We have purchased insurance from various insurance companies against obligations we might incur as a result of our indemnification obligations of directors and officers for certain liabilities they might incur and insuring such directors and officers for additional liabilities against which they might not be indemnified

by us. For the period from July 12, 2018 to July 12, 2019, we purchased a director and officer liability program and a separate fiduciary liability policy. Our cost for the annual insurance premiums for these policies was \$757,970 in the aggregate. For the period from July 12, 2019 to July 12, 2020, we purchased a director and officer liability program and a separate fiduciary liability policy. Our cost for the annual insurance premiums for these policies was \$1,006,846 in the aggregate. For the period from July 12, 2020 to July 12, 2021, we extended our director and officer liability program and a separate fiduciary liability policy. For the period from July 12, 2021, we further extended our director and officer liability program and a separate fiduciary liability policy. Our cost for the annual insurance premiums for these policies was \$2,892,910 in the aggregate.

Board Leadership Structure

Our Bylaws do not require that the positions of Chairman of the Board and Chief Executive Officer be held by the same person or by different individuals, and our Board does not have a formal policy with respect to the separation or combination of these offices. Currently, Mr. Chadha serves as the Executive Chairman of the Board and Mr. Cogburn serves as our Chief Executive Officer.

Board Role in Risk Oversight

The Company faces a number of risks, including market risks, credit risk, liquidity risk, reputational risk, operational risk and risks from adverse fluctuations in interest rates and inflation and/or deflation. Management is responsible for the day-to-day management of risks faced by the Company, while the Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors seeks to ensure that the risk management processes designed and implemented by management are adequate. The Board of Directors periodically consults with management regarding the Company's risks. In addition, the Audit Committee periodically reviews with management and independent auditors the adequacy and effectiveness of the Company's policies for assessing and managing risk.

DIRECTOR REMUNERATION

In February 2020, our Compensation Committee retained the services of an independent compensation consultant, Pearl Meyer, to develop alternatives to granting equity awards as part of our non-employee director compensation policy given the significant decline to the per share price of our Common Stock since our non-employee director compensation policy was first adopted. Based on information provided by Pearl Meyer, the Board approved changes to our director compensation policy to provide that there would be no further equity awards granted to our non-employee directors and all compensation payable under our non-employee director compensation policy would be delivered solely in cash. In addition, in light of the removal of any equity-based awards from our policy, the annual cash retainer payable for Board membership was increased from \$75,000 to \$207,000 and the annual cash retainer payable to our Audit Committee chair was increased from \$30,000 to \$52,500. Due to the changed policy regarding equity grants each of Messrs. Clark, Beilinson and Transier received a lump sum cash payment of \$150,000 grossed up for taxes in lieu of the \$150,000 initial equity grants previously delivered to our non-employee directors.

Non-Employee Director Compensation Policy – 2020

Annual Cash Retainer for Board Membership	\$207,000
Annual Cash Retainer for Executive Chairman ⁽¹⁾	\$675,000
Annual Cash Retainer for Audit Committee Member (other than the Chair)	\$ 20,000
Annual Cash Retainer for Audit Committee Chair	\$ 52,500
Annual Cash Retainer for Compensation Committee Member (other than the Chair)	\$ 12,500
Annual Cash Retainer for Compensation Committee Chair	\$ 20,000
Annual Cash Retainer for Nominating and Corporate Governance Committee (other than Chair)	\$ 12,500
Annual Cash Retainer for Nominating and Corporate Governance Committee Chair	\$ 20,000
Annual Cash Retainer for Strategic Transactions Committee Member ⁽²⁾	\$123,000

(1) Board Retainer paid for Executive Chairman services in lieu of any other cash compensation.

(2) Notwithstanding the foregoing, under the 2020 policy, the members of the Strategic Transactions Committee received a monthly fee of \$10,250 in lieu of any other committee compensation that might otherwise be payable to them in respect of committee service under the non-employee director compensation policy.

In April 2020, the Board further determined that each non-employee member of the Board would be eligible to earn a payment of \$5,000 for each day that the director is required to spend more than four (4) hours addressing matters on behalf of Exela outside of routine board matters.

Director Compensation Table

The following table sets forth information concerning director compensation for services performed during the year ended December 31, 2020.

Name	Fees earned or paid in cash (\$)	Stock Awards (\$)	Total (\$)
Par S. Chadha	\$675,000	—	\$675,000
Martin P. Akins	\$248,667	—	\$248,667
Marc A. Beilinson	\$468,589	—	\$468,589
J. Coley Clark	\$498,000	—	\$498,000
Ronald Cogburn ⁽¹⁾	—	—	—
James G. Reynolds ⁽¹⁾	—	—	—
John H. Rexford	\$263,000	—	\$263,000
William L. Transier	\$470,033	—	\$470,033
Sharon Chadha	—	—	—

(1) See Executive Compensation.

COMMITTEES OF THE BOARD OF DIRECTORS

The standing committees of the Board of Directors are the Audit Committee, the Compensation Committee, the Nominating Committee, and the Corporate Social Responsibility Committee. The charters of the Committees are available on the Investors — Corporate Governance section of our website at www.exelatech.com. These documents are also available upon written request to: Investor Relations, Exela Technologies, Inc., 2701 E. Grauwlyer Road, Irving, Texas 75061. Information concerning these Committees is set out below.

Audit Committee

Current Members: William L. Transier (Chairman), Marc A. Beilinson and J. Coley Clark
Number of Meetings in 2020: 8

The Board of Directors has determined that all of the members of the Audit Committee meet the independence and experience requirements of the Securities and Exchange Commission (“SEC”) and Nasdaq. Moreover, the Board has determined that Mr. Transier, qualifies as an “audit committee financial expert” as defined by the SEC.

The Audit Committee’s duties include, but are not limited to:

- reviewing and discussing with management and the independent auditor the annual audited financial statements, and recommend to the Board whether the audited financial statements should be included in our Form 10-K;
- reviewing and discussing with management and the independent auditor the quarterly financial statements prior to the filing of our Form 10-Qs, including the results of the independent auditor’s review of the quarterly financial statements;
- discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of our financial statements;
- discussing with management major risk assessment and risk management policies;
- monitoring the independence of the independent auditor;
- verifying the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;
- reviewing and approving all related-party transactions;
- inquiring and discussing with management our compliance with applicable laws and regulations;
- pre-approving all audit services and permitted non-audit services to be performed by our independent auditor, including the fees and terms of the services to be performed;
- appointing or replacing the independent auditor;
- determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or reports which raise material issues regarding our financial statements or accounting policies; and
- approving reimbursement of expenses incurred by our management team in identifying potential target businesses.

Compensation Committee

Current Members: J. Coley Clark (Chairman), Martin P. Akins and John H. Rexford
Number of Meetings in 2020: 5

Our Compensation Committee has primary responsibility for overseeing our executive compensation program, including compensation of our named executive officers listed in the compensation tables that follow. Our Compensation Committee is composed of independent directors, as determined by Nasdaq listing standards. The Compensation Committee's responsibilities are set forth in its charter.

In order to fulfill its responsibilities pertaining to executive and director compensation, the Compensation Committee's duties include, but are not limited to:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our Chief Executive Officer's compensation, evaluating our Chief Executive Officer's performance in light of such goals and objectives and determining and approving the remuneration (if any) of our Chief Executive Officer based on such evaluation;
- reviewing and approving the compensation of all of our other executive officers;
- reviewing our executive compensation policies and plans;
- implementing and administering our incentive compensation equity-based remuneration plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- approving all special perquisites, special cash payments and other special compensation and benefit arrangements for our executive officers and employees;
- if required, producing a report on executive compensation to be included in our annual proxy statement; and
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.

Compensation Committee Interlocks and Insider Participation

J. Coley Clark, Martin P. Akins and John H. Rexford served as members of the Compensation Committee during 2020. No member of the Compensation Committee is a present or former officer of, or employed by, the Company or its subsidiaries. None of our executive officers serves as a member of the board of directors or compensation committee of any other entity the executive officers of which entity serve on either the Company's Board of Directors or Compensation Committee.

Nominating and Corporate Governance Committee

Current Members: Martin P. Akins (Chairman), J. Coley Clark, James G. Reynolds
Number of Meetings in 2020: 3

The Nominating and Corporate Governance Committee ("Nominating Committee") is responsible for overseeing the selection of persons to be nominated to serve on our Board of Directors. The Company has determined to allow Mr. Reynolds to serve on the Nominating Committee under Listing Rule 5605(e)(3), which permits the appointment of one non-independent member who is not presently an executive officer or employee or a family member of an executive officer to the nominations committee for up to two years under exceptional and limited circumstances. Although Mr. Reynolds is not independent under the Nasdaq rules due to his former service as the Company's chief financial officer the Board of Directors determined that Mr. Reynolds' membership on the Nominating and Corporate Governance Committee, in this limited circumstance, was warranted and in the best interests of the Company and its stockholders, because he would be able to provide substantial insight and guidance on potential director nominees and specific insight applicable to the situation of the Company given his experience in the industry and as the Company's former chief financial officer. Mr. Reynolds was appointed to the Committee on September 23, 2021, and thus is eligible to serve on the Nominating Committee under this exception through September 22, 2023.

The Nominating Committee considers persons identified by its members, management, stockholders, investment bankers and others.

Guidelines for selecting director nominees

The guidelines for selecting nominees generally provide that the persons to be nominated:

- should have demonstrated notable or significant achievements in business, education or public service;
- should possess the requisite intelligence, education and experience to make a significant contribution to the Board of Directors and bring a range of skills, diverse perspectives and backgrounds to its deliberations; and
- should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of the stockholders.

The Nominating Committee will consider a number of qualifications relating to management and leadership experience, background and integrity and professionalism in evaluating a person’s candidacy for membership on the Board of Directors. The Nominating Committee may require certain skills or attributes, such as financial or accounting experience, to meet specific Board needs that arise from time to time and will also consider the overall experience and makeup of its members to obtain a broad and diverse mix of directors. The Nominating Committee does not distinguish among nominees recommended by stockholders and other persons. The Company is also subject to the terms of a Director Nomination Agreement. See the section entitled “*Proposal No. 1 — Election of Directors — Director Nomination Agreement.*”

A stockholder who has held at least one percent of the fully diluted capitalization of the Company continuously for at least 12 months that wants to recommend a candidate for election to the Board should direct the recommendation in writing by letter to the Company, attention: Corporate Secretary, 2701 E. Grauwlyer Rd., Irving, Texas 75061. The recommendation must include the candidate’s name, home and business contact information, detailed biographical data, relevant qualifications, a signed letter from the candidate confirming willingness to serve, information regarding any relationships between the candidate and the Company and evidence of the recommending stockholder’s ownership of Company stock. Such recommendations must also include a statement from the recommending stockholder in support of the candidate, particularly within the context of the criteria for Board membership, including issues of character, integrity, judgment, diversity of experience, independence, area of expertise, corporate experience, length of service, potential conflicts of interest, other commitments and the like and personal references.

Strategic Transactions Committee

Current Members: Marc A. Beilinson and William L. Transier
 Number of Meetings in 2020: Several times monthly, as needed

The Strategic Transactions Committee was formed on May 14, 2020 to review, assess, evaluate, examine, investigate, analyze, explore, respond to and negotiate the terms and conditions of and, if appropriate, vote for recommendation to the Board, any potential acquisition, disposition, merger, joint venture, spin-off, financing, re-financing, recapitalization, reorganization, strategic transaction or other similar transaction involving the Company and/or any of its subsidiaries, in each case involving an amount in excess of \$25 million.

The Strategic Transactions Committee consists of two independent directors, each of whom are appointed by the Board.

Corporate Social Responsibility Committee

Current Members: Sharon Chadha
 Number of Meetings in 2020: N/A

The Corporate Social Responsibility Committee was formed on October 11, 2021 to assist the Board in fulfilling its oversight responsibilities with regard to corporate social responsibility, including, but not limited to environmental, health and safety, corporate social responsibility, sustainability, philanthropy, reputation, diversity, equity and inclusion, community issues, political contributions and lobbying and other public policy matters relevant to the Company.

PROPOSAL 2 — RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders will act upon a proposal to ratify the selection of KPMG LLP (“KPMG”) as the independent registered public accounting firm of the Company. **If the stockholders, by the affirmative vote of the holders of a majority of the voting power of the shares represented in person or by proxy at the Annual Meeting and entitled to vote on this proposal, do not ratify the selection of KPMG, the selection of the independent registered public accounting firm will be reconsidered by the Audit Committee.**

Background

The Audit Committee has selected KPMG as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2021. KPMG has advised the Company that it has no direct or indirect financial interest in the Company or any of its subsidiaries and that it has had, during the last three years, no connection with the Company or any of its subsidiaries other than as our independent registered public accounting firm and certain other activities as described below.

Pursuant to its charter, the Audit Committee is directly responsible for the appointment, retention, compensation and oversight of the Company’s independent registered public accounting firm. In addition to assuring the regular rotation of the lead audit partner as required by law, the Audit Committee is involved in the evaluation and selection of the lead audit partner and considers whether there should be regular rotation of the independent registered public accounting firm.

The Audit Committee is also required to review and pre-approve all of the audit and non-audit services to be performed by the Company’s independent registered public accounting firm, including the firm’s engagement letter for the annual audit of the Company, the proposed fees in connection with such audit services, and any additional services that management chooses to hire the independent auditors to perform. Additionally, the Audit Committee can establish pre-approval policies and procedures with respect to the engagement of the Company’s independent accountants for non-audit services. In accordance with the Audit Committee Charter, all of the foregoing audit and non-audit fees paid to, and the related service provided by, KPMG were pre-approved by the Audit Committee.

The financial statements of the Company for the year ended December 31, 2020 and the report of the independent registered public accounting firm will be presented at the Annual Meeting. KPMG will have a representative present at the meeting who will have an opportunity to make a statement if he or she so desires and to respond to appropriate questions from stockholders.

Services

KPMG and its affiliates provided services consisting of the audit of the annual consolidated financial statements of the Company, review of the quarterly financial statements of the Company, accounting consultations and consents and other services related to SEC filings by the Company and its subsidiaries and other pertinent matters and other permitted services to the Company.

Audit Fees

The aggregate fees billed or expected to be billed by KPMG for professional services rendered for the audit of the Company’s annual consolidated financial statements for the fiscal years ended 2019 and 2020, for the reviews of the condensed consolidated financial statements included in the Company’s Quarterly Reports on Form 10-Q for the 2019 and 2020 fiscal years and for accounting research and consultation related to the audits and reviews for the internal controls over financial reporting for the fiscal year ended 2019 totaled approximately \$8.6 million for 2019 and \$4.5 million for 2020. These fees were pre-approved by the Audit Committee.

Audit-Related Fees

The aggregate fees billed by KPMG for audit-related services for the fiscal years ended 2019 and 2020 were \$0.8 million and \$1.2 million, respectively. These fees related to research and consultation on various filings with the SEC and fees associated with the reimbursement of out of pocket expenses related to certain legal matters and were pre-approved by the Audit Committee.

Tax Fees

The aggregate fees billed by KPMG for tax services for the fiscal year ended 2019 was less than \$0.1 million. These fees related to local tax compliance and consulting were pre-approved by the Audit Committee. There were no fees billed by KPMG for tax services for the fiscal year ended 2020.

All Other Fees

There were no fees billed by KPMG for services rendered to the Company other than the services described above under “Audit Fees,” “Audit-Related Fees” and “Tax Fees” for the fiscal year ended 2019. The aggregate fees billed by KPMG for services rendered to the Company other than the services described above under “Audit Fees,” “Audit-Related Fees” and “Tax Fees” for the fiscal year ended 2020 were less than \$0.1 million which were related to the Company’s customer learning portal.

In its approval of these non-audit services, the Audit Committee has considered whether the provision of non-audit services is compatible with maintaining KPMG’s independence.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE THEIR SHARES FOR THE PROPOSAL TO RATIFY THE SELECTION OF KPMG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR THE YEAR ENDING DECEMBER 31, 2021.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee currently consists of three independent directors, each of whom has been determined by the Board to meet the heightened independence criteria applicable to Audit Committee members and to satisfy the financial literacy requirements of the Nasdaq Listing Rules and the applicable rules of the SEC. The Audit Committee is responsible, under its charter, for oversight of our independent registered public accounting firm, which reports directly to the Audit Committee. The Audit Committee has the authority to retain and terminate the independent registered public accounting firm, to review the scope and terms of the audit and to approve the fees to be charged. The Audit Committee monitors our system of internal control over financial reporting, and management’s certifications as to disclosure controls and procedures and internal controls for financial reporting. Our management and independent registered public accounting firm, not the Audit Committee, are responsible for the planning and conduct of the audit of our consolidated financial statements and determining that the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in conformity with U.S. generally accepted accounting principles.

The Audit Committee has met and held discussions with management and our independent registered public accounting firm (with and without management) and has reviewed and discussed the audited consolidated financial statements and related internal control over financial reporting with management and our independent registered public accounting firm.

The Audit Committee has also discussed with our independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 1301, Communications with Audit Committees.

Our independent registered public accounting firm also provided the Audit Committee with the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm’s communications with the Audit Committee concerning independence, and the Audit Committee discussed with our independent registered public accounting firm that firm’s independence.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 for filing with the SEC. The Audit Committee selected KPMG LLP as our independent registered public accounting firm for the fiscal year ended December 31, 2021, which is being presented to stockholders at the Annual Meeting for ratification.

The Audit Committee

William L. Transier (Chairman)
Marc A. Beilinson
J. Coley Clark

PROPOSAL 3 — ADVISORY VOTE ON COMPENSATION PAID TO OUR NAMED EXECUTIVE OFFICERS

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, and Section 14A of the Securities Exchange Act of 1934, as amended, or the Exchange Act, at the Annual Meeting, our stockholders are entitled to vote, on an advisory (nonbinding) basis, on the compensation of our named executive officers as disclosed in this Proxy Statement. This proposal, commonly known as a “say-on-pay” proposal, gives our stockholders the opportunity to express their views on our named executive officers’ compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers as disclosed in the section of this Proxy Statement titled “Executive Compensation,” including the compensation tables and narrative discussion that follows the tables. After careful consideration, the Board determined that holding an annual advisory vote on compensation paid to our named executive officers is the most appropriate policy for the Company, and a majority of the votes cast at our 2018 Annual Meeting were voted in favor of holding the advisory vote on executive compensation every year. The advisory vote on executive compensation was last held at our 2020 Annual Meeting.

Our compensation program for our named executive officers is designed to (i) retain our named executive officers, who are critical to our long-term success and (ii) motivate and reward them for achieving our short-term business and long-term strategic goals. We believe that in 2020 our executive compensation program was successful in implementing these objectives.

Stockholders are urged to read the compensation tables and narrative discussion in this Proxy Statement. The Board believes that the compensation paid to our named executive officers is necessary, appropriate and properly aligned with our compensation philosophy and policies.

We are asking our stockholders to indicate their support for the compensation of our named executive officers as described in this proxy statement. Accordingly, we ask that our stockholders vote “FOR” the following resolution:

RESOLVED, that the compensation paid to the Company’s named executive officers, as disclosed in the Proxy Statement pursuant to Item 402 of Regulation S-K, including the compensation tables and narrative discussion is hereby APPROVED.

Although the vote is non-binding, the Board and the Compensation Committee will consider the voting results, along with other relevant factors, in connection with their ongoing evaluation of the Company’s compensation programs.

Stockholder approval of this Proposal 3 will require the affirmative vote of the holders of a majority of the voting power of our outstanding Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on Proposal 3. Abstentions will have the effect of votes against the proposal. “Broker non-votes,” if any, will not have any effect on the adoption of the proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE THEIR SHARES, ON A NON-BINDING, ADVISORY BASIS, FOR THE PROPOSAL TO APPROVE THE COMPANY’S COMPENSATION OF ITS NAMED EXECUTIVE OFFICERS AS DESCRIBED IN THIS PROXY STATEMENT.

PROPOSAL 4 — AMENDMENT AND RESTATEMENT OF THE EXELA TECHNOLOGIES, INC. 2018 STOCK INCENTIVE PLAN

Overview of the Proposal

Our 2018 Stock Incentive Plan (the “2018 Plan”), was originally adopted by our Board on December 19, 2017, and became effective January 17, 2018, following approval by our stockholders. Our Board has determined it to be in the best interests of the Company and our stockholders to adopt an amendment and restatement of the 2018 Plan. Therefore, on November 4, 2021, our Board approved an amendment and restatement of the 2018 Plan, which we refer to as the Amended and Restated 2018 Plan, subject to approval by our stockholders. The 2018 Plan has been an important factor in attracting, retaining, motivating, and rewarding certain employees, officers, directors and consultants by closely aligning the interests of such individuals with those of our stockholders. We are asking our stockholders to approve the amendment and restatement of our 2018 Plan at the annual meeting, that would:

- Increase the number of shares of Common Stock reserved for issuance from an original 2,774,589 shares (nearly all of which has been issued or underlies a committed grant) to 17,848,076, subject to adjustment as provided in the plan and an equivalent increase to the number of shares of Common Stock available for grant pursuant to incentive stock options; *provided, that*, of such increase, 8,500,000 will only be available for purposes of the one-time special equity grant made to our Executive Chairman, Par Chadha (the “Executive Chairman Grant”);
- Extend the expiration date of the plan to December 15, 2031; and
- Remove certain performance and cash based awards previously available for grant under the 2018 Plan that were designed for compliance with the exception from deduction limit for performance based compensation under Section 162(m) of the Code, which was repealed by the Tax Cuts and Jobs Act, signed into law in December 2017.

We believe that increasing the share reserve under the 2018 Plan and extending the expiration date to facilitate continued use of the 2018 Plan will allow us to further the purpose of the plan and to continue to make stock-based awards to eligible participants deemed critical for attracting, motivating, rewarding and retaining a talented team who will contribute to our successes. Stockholder approval of the Amended and Restated 2018 Plan will also provide the compensation committee with flexibility to grant incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), assuming applicable regulatory requirements have been satisfied.

Overhang is a commonly used measure to assess the dilutive impact of equity programs such as the Amended and Restated 2018 Plan. Overhang shows how much existing shareholder ownership would be diluted if all outstanding equity-based awards plus all remaining shares available for equity-based awards were introduced into the market. Overhang is equal to the number of equity-award shares currently outstanding plus the number of equity-award shares available to be granted, divided by the total diluted shares of common stock outstanding at the end of the year. The 15,708,338 additional shares being added in the Amended and Restated 2018 Plan would bring our aggregate overhang to approximately 9.7% (based on 184,829,179 shares outstanding on November 5, 2021).

If the stockholders approve this proposal, the Amended and Restated 2018 Plan will become effective as of the date of stockholders’ approval. If stockholders do not approve this proposal, the amendment and restatement of the 2018 Plan described in this proposal will not take effect and our 2018 plan will continue to be administered in its current form. Further, if stockholders do not approve this proposal, our ability to attract, reward and retain valuable employees will be restricted, as we may not have a sufficient number of shares of Common Stock to make future equity grants.

Rationale for Approving the Amended and Restated 2018 Plan

We believe that approval of the Amended and Restated 2018 Plan is essential to our continued success. Under the Amended and Restated 2018 Plan, we will be authorized to issue up to 15,708,338 additional shares of Common Stock (for a total of 17,848,076 shares available for issuance under the Amended and Restated 2018 Plan inclusive of prior grants under the 2018 Plan outstanding); *provided, that*, of such increase,

8,500,000 will only be available for purposes of the one-time Executive Chairman Grant, and if the Executive Chairman Grant is not earned or is otherwise forfeited, the shares relating to such grant will no longer be available for issuance.

The 7,208,338 additional shares of Common Stock our Board has reserved for issuance under the Amended and Restated 2018 Plan for grants other than our Executive Chairman Grant represent approximately 4.2% of our outstanding shares of Common Stock and 3.5% of our fully diluted shares¹ of Common Stock as of the Record Date, and the Executive Chairman Grant represents 4.9% of our outstanding shares of Common Stock and 4.1% of our fully diluted shares of Common Stock as of the Record Date.

Our Board believes that equity compensation of the type available for grant under the Amended and Restated 2018 Plan, a stock-based incentive plan, furthers our goal of creating long-term value for our stockholders by fostering an ownership culture that encourages a focus on long-term performance, retention, and stockholder value-creation, and exposes participants to economic diminishment if our share performance lags. In addition, if the Amended and Restated 2018 Plan is not approved, we will need to grant cash-based or other awards in order to remain competitive; these awards may not align the interests of our key employees and non-employee directors as closely with those of our shareholders as equity awards. In addition, the use of cash resources to deliver competitive pay would divert cash from use in running other aspects of our business and investing in future product development. In particular, our Board believes that compensation of the type available for grant under the Amended and Restated 2018 Plan furthers our goal of promoting long-term value for our shareholders by fostering an ownership culture that encourages a focus on long-term performance and retention, and exposes participants to economic diminishment if our share performance declines. In addition, if the Amended and Restated 2018 Plan is not approved, we would be at a significant disadvantage relative to our competitors for attracting, motivating, rewarding and retaining the high caliber individuals critical to our growth and profitability as we would not be able to offer equity, with its upside potential.

In addition, in 2021, our Board determined that Mr. Chadha's efforts were critical to realizing Exela's potential value. In an effort to further align Mr. Chadha's interests with that of our shareholders, the independent members of our Board unanimously approved an Executive Chairman agreement with Mr. Chadha, which contemplated, amongst other things, the Executive Chairman Grant of 8,500,000 "performance units", which are notional units representing the right to receive one share of Common Stock of the Company (or the cash value of one share of Common Stock) which may be earned upon the achievement of the performance metrics described below under the heading "**Key Features of the Amended and Restated 2019 Plan and Executive Chairman Grant**". If the Executive Chairman Grant is not earned, the shares subject to such award will not be available again under the Amended and Restated 2018 Plan.

Alignment of the Amended and Restated 2018 Plan with the Interests of the Company and Stockholders

Our Board believes that using long-term incentive compensation, including equity compensation, to retain and motivate our key employees is critical to the achievement of our long-term goals and it considered the following factors, among other things, when adopting the Amended and Restated 2018 Plan:

- our belief that the Amended and Restated 2018 Plan will continue to serve a critical role in attracting, retaining and motivating high caliber employees, officers, directors and other service providers essential to our success and in motivating these individuals to enhance our growth and profitability;

¹As used in the Proxy Statement, fully diluted means 207,192,360 shares of Common Stock based on the 172,495,166 shares of Common Stock outstanding on the Record Date, plus the 1,283,966 number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock, plus 17,848,076 shares available for issuance under the Amended and Restated 2018 Plan (assuming the approval sought hereby and including grants already made under the 2018 Plan), plus 15,565,152 shares of Common Stock issuable upon exercise of outstanding warrants. Note, (x) the Company may issue additional equity shares pursuant to filed shelf-registration statements, which may result in a greater number of shares outstanding, (y) the number of shares issuable upon conversion of the Series A Preferred Stock increases daily, and (z) exercise of the warrants is dependent on a number of factors, and warrants to purchase 5.8 million shares expire in July 2022.

- our belief that share ownership by employees, consultants and non-employee directors provides performance incentives and fosters long-term commitment to our benefit and to the benefit of our stockholders; and
- our belief that equity compensation, by its very nature, is performance-based compensation, and that the Amended and Restated 2018 Plan reflects our pay-for-performance philosophy and motivates our employees, consultants and non-employee directors to enhance our growth and profitability.

Key Features of the Amended and Restated 2018 Plan

The Amended and Restated 2018 Plan and our related governance practices and policies include many features that are designed to protect stockholder interests. A summary of these features follows, and a more detailed description of the features is included under the heading “*Summary of the Amended and Restated 2018 Plan*” below. The summaries in this proposal do not provide a complete description of all the provisions of the Amended and Restated 2018 Plan and are qualified in their entirety by reference to the full text of the Amended and Restated 2018 Plan, which is attached to this proxy statement as Annex A.

- *Fixed Reserve of Shares.* The number of shares of Common Stock available for grant under the Amended and Restated 2018 Plan is fixed and will not automatically increase because of an “evergreen” feature — meaning, stockholder approval is required to increase the share reserve under the Amended and Restated 2018 Plan, allowing our stockholders to have direct input on our equity compensation program.
- *No Repricing.* The Amended and Restated 2018 Plan prohibits the repricing of awards without stockholder approval.
- *No Discounted Stock Options or Stock Appreciation Rights.* Except with respect to substitute awards granted in connection with a corporate transaction, all stock options and stock appreciation rights must have an exercise price or base price equal to or greater than the fair market value of the underlying shares of Common Stock on the date of grant.
- *Limitation on Term of Stock Options and Stock Appreciation Rights.* The maximum term of a stock option or stock appreciation right under the Amended and Restated 2018 Plan is 10 years.
- *No Dividends or Dividend Equivalents on Unearned Awards.* Generally, any cash dividends and share dividends paid on shares of restricted stock will be withheld by the Company and will be subject to vesting and forfeiture to the same degree as the shares of restricted stock to which such dividends relate.
- *Cancellation and Rescission of Awards.* Unexpired, unpaid or deferred awards granted under the Amended and Restated 2018 Plan may be cancelled, rescinded, suspended, withheld or otherwise limited or restricted if the participant engages in certain “detrimental activities”.
- *Clawback.* Awards granted under the Amended and Restated 2018 Plan will be subject to the Company’s clawback and/or recoupment policies in effect from time to time or as otherwise required by applicable law.
- *No Automatic Grants.* The Amended and Restated 2018 Plan does not provide for automatic grants to any participant.
- *Independent Compensation Committee.* The Amended and Restated 2018 Plan will be administered by a committee of our Board or a subcommittee thereof, comprised entirely of independent directors.
- *No Tax Gross-Ups.* The Amended and Restated 2018 Plan does not provide for any tax gross-ups.
- *Minimum Vesting Period.* Other than with respect to the Executive Chairman Grant or annual awards to our Directors, awards under the Amended and Restated 2018 Plan generally must vest over a period of not less than one year from the date of grant, subject to certain exceptions as set forth in the Amended and Restated 2018 Plan.
- *Double-Trigger Vesting.* Pursuant to the Amended and Restated 2018 Plan, except as provided in any agreement between the participant and the Company, the vesting of awards that are assumed or

substituted in connection with a change in control only accelerates as a result of the change in control if a participant experiences a qualifying termination within two years following the change in control.

Executive Chairman Grant

During 2021, the Board, following months of discussions amongst its members and the Company's management team and considering the unique and significant contributions to the Company made by Mr. Chadha, determined that it was in the best interest of the Company and the shareholders of the Company to engage Mr. Chadha on a full-time basis as Executive Chairman. In connection with such engagement, the Board and the compensation committee retained the services of an independent compensation consultant, Pearl Meyer, to develop a proposed compensation package for Mr. Chadha in his role as Executive Chairman that would strengthen Mr. Chadha's alignment with shareholders and demonstrates that he is highly motivated to improve shareholder return. As disclosed in our Form 8-K filing on September 16, 2021, effective September 14, 2021, the Board appointed Mr. Chadha as Executive Chairman of the Company, and entered into an Executive Chairman agreement with him in connection with such appointment, which sets forth the compensation he will be eligible to earn as of and following such date.

In connection with Mr. Chadha's appointment, he was granted the Executive Chairman Grant, comprised of 8,500,000 performance units, which, when earned, will be settled in cash unless the reserve available under the Amended and Restated 2018 Plan is increased by a number of shares sufficient to cover such grant, in which case, the Board may elect to settle in either cash or shares. The Executive Chairman Grant is intended to be an extraordinary grant that may be earned upon achievement of significant and sustained stock price performance. As a result, to the extent that Mr. Chadha does earn the performance units, we believe that the impact of any resulting dilution to our stockholders would be more than offset by the significant improvements to our stock price and results of operations.

Specifically, Mr. Chadha's Executive Chairman agreement provides that he will vest in one-half of the Executive Chairman Grant (the "Tranche 1 PSUs"), if at any time following the appointment date and prior to June 30, 2024, the volume weighted average of the reported closing prices of our Common Stock is \$10 per share of Common Stock or greater on (x) sixty (60) consecutive trading days or (y) ninety (90) non-consecutive trading days in any period of one hundred and eighty (180) days. In addition, Mr. Chadha will vest in the remaining one-half of the performance units (the "Tranche 2 PSUs") if at any time following the appointment date and prior to June 30, 2025, the volume weighted average of the reported closing prices of the Common Stock is \$20 per share of Common Stock or greater on (x) sixty (60) consecutive trading days or (y) ninety (90) non-consecutive trading days in any period of one hundred and eighty (180) days. Mr. Chadha will remain eligible to earn his performance units so long as he remains employed with the Company as Executive Chairman through December 31, 2023 and following such date he remains engaged with the Company in any capacity, including as a non-employee director. Any Tranche 1 Performance Units and Tranche 2 Performance 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.

Mr. Chadha's performance units will remain eligible to vest based on the stock price criteria above if his employment is terminated by the Company without "cause" prior to December 31, 2023, or his employment is terminated due to death or disability, in which case the requirement of continued service will be deemed met. In addition, if a "change in control" occurs prior to the applicable expiration date, if the performance units are assumed by the acquiror, the units will remain outstanding and eligible to vest based solely on Mr. Chadha's continued service to the Company. If in connection with such change in control the performance units are not assumed by an acquiror, a number of performance units will vest based on the per share price paid in the transaction, with 0% vesting if the per share price is equal to or less than \$2.00 per share, and 100% of the Tranche 1 PSUs vesting if the per share price is equal to or greater than \$10 and 100% of the Tranche 2 PSUs vesting if the per share price is equal to or greater than \$20, and a number of Tranche 1 PSUs and Tranche 2 PSUs vesting determined based on a straight line interpolation if the share price is between \$2.00 and \$10.00 or \$20.00, respectively. In addition, if there is a change in control that is principally negotiated and approved by, and recommended to the Company's shareholders by, a special committee of independent directors which committee does not include Mr. Chadha, and neither Mr. Chadha or any of its affiliates is directly or indirectly an equity holder of the acquiring company, and the Tranche

1 PSUs are not assumed by an acquiror in connection with such transaction, all of his then unvested Tranche 1 PSUs will vest, and the Tranche 2 PSUs would be eligible for the pro rata vesting described above.

Summary of the Amended and Restated 2018 Plan

The following is a summary of certain material features of the Amended and Restated 2018 Plan. The following summary is not a complete description of all provisions of the Amended and Restated 2018 Plan and is qualified in its entirety by reference to the Amended and Restated 2018 Plan, the final version of which is attached to this proxy statement as Annex A.

Purpose. The purpose of the Amended and Restated 2018 Plan is to give us the ability to attract, retain, motivate and reward certain officers, employees, directors and consultants and to provide a means whereby officers, employees, directors and/or consultants can acquire and maintain ownership of our Common Stock or be paid incentive compensation measured by reference to the value of our Common Stock, thereby strengthening their commitment to our welfare and that of our affiliates and promoting an identity of interest between our stockholders and these persons and encouraging such eligible persons to expend maximum effort in the creation of stockholder value.

Plan Administration. The Amended and Restated 2018 Plan will be administered by our compensation committee. Our compensation committee will have the authority, among other things, to select participants, grant awards, determine types of awards and terms and conditions of awards for participants, prescribe rules and regulations for the administration of the plan and make all decisions and determinations as deemed necessary or advisable for the administration of the Amended and Restated 2018 Plan. Our compensation committee may delegate certain of its authority as it deems appropriate, pursuant to the terms of the Amended and Restated 2018 Plan and to the extent permitted by applicable law, to our officers or employees, although any award granted to any person who is not our employee or who is subject to Section 16 of the Exchange Act must be expressly approved by the compensation committee. Our compensation committee's actions will be final, conclusive and binding.

Authorized Stock. A total of 17,848,076 shares of Common Stock will be reserved and available for issuance under the Amended and Restated 2018 Plan and inclusive of the Executive Chairman Grant, subject to adjustment in accordance with the terms of the Amended and Restated 2018 Plan. The number of shares of Common Stock reserved and available for issuance under the Amended and Restated 2018 Plan is subject to adjustment, as described below. The maximum number of shares of Common Stock that may be issued in respect of incentive stock options will be 7,208,338. Common Stock issued under the Amended and Restated 2018 Plan may consist of authorized but unissued stock or previously issued Common Stock. Other than with respect to the shares reserved for the Executive Chairman Grant, Common Stock underlying awards that are settled in cash, expire or are canceled, forfeited, or otherwise terminated without delivery to a participant will again be available for issuance under the Amended and Restated 2018 Plan. Other than with respect to the shares reserved for the Executive Chairman Grant, Common Stock withheld or surrendered in connection with the payment of an exercise price of an award or to satisfy tax withholding will again become available for issuance under the Amended and Restated 2018 Plan. Shares reserved for the Executive Chairman Grant will not be available for issuance for any purpose other than the Executive Chairman Grant, and if any portion of the Executive Chairman Grant is not earned, any such unearned shares reserved for issuance will no longer be available for issuance under the Amended and Restated 2018 Plan.

Individual Limits. Other than with respect to the Executive Chairman Grant, the maximum value of any awards granted to any non-employee director in any one calendar year, taken together with any cash fees paid to such non-employee director during such calendar year, may not exceed \$750,000 (determined based on the grant date fair value of the award).

Types of Awards. The types of awards that may be available under the Amended and Restated 2018 Plan are described below. All of the awards described below will be subject to the terms and conditions determined by our compensation committee in its sole discretion, subject to certain limitations provided in the Amended and Restated 2018 Plan. Each award granted under the Amended and Restated 2018 Plan will be evidenced by an award agreement, which will govern that award's terms and conditions.

Minimum Vesting Period. Except as provided below or with respect to the Executive Chairman Grant, no award granted under the Amended and Restated 2018 Plan may vest over a period that is less than one year from the date of grant. The foregoing minimum vesting period will not apply: (i) to awards granted in payment of or exchange for an equivalent amount of salary, bonus or other earned cash compensation; (ii) to a substitute award that does not reduce the vesting period of the award being replaced or assumed; (iii) to awards involving an aggregate number of common shares not in excess of 5% of the aggregate number of common shares that may be delivered in connection with awards under the Amended and Restated 2018 Plan (subject to adjustment as described below under “— *Adjustments*”); (iv) in connection with certain qualifying terminations that result in accelerated vesting of an Award in accordance with the terms of any grant or other similar agreement; or (v) to annual awards granted to non-employee directors that vest on the first regularly scheduled annual meeting of our stockholders following the applicable date of grant.

Non-qualified Stock Options. A non-qualified stock option is an option that is not intended to meet the qualifications of an incentive stock option, as described below. An award of a non-qualified stock option grants a participant the right to purchase a certain number of shares of our Common Stock during a specified term in the future, or upon the achievement of performance or other conditions, at an exercise price set by our compensation committee on the grant date. The term of a non-qualified stock option will be set by our compensation committee but may not exceed 10 years from the grant date. The exercise price may be paid using any of the following payment methods: (i) immediately available funds in U.S. dollars or by certified or bank cashier’s check, (ii) by delivery of stock having a value equal to the exercise price, (iii) a broker assisted cashless exercise, or (iv) by any other means approved by our compensation committee. The Amended and Restated 2018 Plan provides that unless otherwise specifically determined by the compensation committee, vesting of non-qualified stock options will be suspended during the period of any approved leave of absence by a participant following which the participant has a right to reinstatement and will resume upon such participant’s return to employment. The Amended and Restated 2018 Plan also provides that participants terminated for “cause” (as such term is defined in the Amended and Restated 2018 Plan) will forfeit all of their non-qualified stock options, whether or not vested. Participants terminated for any other reason will forfeit their unvested non-qualified stock options, retain their vested non-qualified stock options, and will have one year (in the case of a termination by reason of death or disability) or 90 days (in all other cases) following their termination date to exercise their vested non-qualified stock options, unless such non-qualified stock option expires sooner. The Amended and Restated 2018 Plan authorizes our compensation committee to provide for different treatment of non-qualified stock options upon termination than that described above, as determined in its discretion.

Incentive Stock Options. An incentive stock option is a stock option that meets the requirements of Section 422 of the Code. Incentive stock options may be granted only to our employees or employees of certain of our subsidiaries and must have an exercise price of no less than 100% of the fair market value (or 110% with respect to a 10% shareholder) of a share of Common Stock on the grant date and a term of no more than 10 years (or 5 years with respect to a 10% shareholder). The aggregate fair market value, determined at the time of grant, of our Common Stock subject to incentive stock options that are exercisable for the first time by a participant during any calendar year may not exceed \$100,000. The Amended and Restated 2018 Plan provides that unless otherwise specifically determined by the compensation committee, vesting of incentive stock options will be suspended during the period of any approved leave of absence by a participant following which the participant has a right to reinstatement and will resume upon such participant’s return to employment. The Amended and Restated 2018 Plan also provides that participants terminated for “cause” will forfeit all of their incentive stock options, whether or not vested. Participants terminated for any other reason will forfeit their unvested incentive stock options, retain their vested incentive stock options, and will have one year (in the case of a termination by reason of death or disability) or 90 days (in all other cases) following their termination date to exercise their vested incentive stock options, unless such incentive stock option expires sooner. The Amended and Restated 2018 Plan authorizes our compensation committee to provide for different treatment of incentive stock options upon termination than that described above, as determined in its discretion.

Stock Appreciation Rights. A stock appreciation right entitles the participant to receive an amount equal to the difference between the fair market value of our Common Stock on the exercise date and the base price of the stock appreciation right that is set by our compensation committee on the grant date, multiplied by the number of shares of Common Stock subject to the stock appreciation right. The term of a

stock appreciation right will be set by our compensation committee but may not exceed 10 years from the grant date. Payment to a participant upon the exercise of a stock appreciation right may be either in cash, stock or property as specified in the award agreement or as determined by our compensation committee. The Amended and Restated 2018 Plan provides that unless otherwise specifically determined by the compensation committee, vesting of stock appreciation rights will be suspended during the period of any approved leave of absence by a participant following which the participant has a right to reinstatement and will resume upon such participant's return to employment. The Amended and Restated 2018 Plan also provides that participants terminated for "cause" will forfeit all of their stock appreciation rights, whether or not vested. Participants terminated for any other reason will forfeit their unvested stock appreciation rights, retain their vested stock appreciation rights, and will have one year (in the case of a termination by reason of death or disability) or 90 days (in all other cases) following their termination date to exercise their vested stock appreciation rights, unless such appreciation right expires sooner. The Amended and Restated 2018 Plan authorizes our compensation committee to provide for different treatment of stock appreciation rights upon termination than that described above, as determined in its discretion.

Restricted Stock. A restricted stock award is an award of restricted Common Stock that does not vest until a specified period of time has elapsed, and/or upon the achievement of performance or other conditions determined by our compensation committee, and which will be forfeited if the conditions to vesting are not met. During the period that any restrictions apply, transfer of the restricted Common Stock is generally prohibited. Unless otherwise specified in their award agreement, participants generally have all of the rights of a stockholder as to the restricted Common Stock, including the right to vote such Common Stock, provided, that any cash or stock dividends with respect to the restricted Common Stock will be withheld by us and will be subject to forfeiture to the same degree as the restricted Common Stock to which such dividends relate. The Amended and Restated 2018 Plan provides that unless otherwise specifically determined by the compensation committee, vesting of restricted stock awards will be suspended during the period of any approved leave of absence by a participant following which the participant has a right to reinstatement and will resume upon such participant's return to employment. Except as otherwise provided by our compensation committee, in the event a participant is terminated for any reason, the vesting with respect to the participant's restricted stock will cease, and as soon as practicable following the termination, we will repurchase all of such participant's unvested restricted stock at a purchase price equal to the original purchase price paid for the restricted stock, or if the original purchase price is equal to \$0, the unvested restricted stock will be forfeited by the participant to us for no consideration.

Restricted Stock Units. A restricted stock unit is an unfunded and unsecured obligation to issue Common Stock (or an equivalent cash amount) to the participant in the future. Restricted stock units become payable on terms and conditions determined by our compensation committee and will vest and be settled at such times in cash, Common Stock, or other specified property, as determined by our compensation committee. Participants have no rights of a stockholder as to the restricted stock units, including no voting rights or rights to dividends, until the underlying Common Stock is issued or becomes payable to the participant. The Amended and Restated 2018 Plan provides that unless otherwise specifically determined by the compensation committee, vesting of restricted stock units will be suspended during the period of any approved leave of absence by a participant following which the participant has a right to reinstatement and will resume upon such participant's return to employment. Except as otherwise provided by our compensation committee, in the event a participant is terminated for any reason, the vesting with respect to the participant's restricted stock units will cease, each of the participant's outstanding unvested restricted stock units will be forfeited for no consideration as of the date of such termination, and any stock remaining undelivered with respect to the participant's vested restricted stock units will be delivered on the delivery date specified in the applicable award agreement.

Other Stock-Based Compensation. Under the Amended and Restated 2018 Plan, our compensation committee may grant other types of equity-based awards subject to such terms and conditions that our compensation committee may determine. Such awards may include the grant of dividend equivalents, which generally entitle the participant to receive amounts equal to the dividends that are paid on the stock underlying the award.

Adjustments. The aggregate number of shares of Common Stock reserved and available for issuance under the Amended and Restated 2018 Plan, the individual limitations, the number of shares of Common

Stock covered by each outstanding award, and the price per share of Common Stock underlying each outstanding award will be equitably and proportionally adjusted or substituted, as determined by our compensation committee in its sole discretion, as to the number, price or kind of stock or other consideration subject to such awards in connection with stock dividends, extraordinary cash dividends, stock splits, reverse stock splits, recapitalizations, reorganizations, mergers, amalgamations, consolidations, combinations, exchanges, or other relevant changes in our capitalization affecting our Common Stock or our capital structure which occurs after the date of grant of any award, in connection with any extraordinary dividend declared and paid in respect of stock or in the event of any change in applicable law or circumstances that results in or could result in, as determined by the compensation committee in its sole discretion, any substantial dilution or enlargement of the rights intended to be granted to, or available for, participants in the Amended and Restated 2018 Plan.

Corporate Events. In the event of a merger, amalgamation, or consolidation involving us in which we are not the surviving corporation or in which we are the surviving corporation but the holders of our Common Stock receive securities of another corporation or other property or cash, a “change in control” (as defined in the Amended and Restated 2018 Plan), or a reorganization, dissolution, or liquidation of us, our compensation committee may, in its discretion, provide for the assumption or substitution of outstanding awards, accelerate the vesting of outstanding awards, cash-out outstanding awards or replace outstanding awards with a cash incentive program that preserves the value of the awards so replaced. With respect to any award that is assumed or substituted in connection with a “change in control,” except as provided in any agreement between the participant and the Company, the vesting, payment, purchase or distribution of such award will not be accelerated by reason of the “change in control” for any participant unless the participant’s employment is involuntarily terminated as a result of the “change in control” during the two-year period commencing on the “change in control.”

Transferability. Awards under the Amended and Restated 2018 Plan may not be sold, transferred, pledged, or assigned other than by will or by the applicable laws of descent and distribution, unless (for awards other than incentive stock options) otherwise provided in an award agreement or determined by our compensation committee.

Amendment. Our Board or our compensation committee may amend the Amended and Restated 2018 Plan or outstanding awards at any time. Our stockholders must approve any amendment if their approval is required pursuant to applicable law or the applicable rules of each national securities exchange on which our Common Stock is traded. No amendment to the Amended and Restated 2018 Plan or outstanding awards which materially impairs the right of a participant is permitted unless the participant consents in writing.

Termination. The Amended and Restated 2018 Plan will terminate on the ten year anniversary of the date on which the Amended and Restated 2018 Plan becomes effective, and incentive stock options may not be granted following the earlier of the tenth anniversary of (i) the date the Amended and Restated 2018 Plan was adopted by our Board and (ii) the date our stockholders first approved the Amended and Restated 2018 Plan by written consent. In addition, our Board or our compensation committee may suspend or terminate the Amended and Restated 2018 Plan at any time. Following any such suspension or termination, the Amended and Restated 2018 Plan will remain in effect to govern any then outstanding awards until such awards are forfeited, terminated or otherwise canceled or earned, exercised, settled or otherwise paid out, in accordance with their terms.

Cancellation and Rescission of Awards. All unexpired, unpaid or deferred awards granted under the Amended and Restated 2018 Plan may be cancelled, rescinded, suspended, withheld or otherwise limited or restricted if a participant engages in detrimental activity. For purposes of the Amended and Restated 2018 Plan, “detrimental activity” means any of the following: (i) rendering services for any organization that presents a conflict of interest or engages directly or indirectly in any business that is competitive with the Company or any of its direct or indirect subsidiaries; (ii) disclosing “confidential information” to anyone outside the Company or any of its direct or indirect subsidiaries without prior written authorization from the participant’s employer; (iii) failing or refusing to disclose promptly and to assign to the participant’s employer all right, title and interest in any invention or idea, patentable or not, made or conceived by the participant during employment or failing or refusing to do anything reasonably necessary to enable the Company or any of its direct or indirect subsidiaries to secure a patent where appropriate; (iv) activity that

results in the participant's termination for "cause"; (v) violating any rules, policies, procedures or guidelines of the participant's employer; (vi) attempting to, directly or indirectly, solicit any employee of the Company or any of its direct or indirect subsidiaries or any current or prospective customer, supplier or partner of the Company or any of its direct or indirect subsidiaries; (vii) the participant being convicted of, or entering a guilty plea with respect to, a crime, whether or not connected with the employer; or (viii) any other conduct or act determined to be injurious, detrimental or prejudicial to any interest of the Company or any of its direct or indirect subsidiaries. If a participant fails to comply with the "detrimental activity" provisions of the Amended and Restated 2018 Plan during employment and during the rescission period designated by the Board, then any exercise, payment or delivery may be rescinded within two years after such exercise, payment or delivery and the Company can set-off against the amount of any such gain any amount then-owed to the participant.

Clawback; Sub-Plans. All awards under the Amended and Restated 2018 Plan will be subject to any incentive compensation clawback or recoupment policy currently in effect, or as may be adopted by our Board (or any committee or subcommittee thereof) and, in each case, as may be amended from time to time. In addition, our compensation committee may adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Amended and Restated 2018 Plan by individuals who are non-U.S. nationals or are primarily employed or providing services outside the U.S., and may modify the terms of any awards granted to such participants in a manner deemed by our compensation committee to be necessary or appropriate in order that such awards conform with the laws of the country or countries where such participants are located.

No-Repricing of Awards. No awards under the Amended and Restated 2018 Plan may be repriced without stockholder approval. For purposes of the Amended and Restated 2018 Plan, "repricing" means any of the following (or any other action that has the same effect as any of the following): (i) changing the terms of the award to lower its exercise price or base price (other than on account of capital adjustments resulting from stock splits), (ii) any other action that is treated as a repricing under GAAP, and (iii) repurchasing for cash or canceling an award in exchange for another award at a time when its exercise price or base price is greater than the fair market value of the underlying stock.

Certain U.S. Federal Income Tax Consequences

The following is a brief discussion of certain U.S. federal income tax consequences for awards granted under the Amended and Restated 2018 Plan. The Amended and Restated 2018 Plan is not subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended, and it is not, nor is it intended to be, qualified under Section 401(a) of the Code. This discussion is based on current law, is not intended to constitute tax advice, and does not address all aspects of U.S. federal income taxation that may be relevant to a particular participant in light of his or her personal circumstances and does not describe foreign, state, or local tax consequences, which may be substantially different. Holders of awards under the Amended and Restated 2018 Plan are encouraged to consult with their own tax advisors.

Non-Qualified Stock Options and Stock Appreciation Rights. With respect to non-qualified stock options and stock appreciation rights, (i) no income is realized by a participant at the time the award is granted; (ii) generally, at exercise, ordinary income is realized by the participant in an amount equal to the difference between the exercise or base price paid for the shares and the fair market value of the shares on the date of exercise (or, in the case of a cash-settled stock appreciation right, the cash received), and the participant's employer is generally entitled to a tax deduction in the same amount subject to applicable tax withholding requirements; and (iii) upon a subsequent sale of the stock received on exercise, appreciation (or depreciation) after the date of exercise is treated as either short-term or long-term capital gain (or loss) depending on how long the shares have been held, and no deduction will be allowed to such participant's employer.

Incentive Stock Options. No income is realized by a participant upon the grant or exercise of an incentive stock option, however, such participant will generally be required to include the excess of the fair market value of the shares at exercise over the exercise price in his or her alternative minimum taxable income. If shares are issued to a participant pursuant to the exercise of an incentive stock option, and if no disqualifying disposition of such shares is made by such participant within two years after the date of grant or within one year after the transfer of such shares to such participant, then (i) upon sale of such shares,

any amount realized in excess of the exercise price will be taxed to such participant as a long-term capital gain, and any loss sustained will be a long-term capital loss, and (ii) no deduction will be allowed to the participant's employer for federal income tax purposes.

If shares acquired upon the exercise of an incentive stock option are disposed of prior to the expiration of either holding period described above, generally (i) the participant will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of such shares at exercise (or, if less, the amount realized on the disposition of such shares) over the exercise price paid for such shares and (ii) the participant's employer will generally be entitled to deduct such amount for federal income tax purposes. Any further gain (or loss) realized by the participant will be taxed as short-term or long-term capital gain (or loss), as the case may be, and will not result in any deduction by the employer.

Subject to certain exceptions for disability or death, if an incentive stock option is exercised more than three months following termination of employment, the exercise of the stock option will generally be taxed as the exercise of a non-qualified stock option.

Other Stock-Based Awards. The tax effects related to other stock-based awards under the Amended and Restated 2018 Plan are dependent upon the structure of the particular award.

Withholding. At the time a participant is required to recognize ordinary compensation income resulting from an award, such income will be subject to federal (including, except as described below, Social Security and Medicare tax) and applicable state and local income tax and applicable tax withholding requirements. If such participant's year-to-date compensation on the date of exercise exceeds the Social Security wage base limit for such year (\$142,800 in 2021), such participant will not have to pay Social Security taxes on such amounts. The Company is required to report to the appropriate taxing authorities the ordinary income received by the participant, together with the amount of taxes withheld to the Internal Revenue Service and the appropriate state and local taxing authorities.

Tax Effect for the Company. The Company generally will be entitled to a tax deduction in connection with an award under the Amended and Restated 2018 Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, upon the exercise of a non-qualified stock option). The rules under Section 162(m) of the Code generally deny a publicly held corporation a deduction for federal income tax purposes for compensation in excess of \$1 million per year paid per person to any person who serves as its chief executive officer and other "covered persons" as determined under Section 162(m) of the Code and applicable guidance.

Section 409A. Certain awards under the Amended and Restated 2018 Plan may be subject to Section 409A of the Code, which regulates "nonqualified deferred compensation" (as defined in Section 409A of the Code). If an award under the Amended and Restated 2018 Plan (or any other Company plan) that is subject to Section 409A of the Code is not administered in compliance with Section 409A of the Code, then all compensation under the Amended and Restated 2018 Plan that is considered "nonqualified deferred compensation" (and awards under any other Company plan that are required pursuant to Section 409A of the Code to be aggregated with the award under the Amended and Restated 2018 Plan) will be taxable to the participant as ordinary income in the year of the violation, or if later, the year in which the compensation subject to the award is no longer subject to a substantial risk of forfeiture. In addition, the participant will be subject to an additional tax equal to 20% of the compensation that is required to be included in income as a result of the violation, plus interest from the date that the compensation subject to the award was required to be included in taxable income.

Certain Rules Applicable to "Insiders." As a result of the rules under Section 16(b) of the Exchange Act, depending upon the particular exemption from the provisions of Section 16(b) utilized, "insiders" (as defined in Section 16(b)) may not receive the same tax treatment as set forth above with respect to the grant and/or exercise or settlement of awards. Generally, insiders will not be subject to taxation until the expiration of any period during which they are subject to the liability provisions of Section 16(b) with respect to any particular award. Insiders should check with their own tax advisors to ascertain the appropriate tax treatment for any particular award.

New Plan Benefits

Except with respect to grants of restricted stock unit awards that may be granted to each non-employee director serving on our board of directors in 2021 and the Executive Chairman Grant, as shown in the table below the number of awards that our named executive officers, directors, other executive officers and other employees may receive under the Amended and Restated 2018 Plan will be determined in the discretion of our board of directors or compensation committee in the future, and neither our board of directors or our compensation committee has made any determination to make future grants to any persons under the Amended and Restated 2018 Plan as of the date of this proxy statement. Therefore, it is not possible to determine the benefits or the amounts that have been or will be received by eligible participants under the Amended and Restated 2018 Plan.

<u>Name/Category of Individual</u>	<u>Dollar Value</u>	<u>Number of Units</u>
Ronal C Cogburn, <i>Chief Executive Officer</i>	—	—
Shrikant Sortur, <i>Chief Financial Officer</i>	—	—
Suresh Yannamani <i>President</i>	—	—
James Reynolds <i>Former Chief Financial Officer, Board Member</i>	—	—
All current executive officers as a group ⁽¹⁾	—	8,500,000
All non-employee directors as a group ⁽²⁾	—	—
All current employees (other than executive officers) as a group	—	—

- (1) Upon his appointment as Executive Chairman, Mr. Chadha received 8,500,000 “performance units”, which are notional units representing the right to receive one share of common stock of the Company (or the cash value of one share of common stock) which may be earned upon the achievement of the performance metrics described below. Until such time that the Company obtains the approval of the stockholders of the Company regarding an increase to the number of shares authorized for issuance under the Amended and Restated 2018 Plan, Mr. Chadha’s performance units will be settled in cash, and following such shareholder approval, at the election of the compensation committee of the Company, may be settled in cash or in shares of common stock of the Company. Mr. Chadha is also entitled to dividend equivalents in respect of any dividends paid, which will be subject to the same vesting and settlement terms as the performance units to which they relate. For additional information regarding the terms of the Executive Chairman Grant, please see “*Key Features of the Amended and Restated 2019 Plan and Executive Chairman Grant*” above.
- (2) Pursuant to our current non-employee director compensation policy, each non-employee director serving on our board in 2021 will be awarded a restricted stock unit award with a value of \$110,000 (\$140,000 for our Executive Chairman) on the first business day of 2022, subject to shareholder approval of the Amended and Restated 2018 Plan, and provided that the Company shall pay such award in cash in February 2022, if the Amended and Restated 2018 Plan is not approved, upon request of the non-employee director, or otherwise at the Company’s discretion.

Securities Authorized for Issuance Under Equity Compensation Plans as of December 31, 2020

The following table sets forth, as of December 31, 2020, information concerning equity compensation plans under which our securities are authorized for issuance. The table does not reflect grants, awards, exercises, terminations or expirations since that date, including the Reverse Stock Split.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders . .	1,662,155	11.89	794,855
Equity compensation plans not approved by security holders	—	—	—
Total	1,662,155	11.89	794,855

(1) The Company currently maintains the 2018 Stock Incentive Plan, which was approved by our board of directors on December 19, 2017 and subsequently approved by a majority of our stockholders by written consent on December 20, 2017. The 2018 Stock Incentive Plan became effective on January 17, 2018 and there were originally 2,774,589 shares of our Common Stock reserved for issuance under our 2018 Stock Incentive Plan.

Vote Required

The approval of this proposal requires the affirmative vote of a majority of the votes cast in person or by proxy and entitled to vote thereon at the 2021 annual meeting, assuming that a quorum is present. Abstentions will have the effect of votes against the proposal. “Broker non-votes,” if any, will not have any effect on the adoption of the proposal.

Recommendation of the Board

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT OUR STOCKHOLDERS VOTE “FOR” APPROVAL OF THE AMENDED AND RESTATED 2018 STOCK INCENTIVE PLAN.

EXECUTIVE COMPENSATION

This section discusses the material components of the executive compensation program for Exela’s executive officers who are named in the “Summary Compensation Table” below. As a “smaller reporting company” as defined in Rule 12b-2 of the Exchange Act, Exela is not required to include a Compensation Discussion and Analysis and has elected to comply with the scaled disclosure requirements applicable to smaller reporting companies. Exela’s named executive officers for the fiscal year ended December 31, 2020 were as follows:

- Ronald C. Cogburn, our Chief Executive Officer;
- Shrikant Sortur, our Chief Financial Officer;
- Suresh Yannamani, our President; and
- James G. Reynolds, former Chief Financial Officer who resigned effective May 15, 2020.

Mr. Reynolds served as an executive officer during the year ended December 31, 2020, and his total compensation would have made Mr. Reynolds one of the three most highly compensated executives for the year ended December 31, 2020 had he remained employed through the close of the financial year.

Summary Compensation Table

The following table sets forth compensation information for our named executive officers for services performed for the Company and its subsidiaries for the fiscal years ended December 31, 2020 and December 31, 2019.

Name and principal position ⁽¹⁾	Year	Salary (\$)	Bonus (\$) ⁽²⁾	Stock Awards (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Ronald C. Cogburn <i>Chief Executive Officer</i>	2020	411,750	325,000	—	—	—	736,750
	2019	325,000	—	—	98,181	845,407	1,268,588
Shrikant Sortur <i>Chief Financial Officer</i>	2020	380,077	660,000	—	—	—	1,040,077
Suresh Yannamani <i>President</i>	2020	395,500	325,000	—	—	—	720,500
	2019	325,000	—	—	98,181	535,524	958,705
James Reynolds <i>Former Chief Financial Officer, Board Member</i>	2020	131,250	325,000	—	—	\$2,398,291 ⁽³⁾	\$2,854,541

- (1) On May 15, 2020, the Company appointed Shrikant Sortur as its new Chief Financial Officer, to succeed James Reynolds, who stepped down as an executive, officer and employee of the Company and its subsidiaries, effective as of May 15, 2020. Mr. Reynolds has remained a nonemployee member of the Board. Neither of Messrs. Sortur nor Reynolds was a named executive officer in the prior year and, therefore, in accordance with SEC regulations, only compensation information for the fiscal year in which each executive became a named executive officer is included in the Summary Compensation Table.
- (2) During 2020, the Compensation Committee approved certain special bonuses to the named executive officers. These bonuses were special bonuses in lieu of 2019 year-end bonuses, which were not paid, and in recognition of the work expected of these officers during 2020. In addition, Mr. Sortur received a bonus for his work on the accounts receivable financing facility that closed during the first quarter of 2020.
- (3) Mr. Reynolds resigned as Chief Financial Officer effective May 15, 2020. Pursuant to a Transition Agreement dated as of such date the Company agreed to pay Mr. Reynolds \$1,700,000 severance in three installments of \$566,666.66 with the final such payment becoming due on May 15, 2021 and the Company also paid Mr. Reynolds \$404,194 following his resignation in respect of a transaction he had a

material role in arranging for the Company. The amount also includes \$294,097 earned by Mr. Reynolds as board compensation as a non-employee director following his resignation.

Narrative to Summary Compensation Table

No Executive Employment Agreements

We have not entered into employment agreements with Messrs. Cogburn, Sortur or Yannamani. For a discussion of the severance pay and other benefits to be provided to our named executive officers in connection with a termination of employment and/or a change in control, please see “— *Potential Payments Upon Termination or Change In Control*” below.

Short-Term Incentives

The Company has adopted the Executive Officer Annual Bonus Plan. The plan first became effective November 6, 2019 and provides for potential awards of up to 100% of a participant’s base salary based on attainment of performance goals tied to Company performance and payable in the calendar year following the year in which performance is measured. With respect to our 2020 fiscal year, none of our named executive officers received such a performance-based bonus under the Annual Bonus Plan.

In February 2020, the Compensation Committee approved certain special bonuses to the named executive officers. Each of Messrs. Cogburn, Reynolds and Yannamani received bonuses of \$325,000 while Mr. Sortur received a bonus of \$300,000. These bonuses were granted in lieu of 2019 year-end bonuses, which were not payable under the Annual Bonus Plan, and in recognition of the work expected of these officers during 2020. In addition, Mr. Sortur received a \$360,000 bonus for his work on the accounts receivable financing facility that closed during the first quarter of 2020.

Stock Plans, Health and Welfare Plans, and Retirement Plans

2018 Stock Incentive Plan

On December 19, 2017, our Board of Directors adopted the 2018 Plan, which was subsequently approved on December 20, 2017 by the written consent of the holders of a majority of the shares of our Common Stock, and became effective on January 17, 2018. The 2018 Plan is administered by the Compensation Committee of our Board of Directors. Under the 2018 Plan, the Company was originally authorized to grant an aggregate of 2,774,588 shares of our Common Stock to eligible participants in the form of stock options, restricted stock awards, restricted stock units, stock appreciation rights, performance awards and other awards that may be settled in or based on our Common Stock. Our Board determined not to grant any stock-based awards to our executive officers in 2020.

Health and Welfare Plans

Our named executive officers are eligible to participate in our employee benefits plans, including our medical, dental, vision, life, disability, health and dependent care flexible spending accounts and accidental death and dismemberment benefit plans, in each case on the same basis as all of our other employees.

Retirement Plan

We sponsor a retirement plan intended to qualify for favorable tax treatment under Section 401(a) of the Internal Revenue Code of 1986, as amended, or the Code, containing a cash or deferred feature that is intended to meet the requirements of Section 401(k) of the Code. Employees who meet the eligibility requirements may make pre-tax contributions to the plan from their eligible earnings up to the statutorily prescribed annual limit on pre-tax contributions under the Code. Participants who are 50 years of age or older may contribute additional amounts based on the statutory limits for catch-up contributions. All employee and employer contributions are allocated to each participant’s individual account and are then invested in selected investment alternatives according to the participant’s directions. Pre-tax contributions by participants and contributions that we may make to the plan and the income earned on those contributions are generally not taxable to participants until withdrawn, and all contributions are generally deductible by us when

made. Participant contributions are held in trust as required by law. No minimum benefit is provided under the plan. An employee is 100% vested in his or her pre-tax deferrals when contributed and any employer contributions vest ratably over four years. The plan provides for a discretionary employer matching contribution; however, we currently do not make any matching contributions to the plan and did not make any matching contributions with respect to the 2020 plan year.

Transition Agreement with Jim Reynolds

In connection with Mr. Reynolds' resignation, the Company and Mr. Reynolds entered into a transition agreement, dated May 15, 2020, pursuant to which Mr. Reynolds agreed to provide consulting services as may be reasonably requested by the Company from time to time with respect to any matter as to which the Company determines such services may be helpful. In consideration for his consulting services, his agreement not to compete with or solicit employees or customers of the Company for at least one year following the effective date of his resignation, his non-disparagement agreement and a release of claims in favor of the Company and its subsidiaries, Mr. Reynolds was entitled to: (i) cash severance payments totaling \$1,700,000, which was paid in three equal installments of \$566,666.66 on each of May 18, 2020, August 15, 2020 and May 15, 2021 and (ii) reimbursement for the employer portion of the cost of COBRA continuation coverage for up to 18 months following Mr. Reynolds' last date of employment. In addition, Mr. Reynolds was eligible to receive an additional cash payment equal to 3% of the enterprise value of a specified business of the Company if the Company entered into a definitive agreement for its sale within three months following the effective date of his resignation (subject to the closing of such transaction), which was ultimately equal to \$404,194 and paid to him in August 2020. The transition agreement also provided that Mr. Reynolds will not be deemed to have experienced a termination of service with respect to (and will continue to vest in) his outstanding stock options until such time as he ceases to serve as a member of the Board and the expiration date of such options will be extended until the earlier to occur of (x) two years following his last date of service on the Board, and (y) the original expiration date of such options. As a continuing member of the Board, Mr. Reynolds receives compensation in accordance with the Company's director compensation policy for non-employee directors. For a description of our non-employee director compensation policy, please see "— Director Remuneration" below.

Other Compensation Policies and Practices

Insider Trading Policy

Our Insider Trading Policy provides that employees, including our executive officers and the members of our Board of Directors, are prohibited from engaging in transactions in our securities if such employee possesses material, non-public information about the Company. In addition, certain persons covered by our Insider Trading Policy must advise our General Counsel before effectuating any transaction in our securities.

Stock Ownership Guidelines

On December 19, 2017, our Board of Directors adopted Stock Ownership Guidelines for our non-employee directors, Chief Executive Officer, Chief Financial Officer and our other executive officers who report directly to our Chief Executive Officer, which we refer to here as covered persons. Our Stock Ownership Guidelines provide that within five years after first becoming subject to the guidelines, each covered person should own shares of our Common Stock with a specified fair market value, which is three times the annual retainer fee in the case of non-employee directors, six times annual base salary in the case of our Chief Executive Officer, three times annual base salary in the case of our Chief Financial Officer and one and one-half times annual base salary in the case of all other covered persons. Covered persons must retain their equity until their required ownership amount is met; provided that each covered person is at all times permitted to sell a portion of the shares of our Common Stock underlying his or her equity-based awards to the extent necessary to satisfy any withholding taxes due in connection with such awards. Included in a covered person's ownership amount for purposes of the Stock Ownership Guidelines are (i) one half of the fair market value of the shares of our Common Stock underlying vested stock options (to the extent the fair market value exceeds the applicable exercise price); and (ii) one half of the shares of our Common Stock subject to all vested and deferred restricted stock units. Shares of our Common Stock underlying unvested equity awards are not counted towards determining a covered person's stock ownership.

Outstanding Equity Awards at Fiscal Year End

The following table contains information regarding outstanding equity awards of Exela held by our named executive officers as of December 31, 2020.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Ronald Cogburn	14,800	22,200 ⁽¹⁾	17.94	8/31/28
	—	37,000 ⁽²⁾	3.90	8/26/29
Shrikant Sortur	10,240	15,360 ⁽¹⁾	17.94	8/31/28
	—	25,600 ⁽²⁾	3.90	8/26/29
Suresh Yannamani	14,800	22,200 ⁽¹⁾	17.94	8/31/28
	—	37,000 ⁽²⁾	3.90	8/26/29
James G. Reynolds	14,800	22,200 ⁽¹⁾	17.94	8/31/28
		37,000 ⁽²⁾	3.90	8/26/29

(1) The stock options are subject to the following vesting schedule: forty percent of the options vested and became exercisable on August 31, 2020 and the remainder will vest and become exercisable on August 31, 2022, subject to continued employment with us through each such date.

(2) The stock options are subject to the following vesting schedule: forty percent of the options vested and became exercisable on August 26, 2021, and the remainder will vest and become exercisable on August 31, 2023, subject to continued employment with us through each such date.

Potential Payments Upon Termination or Change in Control

The following summaries describe the potential payments and benefits that we would provide to our named executive officers in connection with a termination of employment and/or a change in control, assuming the applicable triggering event occurred on December 31, 2020.

For a description of the severance payments and benefits made available to Mr. Reynolds in connection with his termination of employment, please see “— Narrative to Summary Compensation Table — *Transition Agreement with Jim Reynolds*” above.

Severance Benefits

Although we have not entered into written agreements providing Messrs. Cogburn, Sortur or Yannamani severance benefits, upon a termination of Messrs. Cogburn’s, Sortur’s or Yannamani’s employment by us without cause, each of Messrs. Cogburn, Sortur and Yannamani would be eligible for severance benefits pursuant to our current severance policy equal to continued payment of his base salary for a period of three weeks for each year of service, up to a maximum of 16 weeks. Our severance policy may be amended or terminated at any time in our sole discretion.

Vesting and Settlement of Outstanding Equity Awards

Our named executive officers hold unvested stock options granted pursuant to our 2018 Plan. The 2018 Plan provides that in the event of a significant “corporate event,” as defined therein, each outstanding award will be treated as the administrator determines. In addition, unless otherwise provided in an award agreement, with respect to each outstanding equity award under the 2018 Plan that is assumed or substituted in connection with a change in control, the vesting, payment, purchase or distribution of such award may not be accelerated by reason of the change in control for any award holder unless the award holder experiences an involuntary termination as a result of the change in control. For these purposes, an award holder will be deemed to experience an involuntary termination as a result of a change in control if the award holder

experiences a termination other than for cause, or otherwise experiences a termination under circumstances which entitle the award holder to mandatory severance payment(s) pursuant to applicable law.

EXECUTIVE OFFICERS

The following table sets forth the name, age, and position of each of our executive officers as of November 6, 2021:

Name	Age	Positions Held
Ronald C. Cogburn*	66	Chief Executive Officer
Shrikant Sortur	49	Chief Financial Officer
Suresh Yannamani	56	President
Mark D. Fairchild	62	President, Exela Smart Office
Srini Murali	48	President, Americas and APAC
Vitalie Robu	50	President, EMEA
Par Chadha**	66	Executive Chairman

* *Biographical information about Mr. Cogburn is provided above in the section entitled “Proposal No. 1 — Election of Directors.”*

** *Biographical information about Mr. Chadha is provided above in the section entitled “Proposal No. 1 — Election of Directors.”*

Shrikant Sortur is our Chief Financial Officer and served as Executive Vice President, Global Finance from the Novitex Business Combination in 2017 until May 15, 2020. Mr. Sortur served as Senior Vice President, Global Finance of SourceHOV from 2016 until the closing of the Novitex Business Combination. He was responsible for SourceHOV’s finance and accounting groups and led financial operations, activities, plans and budgets. Mr. Sortur’s career spans more than 19 years of varied experience in financial management, accounting, reporting, and lean operations. Mr. Sortur served in other management roles in predecessor companies to SourceHOV from 2002 until the closing of the Novitex Business Combination. Mr. Sortur also acted as Vice President of Finance of SourceHOV from June 2015 to May 2016. Mr. Sortur acted as Director of Financial Planning and Analysis, TPS from January 2014 to June 2015. Prior to this role, Mr. Sortur was the Director of Financial Planning and Analysis, North America Operations from January 2012 to December 2013. Mr. Sortur acted as Controller for HOV Global from January 2009 to December 2011. Mr. Sortur was a Senior Accounting Manager for HOV Services, LLC / Lason, Inc. from May 2004 to December 2008 and worked for the SourceHOV group as a Manager, Finance & Accounts for Lason India Ltd. from December 2002 to May 2014. From March 1999 to December 2002, Mr. Sortur served as General Manager, Finance at SRM Technologies, a business solutions and technology provider specializing in software design and development, systems integration, web services, enterprise mobilization, and embedded solutions development. From June 1997 to February 1999, Mr. Sortur served as Junior Manager, Finance and Accounting for Steel Authority of India, a large state-owned steel making company based in New Delhi, India. Mr. Sortur graduated from Osmania University with a bachelor’s degree in accounting and is a Certified Public Accountant (CPA), Chartered Accountant (CA), and Certified Management Accountant (CMA).

Suresh Yannamani is our President and served as President, Americas of SourceHOV from 2011 until the closing of the Novitex Business Combination, and has been a part of companies that were predecessors to SourceHOV from 1997 until the closing of the Novitex Business Combination. Mr. Yannamani oversees the sales and operations and plays a large part in scaling the transaction processing solutions practice and enterprise solution strategy for healthcare, financial services and commercial industries. Mr. Yannamani was also President of HOV Services, LLC from 2007 to 2011, serving customers in the healthcare, financial services, insurance and commercial industries. Mr. Yannamani was the Executive Vice President of BPO services for Lason from 1997 to 2007 prior to its acquisition by HOV Services, LLC. Mr. Yannamani also served in management roles at IBM from 1995 to 1997, managing the design, development, and implementation of financial management information systems for the public sector and worked for Coopers

& Lybrand as a consultant in public audits from 1992 to 1994. Mr. Yannamani has a bachelor's degree in Chemistry from the University of London and holds an MBA from Eastern Michigan University.

Mark D. Fairchild is our President, Exela SmartOffice and served as President of Exela Enterprise Solutions from the Novitex Business Combination until January 2019 and prior to that served as President, Europe, of SourceHOV from the merger of BancTec and SourceHOV in 2014, having served in management roles at BancTec since 1985. With more than 30 years of executive experience in the financial services industry, Mr. Fairchild specializes in global account management, transaction processing services, software solutions and hardware technology products. In 2005, Mr. Fairchild was appointed Chief Technology Officer of BancTec and was responsible for the company's software and hardware products, manufacturing and internal IT services until 2014. Prior to this role, Mr. Fairchild acted as Vice President for International Operations of BancTec from 2001 to 2005 and VP of European Operations from 1998 to 2001. In his role as International Systems Director from 1991 to 1998, Mr. Fairchild led the European software teams, implementing payment platforms throughout the region. As Director of Engineering of BancTec from 1989 to 1991, Mr. Fairchild led the research and development team that introduced a new high-speed digital image processing system that formed the base of BancTec's ImageFIRST product portfolio. Mr. Fairchild joined BancTec as a Project Manager, a position he held from 1985 to 1986. He began his career as a software developer at British Aerospace, where he worked from 1981 to 1985. Mr. Fairchild graduated with honors from Manchester University with a bachelor's degree in aeronautical engineering and holds an MBA from London Business School.

Srini Murali is our President, Americas and APAC and served as Chief Operating Officer Americas and APAC from the Novitex Business Combination until January 2019. He is responsible for all sales, operations and business strategy functions across the Americas and Asia Pacific. Prior to the Novitex Business Combination, Mr. Murali served as Senior Vice President, Operations for the Americas and APAC regions for SourceHOV, creating global operating strategies, developing client relationships, and overseeing compliance. Mr. Murali has been a part of predecessor companies to SourceHOV since 1993. During his tenure, Mr. Murali has held analysis, product development, IT, and operational roles. In 2010, Mr. Murali took on a broader scope of responsibility as SourceHOV's Senior Vice President of Global Operations and IT. Mr. Murali has served in executive-level leadership roles at companies that preceded SourceHOV since 2007, when he was appointed Vice President of IT and Technology. Prior to these management roles, Mr. Murali served as Director of Information Technology for Lason from 2002 to 2007, and as an Application Development Manager for Lason from 1998 to 2002. Before joining Lason, Mr. Murali worked as a Systems Engineer for Vetri Systems from 1996 to 1998. Mr. Murali graduated with a bachelor's degree in mathematics and statistics from Loyola College, Chennai, and earned an MBA from Davenport University, Michigan.

Vitalie Robu is our President, EMEA and served as Chief Operating Officer, EMEA from the Novitex Business Combination until January 2019. Mr. Robu is responsible for all sales, operations and business strategy functions across Europe, the Middle East and Africa. Mr. Robu specializes in transaction processing services, technology products, and software solutions, and has over 20 years of international management experience in the private and public sectors. Prior to the Novitex Business Combination, he served as Senior Vice President, Operations for the European region of SourceHOV from 2014. From 2010 to 2014, Mr. Robu held the position of President and Executive Director of DataForce UK, a business process outsourcing and software provider that was part of SourceHOV. Prior to joining the SourceHOV group, Mr. Robu served as Manager of Investment and Insurance Products for Citibank EMEA in London from 2007 to 2010. Mr. Robu has degrees in International Relations from the National School for Political Studies, Bucharest and Physics from the State University of Moloves, and earned an MBA from IMD — International Institute for Management Development, Lausanne.

OWNERSHIP OF COMMON STOCK

Principal Holders of Common Stock

The following table shows, based upon filings made with the SEC and other information available to the Company, certain information as of October 20, 2021 concerning persons who may be deemed beneficial owners of 5% or more of the outstanding shares of Common Stock because they possessed or shared voting or investment power with respect to the shares of Common Stock.

Name and Address	Amount and Nature of Beneficial Ownership	Percent of Class ⁽¹⁾
Various entities affiliated with HGM ⁽¹⁾ 8550 West Desert Inn Road, Suite 102-452, Las Vegas, NV 89117	24,480,845	14.1%

- (1) Percent of class refers to percentage of class beneficially owned as the term beneficial ownership is defined in Rule 13d-3 under the Securities Exchange Act of 1934 and is based upon the 172,495,166 shares of Common Stock outstanding as of the Record Date.
- (2) Information based on Amendment Number 11 to Schedule 13D, filed with the SEC on March 26, 2020, by Mr. Par S. Chadha, HandsOn Global Management, LLC, a Delaware limited liability company, Ex-Sigma 2 LLC, a Delaware limited liability company, Ex-Sigma LLC, a Delaware limited liability company, HOVS LLC, a Delaware limited liability company, HandsOn Fund 4 I, LLC, a Nevada limited liability company, HOV Capital III, LLC, a Nevada limited liability company, HOV Services Ltd., an Indian limited company, Adesi 234 LLC, a Nevada limited liability company, HOF 2 LLC, a Nevada limited liability company, HandsOn 3, LLC, a Nevada limited liability company, SoNino LLC, The Beigam Trust, The Rifles Trust, SunRaj LLC, Pidgin Associates LLC, Andrej Jonovic, Shadow Pond LLC, Ronald C. Cogburn, Kanwar Chadha, Surinder Rametra, Suresh Yannamani, Mark D. Fairchild, Sanjay Kulkarni, Shrikant Sortur, Anubhav Verma, Edward J. Stephenson, Eokesh Natarajan, Matt Reynolds, Carlos Mallen, and Mark Olschanski (collectively, the “HGM Reporting Persons”), as well as the Form 4 filed by Mrs. Chadha on October 13, 2021 and the Form 4 filed by Mr. Chadha on October 15, 2021, and the books and records of the Company. According to the Schedule 13D, pursuant to voting agreements, HGM may direct each of the HGM Reporting Persons on the voting of their shares with respect to certain matters and thus, HGM, and by virtue of his control of HGM Mr. Chadha, may be deemed to beneficially own the 24,450,542 shares of Common Stock attributable to the HGM Reporting Persons, including 23,123,072 shares of Common Stock, 983,070 shares of Common Stock issuable upon conversion of 2,127,063 shares of the Series A Preferred Stock as of the Record Date, and 344,399 issuable upon exercise of vested options held by certain HGM Reporting Persons. For purposes of this disclosure, the Company has also added to this amount the 30,303 shares issuable to Mrs. Chadha upon vesting of the first installment of her Initial Director Grant, which vests immediately prior to the 2021 Annual Meeting. Percent of class, in the case of HGM refers to 173,852,939 shares of Common Stock outstanding, and includes the shares of Common Stock issuable upon conversion of shares of the Series A Preferred Stock, shares issuable upon exercise of vested options and the vesting RSUs.

Common Stock Ownership by Directors and Executive Officers

The following table presents the number of shares of Common Stock beneficially owned by the directors, the nominees for director, the named executive officers and all directors, nominees for director and named executive officers as a group as of October 20, 2021. Individuals have sole voting and dispositive power over the stock unless otherwise indicated in the footnotes.

Name of Individual	Amount and Nature of Beneficial Ownership	Percent of Class ⁽¹⁾
Par S. Chadha ⁽²⁾⁽³⁾	24,480,845	14.1%
Ronald C. Cogburn ⁽³⁾⁽⁴⁾⁽⁷⁾	154,214	*
James G. Reynolds ⁽³⁾⁽⁵⁾⁽⁷⁾	1,167,520	*
Martin P. Akins ⁽⁶⁾	38,892	*
J. Coley Clark	—	*
John H. Rexford	47,882	*
William L. Transier	—	*

Name of Individual	Amount and Nature of Beneficial Ownership	Percent of Class ⁽¹⁾
Marc A. Beilinson	—	*
Suresh Yannamani ⁽⁷⁾	208,538	*
Shrikant Sortur ⁽³⁾⁽⁷⁾	36,230	*
Sharon Chadha ⁽⁸⁾	30,303	*
All directors, named executive officers and other executive officers as a group (14 persons)	24,567,619	14.1%

* Represents holdings of less than one percent.

- (1) Percent of class refers to percentage of class beneficially owned as the term beneficial ownership is defined in Rule 13d-3 under the Securities Exchange Act of 1934 and is based upon the 172,495,166 shares of Common Stock outstanding as of the Record Date.
- (2) The business address of Mr. Chadha is 8550 West Desert Inn Road, Suite 102-452, Las Vegas, NV 89117. Mr. Chadha individually owns 50,047 shares. Mr. Chadha is a member of HGM or its affiliates and may be deemed to beneficially own the shares of Common Stock and Series A Perpetual Convertible Preferred Stock beneficially owned by HGM or its affiliates under Rule 13d-3. Mr. Chadha disclaims beneficial ownership of any such shares beneficially owned by HGM, except to the extent of his pecuniary interest therein; however, by virtue of his control of HGM, Mr. Chadha, may be deemed to beneficially own, and the table above reflects, the 24,450,542 shares of Common Stock attributable to the HGM Reporting Persons, including 23,123,072 shares of Common Stock, 983,070 shares of Common Stock issuable upon conversion of 2,127,063 shares of the Series A Preferred Stock as of the Record Date, and 344,399 issuable upon exercise of vested options held by certain HGM Reporting Persons. For purposes of this disclosure, the Company has also added to this amount the 30,303 shares issuable to Mrs. Chadha upon vesting of the first installment of her Initial Director Grant, which vests immediately prior to the 2021 Annual Meeting. Percent of class, in the case of Mr. Chadha refers to 173,852,939 shares of Common Stock outstanding, and includes the shares of Common Stock issuable upon conversion of shares of the Series A Preferred Stock, shares issuable upon exercise of vested options and the vesting RSUs.
- (3) Includes Series A Perpetual Convertible Preferred Stock held by the applicable holder on an as-converted to Common Stock basis.
- (4) Mr. Cogburn is affiliated with HGM or its affiliates. Mr. Cogburn disclaims beneficial ownership of shares of Common Stock that are owned by HGM or its affiliates.
- (5) Mr. Reynolds is affiliated with HGM or its affiliates. Mr. Reynolds disclaims beneficial ownership of shares of Common Stock that are owned by HGM or its affiliates.
- (6) Includes 13,227 shares of Common Stock issuable upon vesting of RSUs immediately prior to the 2021 Annual Meeting.
- (7) The individual is party to a voting agreement with HGM, among other persons. Mr. Chadha is a member of HGM and may be deemed to be the beneficial owner of, and has shared power to vote such shares.
- (8) Includes 30,303 shares issuable upon vesting of RSUs immediately prior to the 2021 Annual Meeting. Mrs. Chadha is not a party to one of the HGM voting agreements, however her shares may be deemed to be included in the numbers of shares attributed to Mr. Chadha due to their marriage and due to their marriage, Mrs. Chadha may be deemed to beneficially own the other 24,450,542 shares controlled by him; however this disclosure includes only those shares held directly by Mrs. Chadha.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We have adopted a written policy requiring that any related person transaction that would require disclosure under Item 404(a) of Regulation S-K under the Exchange Act be reviewed and approved by our audit committee or, if the audit committee is not able to review the transaction for any reason, the chairman

of the audit committee. Compensation matters regarding our executive officers or directors are reviewed and approved by our compensation committee. All relevant factors with respect to a proposed related person transaction will be considered, and such a transaction will only be approved if it is in our and our stockholders' best interests. Related persons include our major stockholders and directors and officers, as well as immediate family members of directors and officers.

Since January 1, 2020, Exela participated in the following transactions with related persons that are required to be reported under the SEC's rules:

Registration Rights Agreement

The Company and certain stockholders, including certain entities affiliated with each of HGM and Apollo, entered into an Amended and Restated Registration Rights Agreement, which was subsequently amended on April 10, 2018 (the "Registration Rights Agreement"). Under the Registration Rights Agreement, certain stockholders, including affiliates of HGM, and their permitted transferees are entitled to certain registration rights described in the Registration Rights Agreement. Among other things, pursuant to the Registration Rights Agreement, affiliates of HGM are entitled to participate in five demand registrations, and also have certain "piggyback" registration rights with respect to registration statements filed subsequent to the Novitex Business Combination. Under the Registration Rights Agreement, we will bear certain expenses incurred in connection with the filing of any such registration statements.

Relationship with HandsOn Global Management and its Affiliates

At the closing of the Novitex Business Combination, the Company entered into a Director Nomination Agreement with HGM. For additional information regarding this agreement see the section entitled "*Proposal No. 1 — Election of Directors — Director Nomination Agreement*" above. As of October 20, 2021, HGM beneficially owned approximately 14% of the Company's common stock on an as converted basis, including shares controlled pursuant to a voting agreement. For additional information on HGM's beneficial ownership see the information provided for "Various entities affiliated with HGM" in the section entitled "*Ownership of Common Stock.*" Messrs. Chadha, Cogburn, and Reynolds are each affiliated with HGM. Messrs. Cogburn and Reynolds received compensation from Exela as executive officers of Exela. See "Executive Compensation" above and "CFO Transition" below. Mrs. Chadha, by virtue of her relationship to Mr. Chadha, may also be deemed to be affiliated with HGM. As described above under "*Executive Chairman Grant*" and under "Executive Chairman Agreement" below, Mr. Chadha and the Company have entered into an agreement regarding his services to the Company.

The Company incurred reimbursable travel expenses to HOVS LLC and HandsOn Fund 4 I, LLC (affiliates of HGM) of \$0.1 million for the year ended December 31, 2020 and less than \$0.1 for the nine months ended September 30, 2021.

Pursuant to a master agreement dated January 1, 2015 between Rule 14, LLC and a subsidiary of the Company, the Company incurs marketing fees to Rule 14, LLC, a portfolio company of HGM. Similarly, the Company is party to ten master agreements with entities affiliated with HGM's managed funds, each of which were entered into during 2015 and 2016. Each master agreement provides the Company with use of certain technology and includes a reseller arrangement pursuant to which the Company is entitled to sell these services to third parties. Any revenue earned by the Company in such third-party sale is shared 75%/25% with each of HGM's venture affiliates in favor of the Company. The brands Zuma, Athena, Peri, BancMate, Spring, Jet, Teletype, CourtQ and Rewardio are represented by these arrangements. The Company has the license to use and resell such brands, as described therein. The Company incurred fees relating to these agreements of \$1.9 million for the year ended December 31, 2020 and \$4.2 million for the nine months ended September 30, 2021.

Certain operating companies lease their operating facilities from HOV RE, LLC and HOV Services Limited, which are affiliates under common control with HGM. The rental expense for these operating leases was \$0.2 million for the year ended December 31, 2020 and \$0.2 million for the nine months ended September 30, 2021. In addition, HOV Services, Ltd. provides the Company data capture and technology services. The expense recognized for these services was approximately \$1.4 million for the year ended December 31, 2020 and \$1.0 million for the nine months ended September 30, 2021.

The Company is obligated to reimburse certain reimbursable expenses incurred by Ex-Sigma 2, LLC, the former majority shareholder of the Company (Ex-Sigma 2), under the terms of the Consent, Waiver and Amendment dated June 15, 2017, by and among the Company, Quinpario Merger Sub I, Inc., Quinpario Merger Sub II, Inc., SourceHOV, Novitex, Novitex Parent, L.P., Ex Sigma LLC (“Ex-Sigma”), HOVS LLC and HandsOn Fund 4 I, LLC, amending the Novitex Business Combination agreement (the “Consent, Waiver and Amendment”). The Company incurred reimbursable expenses to Ex-Sigma 2 of \$0.3 million for the year ended December 31, 2020. There were no such reimbursable expenses incurred during the nine months ended September 30, 2021. Ex-Sigma 2 distributed the shares held by it during the first quarter of 2020 and is no longer a shareholder of Exela. Many recipients of these shares have entered into voting agreements in respect of those shares with HGM.

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

Executive Chairman Agreement

As previously reported in our Current Report on Form 8-K filed with the SEC on September 16, 2021, in connection with Mr. Chadha’s appointment as Executive Chairman, the Company entered into a letter agreement with Mr. Chadha, which provides for a term expiring on December 31, 2023. While employed, Mr. Chadha will be paid a base salary at an annual rate of \$1 million. During the term, Mr. Chadha is also eligible to earn an annual bonus equal to up to 200% of his base salary (pro-rated for 2021), 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 bonus relates. Mr. Chadha’s annual bonus may be payable in cash, common stock of the Company or a mix of cash and common stock. 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 an unprorated bonus for the year in which such qualifying termination occurs, determined based on actual performance. 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. As Executive Chairman, Mr. Chadha will no longer be eligible to earn any cash fees under the Company’s non-employee director compensation policy, but will remain eligible to earn any equity award he would have received as non-employee director in respect of service during 2021 while engaged as the Executive Chairman. Upon his appointment, Mr. Chadha also received 8,500,000 “performance units”, which are notional units representing the right to receive one share of common stock of the Company (or the cash value of one share of common stock) which may be earned upon the achievement of the performance metrics as described under “Executive Chairman Grant” above.

CFO Transition

As previously reported in our Current Report on Form 8-K filed with the SEC on May 21, 2020, on May 15, 2020, Mr. Reynolds resigned as the Company’s Chief Financial Officer, and remains a non-employee member of our Board of Directors. For a description of the material terms of the separation agreement entered into with Mr. Reynolds in connection with his departure, see Executive Compensation and our Current Report on Form 8-K filed with the SEC on May 21, 2020.

Consulting Agreement

The Company receives services from Oakana Holdings, Inc. The Company and Oakana Holdings, Inc. are related through a family relationship between certain shareholders and the president of Oakana Holdings, Inc. The expense recognized for these services was approximately \$0.2 million for the year ended

December 31, 2020, and the expense recognized for these services was less than \$0.1 million for the nine months ended September 30, 2021.

Relationship with Apollo Global Management, LLC

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

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

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

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

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

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

Employment Relationships

We have entered into the following related party employment relationships: Matt Reynolds, the brother of our former chief financial officer and current director, is employed as our Vice President — Finance, and receives a base salary of \$169,067 and may be eligible for additional incentive compensation for 2021; and Andrej Jonovic, the son-in-law of the Executive Chairman, is employed as our Executive Vice President, Business Strategy and Corporate Affairs and receives a base salary of \$390,000 and may be eligible for additional incentive compensation for 2021.

OTHER MATTERS

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers, directors and persons who own more than 10% of our Common Stock to file reports with the SEC. Based on a review of the copies of reports furnished to us, Exela believes that, during 2020, HGM, Mr. Par S. Chadha, Mr. Ronald C. Cogburn, Mr. Shrikant Sortur, Mr. Suresh Yannamani, Mr. Srinivasan Murali, Mr. James G. Reynolds, and Mr. Mark D. Fairchild were delinquent in their Section 16(a) reporting obligations based upon shares in Ex-Sigma held by each of the above persons. In addition, Mr. William L. Transier and Mr. Marc A. Beilinson were late in their Section 16(a) reporting obligations in connection with their appointment to the Board on April 14, 2020.

On February 21, 2020, Ex-Sigma distributed shares of our Common Stock to certain beneficial owners of Ex-Sigma, including certain directors and officers of the Company, one of whom is a controlling shareholder of Exela. HGM at all relevant times reported beneficial ownership of all of the shares of Exela held by Ex-Sigma, and all shares of Exela that were previously distributed to those certain directors and officers were reported as beneficially owned by such persons within four business days of the distribution date. None of the distributed shares were purchased or sold on the open market prior to the delinquent reports, which were ultimately made on February 27, 2020.

On April 14, 2020, Exela elected Marc A. Beilinson and William L. Transier to fill the previously vacant Class B and Class C directorships on the Board. Form 3s were filed late due to administrative error by Exela. Each of Messrs. Beilinson and Transier held no securities of Exela at the time of their respective appointments as directors, and did not engage in any transactions in Exela's securities between the date that the reports were required to be filed and the date such reports were ultimately made. The reports were ultimately made on December 31, 2020.

Solicitation of Proxies

The Company pays all of the costs of soliciting proxies. We will ask banks, brokers and other nominees and fiduciaries to forward the proxy materials to the beneficial owners of our Common Stock and to obtain the authority of executed proxies. We will reimburse them for their reasonable expenses. We intend to engage the services of a professional proxy solicitation firm to aid in the solicitation of proxies from certain brokers, bank nominees and other institutional owners. Our costs for such services, if retained, will not be significant.

Stockholder Proposals for 2022 Annual Meeting

Any stockholder who intends to present a proposal for inclusion in our proxy materials for our 2022 Annual Meeting of Stockholders pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 must deliver the proposal to the Corporate Secretary of the Company at our principal executive offices, located at 2701 E. Grauwlyer Rd., Irving, Texas 75061, not less than one hundred and twenty (120) days prior to the date of this proxy statement. However, if the date of next year's Annual Meeting is changed by more than thirty (30) days from the date of this year's meeting, then the deadline is a reasonable time before the Company begins to print and send its proxy materials.

Any stockholder who intends to nominate a candidate for director election at the 2022 Annual Meeting of Stockholders or who intends to submit a proposal pursuant to our Bylaws without including such proposal in our proxy materials pursuant to Rule 14a-8 must deliver timely notice of the nomination or the proposal to the Corporate Secretary of the Company at our principal executive offices, located at 2701 E. Grauwlyer Rd., Irving, Texas 75061, in the form provided in, and by the date required by, our Bylaws. To be timely, a stockholder's notice must be delivered not more than ninety (90) days and not less than sixty (60) days prior to our 2022 Annual Meeting; provided, however, that in the event that less than seventy (70) days' notice or prior public disclosure of the date of the Annual Meeting is given or made to stockholders, notice must be received no later than the close of business on the tenth (10th) day following the date the notice of the Annual Meeting date was mailed or published. The written notice must include certain information and

satisfy the requirements set forth in our Bylaws, a copy of which will be sent to any stockholder upon written request to the Corporate Secretary of the Company.

Communications with the Board

Stockholders and other interested parties wishing to communicate with the Board of Directors, the non-management directors or with an individual Board member concerning the Company may do so by writing to the Board, to the non-management directors or to the particular Board member and mailing the correspondence to Exela Technologies, Inc., 2701 E. Grauwyler Rd., Irving, Texas 75061, Attention: Secretary. If from a stockholder, the envelope should indicate that it contains a stockholder communication. All such communication will be forwarded to the director or directors to whom the communications are addressed.

Householding

Under SEC rules, a single set of proxy statements and annual reports may be sent to any household at which two or more stockholders reside if they appear to be members of the same family. Each stockholder continues to receive a separate proxy card. This procedure, referred to as “householding,” reduces the volume of duplicate information stockholders receive and reduces mailing and printing expenses. At the present time, we do not “household” for any of our stockholders of record. If a stockholder holds shares in street name, however, such beneficial holder’s bank, broker or other nominee may be delivering only one copy of our Proxy Statement and Annual Report on Form 10-K to multiple stockholders of the same household who share the same address, and may continue to do so, unless such stockholder’s bank, broker or other nominee has received contrary instructions from one or more of the affected stockholders in the household. We will deliver promptly, upon written or oral request, a separate copy of this Proxy Statement and our Annual Report on Form 10-K to a stockholder at a shared address to which a single copy of the documents was delivered. A beneficial holder who wishes to receive a separate copy of our Proxy Statement and Annual Report on Form 10-K, now or in the future, should submit this request by writing to Exela Technologies, Inc., 2701 E. Grauwyler Rd., Irving, Texas, Attention: Investor Relations Department, or by calling our Investor Relations Department at (844) 935-2832. Beneficial holders sharing an address who are receiving multiple copies of proxy materials and annual reports and who wish to receive a single copy of such materials in the future should contact their bank, broker or other nominee directly to request that only a single copy of each document be mailed to all stockholders at the shared address in the future. Stockholders of record receiving multiple copies of our Proxy Statement and Annual Report on Form 10-K may request householding by contacting our Investor Relations Department either in writing or by telephone at the above address or phone number.



Instructions for Attending the Virtual Meeting

You are entitled to attend and participate in the Annual Meeting if you were a stockholder of record as of the close of business on October 20, 2021, the record date, or if you hold a legal proxy for the meeting provided by your bank, broker or other nominee. To register for the Annual Meeting, please follow the instructions below based on your form of ownership of our common stock:

Stockholder of Record: If your shares of our common stock are registered directly in your name with Continental Stock Transfer & Trust (“Continental”), our stock transfer agent, you are considered the stockholder of record with respect to those shares. As a stockholder of record, you may register to attend the Annual Meeting by visiting the virtual meeting website located at <http://www.cstproxy.com/exelatech/2021> entering the 12-digit control number that you received on your proxy card and clicking on the link to pre-register. You will need to log in to the virtual meeting website at <http://www.cstproxy.com/exelatech/2021> at the start of the Annual Meeting using your control number. Pre-registration is recommended but not required for stockholders of record.

Beneficial Owner of Stock Held in Street Name: If your shares of our common stock are held in a stock brokerage account or by a bank, broker or other nominee, the bank, broker or other nominee is considered the record holder of those shares. You are considered the beneficial owner of those shares, and your shares are held in “street name.” In order to attend the Annual Meeting as a beneficial owner of our stock held in street name, you must obtain a legal proxy by contacting your account representative at the bank, broker or other nominee that holds your shares. You should then e-mail a copy (a legible photograph is sufficient) of your legal proxy to Continental at proxy@continentalstock.com no later than 5:00 p.m. New York time on December 13, 2021. After contacting Continental, you will receive an e-mail prior to the Annual Meeting with a link and instructions for attending the Annual Meeting.

Stockholders participating in the virtual meeting will be in a listen-only mode. However, virtual attendees will be able to vote and submit questions during the meeting using the virtual meeting website.

Stockholders will also have the option to listen to the virtual meeting by telephone (but will not have the ability to vote or submit questions) by calling the following numbers and entering the passcode when prompted:

- Within the U.S. and Canada: (888) 965-8995 (toll-free); passcode 22214499#
- Outside of the U.S. and Canada: (415) 655-0243 (standard rates apply); passcode 22214499#

Asking Questions

The Company intends the virtual meeting format to approximate an in-person experience for our stockholders. During the Annual Meeting, stockholders may submit questions by typing in the “Submit a Question” box on the virtual meeting website. Our administrator will review all questions submitted during the Annual Meeting, and we intend to answer pertinent questions submitted, as time permits.

Technical Support

Please visit the virtual meeting website located at <http://www.cstproxy.com/exelatech/2021> in advance of the Annual Meeting to ensure accessibility. Technical support in connection with the virtual meeting platform will be available by telephone at (917) 262-2373 beginning at 7:00 a.m. New York time on December 9, 2021 through the conclusion of the Annual Meeting.

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Annex A

EXELA TECHNOLOGIES INC.
2018 STOCK INCENTIVE PLAN

Effective January 17, 2018
[Amended and Restated December 16, 2021]

1. Purpose.

The purpose of the Plan is to assist the Company in attracting, retaining, motivating, and rewarding certain employees, officers, directors, and consultants of the Company and its Affiliates and promoting the creation of long-term value for stockholders of the Company by closely aligning the interests of such individuals with those of such stockholders. The Plan authorizes the award of Stock-based and cash-based incentives to Eligible Persons to encourage such Eligible Persons to expend maximum effort in the creation of stockholder value. The Plan was originally adopted on January 17, 2018, and amended and restated in its present form, [on December 16, 2021 (the "Restatement Date").]

2. Definitions.

For purposes of the Plan, the following terms shall be defined as set forth below:

- (a) "Affiliate" means, with respect to a Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such Person.
- (b) "Award" means any Option, award of Restricted Stock, Restricted Stock Unit, Stock Appreciation Right, or other Stock-based award granted under the Plan.
- (c) "Award Agreement" means an Option Agreement, a Restricted Stock Agreement, an RSU Agreement, a SAR Agreement, or an agreement governing the grant of any other Stock-based Award granted under the Plan.
- (d) "Board" means the Board of Directors of the Company.
- (e) "Cause" means, with respect to a Participant and in the absence of an Award Agreement or Participant Agreement otherwise defining Cause, (1) the Participant's plea of *nolo contendere* to, conviction of or indictment for, any crime (whether or not involving the Company or its Affiliates) (i) constituting a felony or (ii) that has, or could reasonably be expected to result in, an adverse impact on the performance of the Participant's duties to the Service Recipient, or otherwise has, or could reasonably be expected to result in, an adverse impact on the business or reputation of the Company or its Affiliates, (2) conduct of the Participant, in connection with his or her employment or service, that has resulted, or could reasonably be expected to result, in material injury to the business or reputation of the Company or its Affiliates, (3) any material violation of the policies of the Service Recipient, including, but not limited to, those relating to sexual harassment or the disclosure or misuse of confidential information, or those set forth in the manuals or statements of policy of the Service Recipient; (4) the Participant's act(s) of gross negligence or willful misconduct in the course of his or her employment or service with the Service Recipient; (5) misappropriation by the Participant of any assets or business opportunities of the Company or its Affiliates; (6) embezzlement or fraud committed by the Participant, at the Participant's direction, or with the Participant's prior actual knowledge; or (7) willful neglect in the performance of the Participant's duties for the Service Recipient or willful or repeated failure or refusal to perform such duties. If, subsequent to the Termination of a Participant for any reason other than by the Service Recipient for Cause, it is discovered that the Participant's employment or service could have been terminated for Cause, such Participant's employment or service shall, at the discretion of the Committee, be deemed to have been terminated by the Service Recipient for Cause for all purposes under the Plan, and the Participant shall be required to repay to the Company all amounts received by him or her in respect of any Award following such Termination that would have been forfeited under the Plan had such Termination been by the Service Recipient for Cause. In the event that there is an Award Agreement or Participant Agreement defining Cause, "Cause" shall have the meaning provided in such agreement, and a Termination by the Service Recipient for Cause hereunder shall not be

deemed to have occurred unless all applicable notice and cure periods in such Award Agreement or Participant Agreement are complied with.

(f) “Change in Control” means:

(1) a change in ownership or control of the Company effected through a transaction or series of transactions (other than an offering of Stock to the general public through a registration statement filed with the U.S. Securities and Exchange Commission or similar non-U.S. regulatory agency or pursuant to a Non-Control Transaction) whereby any “person” (as defined in Section 3(a)(9) of the Exchange Act) or any two or more persons deemed to be one “person” (as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), other than the Company or any of its Affiliates, an employee benefit plan sponsored or maintained by the Company or any of its Affiliates (or its related trust), or any underwriter temporarily holding securities pursuant to an offering of such securities, directly or indirectly acquire “beneficial ownership” (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of the Company’s securities eligible to vote in the election of the Board (the “Company Voting Securities”);

(2) the date, within any consecutive twenty-four (24) month period commencing on or after the Effective Date, upon which individuals who constitute the Board as of the Effective Date (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual who becomes a director subsequent to the Effective Date whose election or nomination for election by the Company’s stockholders was approved by a vote of at least a majority of the directors then constituting the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such individual is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (including, but not limited to, a consent solicitation) with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(3) the consummation of a merger, consolidation, share exchange, or similar form of corporate transaction involving the Company or any of its Affiliates that requires the approval of the Company’s stockholders (whether for such transaction, the issuance of securities in the transaction or otherwise) (a “Reorganization”), unless immediately following such Reorganization (i) more than fifty percent (50%) of the total voting power of (A) the corporation resulting from such Reorganization (the “Surviving Company”) or (B) if applicable, the ultimate parent corporation that has, directly or indirectly, beneficial ownership of one hundred percent (100%) of the voting securities of the Surviving Company (the “Parent Company”), is represented by Company Voting Securities that were outstanding immediately prior to such Reorganization (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Reorganization), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among holders thereof immediately prior to such Reorganization, (ii) no person, other than an employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company (or its related trust), is or becomes the beneficial owner, directly or indirectly, of fifty percent (50%) or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Company, or if there is no Parent Company, the Surviving Company, and (iii) at least a majority of the members of the board of directors of the Parent Company, or if there is no Parent Company, the Surviving Company, following the consummation of such Reorganization are members of the Incumbent Board at the time of the Board’s approval of the execution of the initial agreement providing for such Reorganization (any Reorganization which satisfies all of the criteria specified in clauses (i), (ii), and (iii) above shall be a “Non-Control Transaction”); or

(4) the sale or disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company to any “person” (as defined in Section 3(a)(9) of the Exchange Act) or to any two or more persons deemed to be one “person” (as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) other than the Company’s Affiliates.

Notwithstanding the foregoing, (x) a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of fifty percent (50%) or more of the Company Voting Securities as a result of an acquisition of Company Voting Securities by the Company that reduces the number of Company Voting Securities outstanding; *provided* that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control shall then be deemed to occur, and (y) with respect to the payment of any amount that constitutes a deferral of compensation subject to Section 409A of the Code payable upon a Change in Control, a Change in Control shall not be deemed to have occurred, unless the Change in Control constitutes a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company under Section 409A(a)(2)(A)(v) of the Code.

(g) “Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time, including the rules and regulations thereunder and any successor provisions, rules and regulations thereto.

(h) “Committee” means the Board or such other committee consisting of two or more individuals appointed by the Board to administer the Plan and each other individual or committee of individuals designated to exercise authority under the Plan.

(i) “Company” means Exela Technologies Inc., a Delaware corporation.

(j) “Company Group” means the Company, together with each direct or indirect subsidiary of the Company.

(k) “Corporate Event” has the meaning set forth in Section 10(b) hereof.

(l) “Data” has the meaning set forth in Section 21(g) hereof.

(m) “Detrimental Activity” has the meaning set forth in Section 11(a) hereof.

(n) “Disability” means, in the absence of an Award Agreement or Participant Agreement otherwise defining Disability, the permanent and total disability of such Participant within the meaning of Section 22(e)(3) of the Code. In the event that there is an Award Agreement or Participant Agreement defining Disability, “Disability” shall have the meaning provided in such Award Agreement or Participant Agreement.

(o) “Disqualifying Disposition” means any disposition (including any sale) of Stock acquired upon the exercise of an Incentive Stock Option made within the period that ends either (1) two years after the date on which the Participant was granted the Incentive Stock Option or (2) one year after the date upon which the Participant acquired the Stock.

(p) “Effective Date” means January 17, 2018.

(q) “Eligible Person” means (1) each employee and officer of the Company or any of its Affiliates, (2) each non-employee director of the Company or any of its Affiliates; (3) each other natural Person who provides substantial services to the Company or any of its Affiliates as a consultant or advisor (or a wholly owned alter ego entity of the natural Person providing such services of which such Person is an employee, stockholder or partner) and who is designated as eligible by the Committee, and (4) each natural Person who has been offered employment by the Company or any of its Affiliates; *provided* that such prospective employee may not receive any payment or exercise any right relating to an Award until such Person has commenced employment or service with the Company or its Affiliates; *provided further, however*, that (i) with respect to any Award that is intended to qualify as a “stock right” that does not provide for a “deferral of compensation” within the meaning of Section 409A of the Code, the term “Affiliate” as used in this Section 2(q) shall include only those corporations or other entities in the unbroken chain of corporations or other entities beginning with the Company where each of the corporations or other entities in the unbroken chain other than the last corporation or other entity owns stock possessing at least fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations or other entities in the chain, and (ii) with respect to any Award that is intended to be an Incentive Stock Option, the term “Affiliate” as used in this Section 2(q) shall include only those entities that qualify as a “subsidiary corporation” with respect to the Company within the meaning of Section 424(f) of the Code. An employee

on an approved leave of absence may be considered as still in the employ of the Company or any of its Affiliates for purposes of eligibility for participation in the Plan.

(r) “Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended from time to time, including the rules and regulations thereunder and any successor provisions, rules and regulations thereto.

(s) “Executive Chairman Agreement” means that certain Chairman Agreement, dated September 14, 2021, by and between, Par Chadha and the Company.

(t) “Executive Chairman Grant” means that certain grant of Performance Units made pursuant to the Executive Chairman Agreement.

(u) “Expiration Date” means, with respect to an Option or Stock Appreciation Right, the date on which the term of such Option or Stock Appreciation Right expires, as determined under Section 5(b) or 8(b) hereof, as applicable.

(v) “Fair Market Value” means, as of any date when the Stock is listed on one or more national securities exchanges, the closing price reported on the principal national securities exchange on which such Stock is listed and traded on the date of determination or, if the closing price is not reported on such date of determination, the closing price reported on the most recent date prior to the date of determination. If the Stock is not listed on a national securities exchange, “Fair Market Value” shall mean the amount determined by the Board in good faith, and in a manner consistent with Section 409A of the Code, to be the fair market value per share of Stock.

(w) “Incentive Stock Option” means an Option intended to qualify as an “incentive stock option” within the meaning of Section 422 of the Code.

(x) “Nonqualified Stock Option” means an Option not intended to be an Incentive Stock Option.

(y) “Option” means a conditional right, granted to a Participant under Section 5 hereof, to purchase Stock at a specified price during a specified time period.

(z) “Option Agreement” means a written agreement between the Company and a Participant evidencing the terms and conditions of an individual Option Award.

(aa) “Participant” means an Eligible Person who has been granted an Award under the Plan or, if applicable, such other Person who holds an Award.

(bb) “Participant Agreement” means an employment agreement, other services agreement or any other agreement between a Participant and the Service Recipient that is effective as of the date of determination.

(cc) “Person” means any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, or other entity.

(dd) “Plan” means this Exela Technologies Inc. 2018 Stock Incentive Plan, as amended from time to time.

(ee) “Proceeding” has the meaning set forth in Section 21(m) hereof

(ff) “Qualified Member” means a member of the Committee who is a “Non-Employee Director” within the meaning of Rule 16b-3 under the Exchange Act and an “independent director” as defined under, as applicable, the NASDAQ Listing Rules, the NYSE Listed Company Manual or other applicable stock exchange rules.

(gg) “Qualifying Committee” has the meaning set forth in Section 3(b) hereof.

(hh) “Rescission Period” has the meaning set forth in Section 11(b) hereof.

(ii) “Restricted Stock” means Stock granted to a Participant under Section 6 hereof that is subject to certain restrictions and to a risk of forfeiture.

(jj) “Restricted Stock Agreement” means a written agreement between the Company and a Participant evidencing the terms and conditions of an individual Restricted Stock Award.

(kk) “Restricted Stock Unit” means a notional unit representing the right to receive one share of Stock (or the cash value of one share of Stock, if so determined by the Committee) on a specified settlement date, with any such notional unit subject to performance-based vesting conditions referred to as a “Performance Unit”.

(ll) “RSU Agreement” means a written agreement between the Company and a Participant evidencing the terms and conditions of an individual Award of Restricted Stock Units.

(mm) “SAR Agreement” means a written agreement between the Company and a Participant evidencing the terms and conditions of an individual Award of Stock Appreciation Rights.

(nn) “Securities Act” means the U.S. Securities Act of 1933, as amended from time to time, including the rules and regulations thereunder and any successor provisions, rules and regulations thereto.

(oo) “Service Recipient” means, with respect to a Participant holding an Award, either the Company or an Affiliate of the Company by which the original recipient of such Award is, or following a Termination was most recently, principally employed or to which such original recipient provides, or following a Termination was most recently providing, services, as applicable.

(pp) “Stock” means the common stock, par value \$0.0001 per share, of the Company, and such other securities as may be substituted for such stock pursuant to Section 10 hereof.

(qq) “Stock Appreciation Right” means a conditional right to receive an amount equal to the value of the appreciation in the Stock over a specified period. Except in the event of extraordinary circumstances, as determined in the sole discretion of the Committee, or pursuant to Section 10(b) hereof, Stock Appreciation Rights shall be settled in Stock.

(rr) “Substitute Award” has the meaning set forth in Section 4(a) hereof.

(ss) “Termination” means the termination of a Participant’s employment or service, as applicable, with the Service Recipient; *provided, however*, that, if so determined by the Committee at the time of any change in status in relation to the Service Recipient (*e.g.*, a Participant ceases to be an employee and begins providing services as a consultant, or vice versa), such change in status will not be deemed a Termination hereunder. Unless otherwise determined by the Committee, in the event that the Service Recipient ceases to be an Affiliate of the Company (by reason of sale, divestiture, spin-off, or other similar transaction), unless a Participant’s employment or service is transferred to another entity that would constitute the Service Recipient immediately following such transaction, such Participant shall be deemed to have suffered a Termination hereunder as of the date of the consummation of such transaction. Notwithstanding anything herein to the contrary, a Participant’s change in status in relation to the Service Recipient (for example, a change from employee to consultant) shall not be deemed a Termination hereunder with respect to any Awards constituting “nonqualified deferred compensation” subject to Section 409A of the Code that are payable upon a Termination unless such change in status constitutes a “separation from service” within the meaning of Section 409A of the Code. Any payments in respect of an Award constituting nonqualified deferred compensation subject to Section 409A of the Code that are payable upon a Termination shall be delayed for such period as may be necessary to meet the requirements of Section 409A(a)(2)(B)(i) of the Code. On the first business day following the expiration of such period, the Participant shall be paid, in a single lump sum without interest, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence, and any remaining payments not so delayed shall continue to be paid pursuant to the payment schedule applicable to such Award.

3. Administration.

(a) Authority of the Committee. Except as otherwise provided below, the Plan shall be administered by the Committee. The Committee shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to (1) select Eligible Persons to become Participants, (2) grant Awards, (3) determine the type, number of shares of Stock subject to, other terms and conditions of, and all other matters relating to, Awards, (4) prescribe Award Agreements (which need not be identical for each Participant)

and rules and regulations for the administration of the Plan, (5) construe and interpret the Plan and Award Agreements and correct defects, supply omissions, and reconcile inconsistencies therein, (6) suspend the right to exercise Awards during any period that the Committee deems appropriate to comply with applicable securities laws, and thereafter extend the exercise period of an Award by an equivalent period of time or such shorter period required by, or necessary to comply with, applicable law, and (7) make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. Any action of the Committee shall be final, conclusive, and binding on all Persons, including, without limitation, the Company, its stockholders and Affiliates, Eligible Persons, Participants, and beneficiaries of Participants. Notwithstanding anything in the Plan to the contrary, the Committee shall have the ability to accelerate the vesting of any outstanding Award at any time and for any reason, including upon a Corporate Event, subject to Section 10(d), or in the event of a Participant's Termination by the Service Recipient other than for Cause, or due to the Participant's death, Disability or retirement (as such term may be defined in an applicable Award Agreement or Participant Agreement, or, if no such definition exists, in accordance with the Company's then-current employment policies and guidelines). For the avoidance of doubt, the Board shall have the authority to take all actions under the Plan that the Committee is permitted to take.

(b) Manner of Exercise of Committee Authority. At any time that a member of the Committee is not a Qualified Member, any action of the Committee relating to an Award granted or to be granted to a Participant who is then subject to Section 16 of the Exchange Act in respect of the Company, must be taken by the remaining members of the Committee or a subcommittee, designated by the Committee or the Board, composed solely of two or more Qualified Members (a "Qualifying Committee"). Any action authorized by such a Qualifying Committee shall be deemed the action of the Committee for purposes of the Plan. The express grant of any specific power to a Qualifying Committee, and the taking of any action by such a Qualifying Committee, shall not be construed as limiting any power or authority of the Committee.

(c) Delegation. To the extent permitted by applicable law, the Committee may delegate to officers or employees of the Company or any of its Affiliates, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions under the Plan, including, but not limited to, administrative functions, as the Committee may determine appropriate. The Committee may appoint agents to assist it in administering the Plan. Any actions taken by an officer or employee delegated authority pursuant to this Section 3(c) within the scope of such delegation shall, for all purposes under the Plan, be deemed to be an action taken by the Committee. Notwithstanding the foregoing or any other provision of the Plan to the contrary, any Award granted under the Plan to any Eligible Person who is not an employee of the Company or any of its Affiliates (including any non-employee director of the Company or any Affiliate) or to any Eligible Person who is subject to Section 16 of the Exchange Act must be expressly approved by the Committee or Qualifying Committee in accordance with subsection (b) above.

(d) Sections 409A and 457A. The Committee shall take into account compliance with Sections 409A and 457A of the Code in connection with any grant of an Award under the Plan, to the extent applicable. While the Awards granted hereunder are intended to be structured in a manner to avoid the imposition of any penalty taxes under Sections 409A and 457A of the Code, in no event whatsoever shall the Company or any of its Affiliates be liable for any additional tax, interest, or penalties that may be imposed on a Participant as a result of Section 409A or Section 457A of the Code or any damages for failing to comply with Section 409A or Section 457A of the Code or any similar state or local laws (other than for withholding obligations or other obligations applicable to employers, if any, under Section 409A or Section 457A of the Code).

(e) Executive Chairman Grant. Notwithstanding anything in this Plan to the contrary, with respect to the Executive Chairman Grant, to the extent that any provisions herein (or portion thereof) conflicts with any provision of the Executive Chairman Agreement, the Executive Chairman Agreement shall prevail and control.

4. Shares Available Under the Plan; Other Limitations.

(a) Number of Shares Available for Delivery. Subject to adjustment as provided in Section 10 hereof, the total number of shares of Stock reserved and available for delivery in connection with Awards under the Plan shall be equal to 17,848,076 of which 8,500,000 are available solely for purposes of the Executive Chairman Grant. Shares of Stock delivered under the Plan shall consist of authorized and unissued

shares or previously issued shares of Stock reacquired by the Company on the open market or by private purchase. Notwithstanding the foregoing, (i) except as may be required by reason of Section 422 of the Code, the number of shares of Stock available for issuance hereunder shall not be reduced by shares issued pursuant to Awards issued or assumed in connection with a merger or acquisition as contemplated by, as applicable, NYSE Listed Company Manual Section 303A.08, NASDAQ Listing Rule 5635(c) and IM-5635-1, AMEX Company Guide Section 711, or other applicable stock exchange rules, and their respective successor rules and listing exchange promulgations (each such Award, a “Substitute Award”); and (ii) shares of Stock shall not be deemed to have been issued pursuant to the Plan with respect to any portion of an Award that is settled in cash.

(b) Share Counting Rules. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double-counting (as, for example, in the case of tandem awards or Substitute Awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award. Other than with respect to a Substitute Award and the Executive Chairman Grant, to the extent that an Award expires or is canceled, forfeited, settled in cash, or otherwise terminated without delivery to the Participant of the full number of shares of Stock to which the Award related, the undelivered shares of Stock will again be available for grant. Shares of Stock withheld in payment of the exercise price or taxes relating to an Award and shares of Stock equal to the number surrendered in payment of any exercise price or taxes relating to an Award shall not be deemed to constitute shares delivered to the Participant and shall be deemed to again be available for delivery under the Plan.

(c) Incentive Stock Options. No more than 7,208,338 shares of Stock (subject to adjustment as provided in Section 10 hereof) reserved for issuance hereunder may be issued or transferred upon exercise or settlement of Incentive Stock Options.

(d) Shares Available Under Acquired Plans. To the extent permitted by NYSE Listed Company Manual Section 303A.08, NASDAQ Listing Rule 5635(c) or other applicable stock exchange rules, subject to applicable law, in the event that a company acquired by the Company or with which the Company combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio of formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the number of shares of Stock reserved and available for delivery in connection with Awards under the Plan; *provided* that Awards using such available shares shall not be made after the date awards could have been made under the terms of such pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employed by the Company or any subsidiary of the Company immediately prior to such acquisition or combination.

(e) Minimum Vesting Period. No Award may vest over a period that is less than one (1) year from the date of grant; *provided, however*, that the foregoing minimum vesting period shall not apply: (i) to Awards granted in payment of or exchange for an equivalent amount of salary, bonus or other earned cash compensation; (ii) to a Substitute Award that does not reduce the vesting period of the award being replaced or assumed; (iii) to Awards involving an aggregate number of shares of Stock not in excess of five percent (5%) of the aggregate number of shares of Stock that may be delivered in connection with Awards (as set forth in Section 4 hereof); (iv) to accelerated vesting in connection with certain qualifying terminations of employment in accordance with the terms of any Award Agreement or Participant Agreement; (v) to annual Awards granted to non-employee directors that vest on the first regularly scheduled annual meeting of the Company’s stockholders following the applicable date of grant; or (vi) the Executive Chairman Grant.

(f) Limitation on Awards to Non-Employee Directors. Notwithstanding anything herein to the contrary, the maximum value of any Awards granted to a non-employee director of the Company in any one calendar year, taken together with any cash fees paid to such non-employee director during such calendar year, shall not exceed \$750,000 (calculating the value of any such Awards based on the grant date fair value of such Awards for financial reporting purposes and excluding, for this purpose, the value of any dividend equivalent payments paid pursuant to any Award granted in a previous year).

5. Options.

(a) General. Certain Options granted under the Plan may be intended to be Incentive Stock Options; however, no Incentive Stock Options may be granted hereunder following the tenth (10th) anniversary of the earlier of (i) the date the Plan is adopted by the Board and (ii) the date the stockholders of the Company approve the Plan. Options may be granted to Eligible Persons in such form and having such terms and conditions as the Committee shall deem appropriate; *provided, however*, that Incentive Stock Options may be granted only to Eligible Persons who are employees of the Company or an Affiliate (as such definition is limited pursuant to Section 2(q) hereof) of the Company. The provisions of separate Options shall be set forth in separate Option Agreements, which agreements need not be identical. No dividends or dividend equivalents shall be paid on Options.

(b) Term. The term of each Option shall be set by the Committee at the time of grant; *provided, however*, that no Option granted hereunder shall be exercisable after, and each Option shall expire, ten (10) years from the date it was granted.

(c) Exercise Price. The exercise price per share of Stock for each Option shall be set by the Committee at the time of grant and shall not be less than the Fair Market Value on the date of grant, subject to Section 5(g) hereof in the case of any Incentive Stock Option. Notwithstanding the foregoing, in the case of an Option that is a Substitute Award, the exercise price per share of Stock for such Option may be less than the Fair Market Value on the date of grant; *provided*, that such exercise price is determined in a manner consistent with the provisions of Section 409A of the Code and, if applicable, Section 424(a) of the Code.

(d) Payment for Stock. Payment for shares of Stock acquired pursuant to an Option granted hereunder shall be made in full upon exercise of the Option in a manner approved by the Committee, which may include any of the following payment methods: (1) in immediately available funds in U.S. dollars, or by certified or bank cashier's check, (2) by delivery of shares of Stock having a value equal to the exercise price, (3) by a broker-assisted cashless exercise in accordance with procedures approved by the Committee, whereby payment of the Option exercise price or tax withholding obligations may be satisfied, in whole or in part, with shares of Stock subject to the Option by delivery of an irrevocable direction to a securities broker (on a form prescribed by the Committee) to sell shares of Stock and to deliver all or part of the sale proceeds to the Company in payment of the aggregate exercise price and, if applicable, the amount necessary to satisfy the Company's withholding obligations, or (4) by any other means approved by the Committee (including, by delivery of a notice of "net exercise" to the Company, pursuant to which the Participant shall receive the number of shares of Stock underlying the Option so exercised reduced by the number of shares of Stock equal to the aggregate exercise price of the Option divided by the Fair Market Value on the date of exercise). Notwithstanding anything herein to the contrary, if the Committee determines that any form of payment available hereunder would be in violation of Section 402 of the Sarbanes-Oxley Act of 2002, such form of payment shall not be available.

(e) Vesting. Options shall vest and become exercisable in such manner, on such date or dates, or upon the achievement of performance or other conditions, in each case as may be determined by the Committee and set forth in an Option Agreement; *provided, however*, that notwithstanding any such vesting dates, the Committee may in its sole discretion accelerate the vesting of any Option at any time and for any reason. Unless otherwise specifically determined by the Committee, the vesting of an Option shall occur only while the Participant is employed by or rendering services to the Service Recipient, and all vesting shall cease upon a Participant's Termination for any reason. To the extent permitted by applicable law and unless otherwise determined by the Committee, vesting shall be suspended during the period of any approved leave of absence by a Participant following which the Participant has a right to reinstatement and shall resume upon such Participant's return to active employment. If an Option is exercisable in installments, such installments or portions thereof that become exercisable shall remain exercisable until the Option expires, is canceled or otherwise terminates.

(f) Termination of Employment or Service. Except as provided by the Committee in an Option Agreement, Participant Agreement or otherwise:

(1) In the event of a Participant's Termination prior to the applicable Expiration Date for any reason other than (i) by the Service Recipient for Cause, or (ii) by reason of the Participant's death or

Disability, (A) all vesting with respect to such Participant's Options outstanding shall cease, (B) all of such Participant's unvested Options outstanding shall terminate and be forfeited for no consideration as of the date of such Termination, and (C) all of such Participant's vested Options outstanding shall terminate and be forfeited for no consideration on the earlier of (x) the applicable Expiration Date and (y) the date that is ninety (90) days after the date of such Termination.

(2) In the event of a Participant's Termination prior to the applicable Expiration Date by reason of such Participant's death or Disability, (i) all vesting with respect to such Participant's Options outstanding shall cease, (ii) all of such Participant's unvested Options outstanding shall terminate and be forfeited for no consideration as of the date of such Termination, and (iii) all of such Participant's vested Options outstanding shall terminate and be forfeited for no consideration on the earlier of (x) the applicable Expiration Date and (y) the date that is twelve (12) months after the date of such Termination. In the event of a Participant's death, such Participant's Options shall remain exercisable by the Person or Persons to whom such Participant's rights under the Options pass by will or by the applicable laws of descent and distribution until the applicable Expiration Date, but only to the extent that the Options were vested at the time of such Termination.

(3) In the event of a Participant's Termination prior to the applicable Expiration Date by the Service Recipient for Cause, all of such Participant's Options outstanding (whether or not vested) shall immediately terminate and be forfeited for no consideration as of the date of such Termination.

(g) Special Provisions Applicable to Incentive Stock Options.

(1) No Incentive Stock Option may be granted to any Eligible Person who, at the time the Option is granted, owns directly, or indirectly within the meaning of Section 424(d) of the Code, stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any parent or subsidiary thereof, unless such Incentive Stock Option (i) has an exercise price of at least one hundred ten percent (110%) of the Fair Market Value on the date of the grant of such Option and (ii) cannot be exercised more than five (5) years after the date it is granted.

(2) To the extent that the aggregate Fair Market Value (determined as of the date of grant) of Stock for which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company and its Affiliates) exceeds \$100,000, such excess Incentive Stock Options shall be treated as Nonqualified Stock Options.

(3) Each Participant who receives an Incentive Stock Option must agree to notify the Company in writing immediately after the Participant makes a Disqualifying Disposition of any Stock acquired pursuant to the exercise of an Incentive Stock Option.

6. **Restricted Stock.**

(a) General. Restricted Stock may be granted to Eligible Persons in such form and having such terms and conditions as the Committee shall deem appropriate. The provisions of separate Awards of Restricted Stock shall be set forth in separate Restricted Stock Agreements, which agreements need not be identical. Subject to the restrictions set forth in Section 6(b) hereof, and except as otherwise set forth in the applicable Restricted Stock Agreement, the Participant shall generally have the rights and privileges of a stockholder as to such Restricted Stock, including the right to vote such Restricted Stock. Unless otherwise set forth in a Participant's Restricted Stock Agreement, cash dividends and stock dividends, if any, with respect to the Restricted Stock shall be withheld by the Company for the Participant's account, and shall be subject to forfeiture to the same degree as the shares of Restricted Stock to which such dividends relate. Except as otherwise determined by the Committee, no interest will accrue or be paid on the amount of any cash dividends withheld.

(b) Vesting and Restrictions on Transfer. Restricted Stock shall vest in such manner, on such date or dates, or upon the achievement of performance or other conditions, in each case as may be determined by the Committee and set forth in a Restricted Stock Agreement; *provided, however*, that notwithstanding any such vesting dates, the Committee may in its sole discretion accelerate the vesting of any Award of Restricted Stock at any time and for any reason. Unless otherwise specifically determined by the Committee, the vesting of an Award of Restricted Stock shall occur only while the Participant is employed by or rendering

services to the Service Recipient, and all vesting shall cease upon a Participant's Termination for any reason. To the extent permitted by applicable law and unless otherwise determined by the Committee, vesting shall be suspended during the period of any approved leave of absence by a Participant following which the Participant has a right to reinstatement and shall resume upon such Participant's return to active employment. In addition to any other restrictions set forth in a Participant's Restricted Stock Agreement, the Participant shall not be permitted to sell, transfer, pledge, or otherwise encumber the Restricted Stock prior to the time the Restricted Stock has vested pursuant to the terms of the Restricted Stock Agreement.

(c) Termination of Employment or Service. Except as provided by the Committee in a Restricted Stock Agreement, Participant Agreement or otherwise, in the event of a Participant's Termination for any reason prior to the time that such Participant's Restricted Stock has vested, (1) all vesting with respect to such Participant's Restricted Stock outstanding shall cease, and (2) as soon as practicable following such Termination, the Company shall repurchase from the Participant, and the Participant shall sell, all of such Participant's unvested shares of Restricted Stock at a purchase price equal to the original purchase price paid for the Restricted Stock; *provided* that, if the original purchase price paid for the Restricted Stock is equal to zero dollars (\$0), such unvested shares of Restricted Stock shall be forfeited to the Company by the Participant for no consideration as of the date of such Termination.

7. **Restricted Stock Units.**

(a) General. Restricted Stock Units may be granted to Eligible Persons in such form and having such terms and conditions as the Committee shall deem appropriate. The provisions of separate Restricted Stock Units shall be set forth in separate RSU Agreements, which agreements need not be identical.

(b) Vesting. Restricted Stock Units shall vest in such manner, on such date or dates, or upon the achievement of performance or other conditions, in each case as may be determined by the Committee and set forth in an RSU Agreement; *provided, however*, that notwithstanding any such vesting dates, the Committee may in its sole discretion accelerate the vesting of any Restricted Stock Unit at any time and for any reason. Unless otherwise specifically determined by the Committee, the vesting of a Restricted Stock Unit shall occur only while the Participant is employed by or rendering services to the Service Recipient, and all vesting shall cease upon a Participant's Termination for any reason. To the extent permitted by applicable law and unless otherwise determined by the Committee, vesting shall be suspended during the period of any approved leave of absence by a Participant following which the Participant has a right to reinstatement and shall resume upon such Participant's return to active employment.

(c) Settlement. Restricted Stock Units shall be settled in Stock, cash, or property, as determined by the Committee, in its sole discretion, on the date or dates determined by the Committee and set forth in an RSU Agreement. Unless otherwise set forth in a Participant's RSU Agreement, a Participant shall not be entitled to dividends, if any, or dividend equivalents with respect to Restricted Stock Units prior to settlement.

(d) Termination of Employment or Service. Except as provided by the Committee in an RSU Agreement, Participant Agreement or otherwise, in the event of a Participant's Termination for any reason prior to the time that such Participant's Restricted Stock Units have been settled, (1) all vesting with respect to such Participant's Restricted Stock Units outstanding shall cease, (2) all of such Participant's unvested Restricted Stock Units outstanding shall be forfeited for no consideration as of the date of such Termination, and (3) any shares remaining undelivered with respect to vested Restricted Stock Units then held by such Participant shall be delivered on the delivery date or dates specified in the RSU Agreement.

8. **Stock Appreciation Rights.**

(a) General. Stock Appreciation Rights may be granted to Eligible Persons in such form and having such terms and conditions as the Committee shall deem appropriate. The provisions of separate Stock Appreciation Rights shall be set forth in separate SAR Agreements, which agreements need not be identical. No dividends or dividend equivalents shall be paid on Stock Appreciation Rights.

(b) Term. The term of each Stock Appreciation Right shall be set by the Committee at the time of grant; *provided, however*, that no Stock Appreciation Right granted hereunder shall be exercisable after, and each Stock Appreciation Right shall expire, ten (10) years from the date it was granted.

(c) Base Price. The base price per share of Stock for each Stock Appreciation Right shall be set by the Committee at the time of grant and shall not be less than the Fair Market Value on the date of grant. Notwithstanding the foregoing, in the case of a Stock Appreciation Right that is a Substitute Award, the base price per share of Stock for such Stock Appreciation Right may be less than the Fair Market Value on the date of grant; *provided*, that such base price is determined in a manner consistent with the provisions of Section 409A of the Code.

(d) Vesting. Stock Appreciation Rights shall vest and become exercisable in such manner, on such date or dates, or upon the achievement of performance or other conditions, in each case as may be determined by the Committee and set forth in a SAR Agreement; *provided, however*, that notwithstanding any such vesting dates, the Committee may in its sole discretion accelerate the vesting of any Stock Appreciation Right at any time and for any reason. Unless otherwise specifically determined by the Committee, the vesting of a Stock Appreciation Right shall occur only while the Participant is employed by or rendering services to the Service Recipient, and all vesting shall cease upon a Participant's Termination for any reason. To the extent permitted by applicable law and unless otherwise determined by the Committee, vesting shall be suspended during the period of any approved leave of absence by a Participant following which the Participant has a right to reinstatement and shall resume upon such Participant's return to active employment. If a Stock Appreciation Right is exercisable in installments, such installments or portions thereof that become exercisable shall remain exercisable until the Stock Appreciation Right expires, is canceled or otherwise terminates.

(e) Payment upon Exercise. Payment upon exercise of a Stock Appreciation Right may be made in cash, Stock, or property as specified in the SAR Agreement or determined by the Committee, in each case having a value in respect of each share of Stock underlying the portion of the Stock Appreciation Right so exercised, equal to the difference between the base price of such Stock Appreciation Right and the Fair Market Value of one (1) share of Stock on the exercise date. For purposes of clarity, each share of Stock to be issued in settlement of a Stock Appreciation Right is deemed to have a value equal to the Fair Market Value of one (1) share of Stock on the exercise date. In no event shall fractional shares be issuable upon the exercise of a Stock Appreciation Right, and in the event that fractional shares would otherwise be issuable, the number of shares issuable will be rounded down to the next lower whole number of shares, and the Participant will be entitled to receive a cash payment equal to the value of such fractional share.

(f) Termination of Employment or Service. Except as provided by the Committee in a SAR Agreement, Participant Agreement or otherwise:

(1) In the event of a Participant's Termination prior to the applicable Expiration Date for any reason other than (i) by the Service Recipient for Cause, or (ii) by reason of the Participant's death or Disability, (A) all vesting with respect to such Participant's Stock Appreciation Rights outstanding shall cease, (B) all of such Participant's unvested Stock Appreciation Rights outstanding shall terminate and be forfeited for no consideration as of the date of such Termination, and (C) all of such Participant's vested Stock Appreciation Rights outstanding shall terminate and be forfeited for no consideration on the earlier of (x) the applicable Expiration Date and (y) the date that is ninety (90) days after the date of such Termination.

(2) In the event of a Participant's Termination prior to the applicable Expiration Date by reason of such Participant's death or Disability, (i) all vesting with respect to such Participant's Stock Appreciation Rights outstanding shall cease, (ii) all of such Participant's unvested Stock Appreciation Rights outstanding shall terminate and be forfeited for no consideration as of the date of such Termination, and (iii) all of such Participant's vested Stock Appreciation Rights outstanding shall terminate and be forfeited for no consideration on the earlier of (x) the applicable Expiration Date and (y) the date that is twelve (12) months after the date of such Termination. In the event of a Participant's death, such Participant's Stock Appreciation Rights shall remain exercisable by the Person or Persons to whom such Participant's rights under the Stock Appreciation Rights pass by will or by the applicable laws of descent and distribution until the applicable Expiration Date, but only to the extent that the Stock Appreciation Rights were vested at the time of such Termination.

(3) In the event of a Participant's Termination prior to the applicable Expiration Date by the Service Recipient for Cause, all of such Participant's Stock Appreciation Rights outstanding (whether or not vested) shall immediately terminate and be forfeited for no consideration as of the date of such Termination.

9. Other Stock-Based Awards.

The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based upon or related to Stock, as deemed by the Committee to be consistent with the purposes of the Plan. The Committee may also grant Stock as a bonus (whether or not subject to any vesting requirements or other restrictions on transfer), and may grant other Awards in lieu of obligations of the Company or an Affiliate to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee. The terms and conditions applicable to such Awards shall be determined by the Committee and evidenced by Award Agreements, which agreements need not be identical.

10. Adjustment for Recapitalization, Merger, etc.

(a) Capitalization Adjustments. The aggregate number of shares of Stock that may be delivered in connection with Awards (as set forth in Section 4 hereof), the numerical share limits in Section 4 hereof, the number of shares of Stock covered by each outstanding Award, and the price per share of Stock underlying each such Award shall be equitably and proportionally adjusted or substituted, as determined by the Committee, in its sole discretion, as to the number, price, or kind of a share of Stock or other consideration subject to such Awards (1) in the event of changes in the outstanding Stock or in the capital structure of the Company by reason of stock dividends, extraordinary cash dividends, stock splits, reverse stock splits, recapitalizations, reorganizations, mergers, amalgamations, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the date of grant of any such Award (including any Corporate Event); (2) in connection with any extraordinary dividend declared and paid in respect of shares of Stock, whether payable in the form of cash, stock, or any other form of consideration; or (3) in the event of any change in applicable laws or circumstances that results in or could result in, in either case, as determined by the Committee in its sole discretion, any substantial dilution or enlargement of the rights intended to be granted to, or available for, Participants in the Plan.

(b) Corporate Events. Notwithstanding the foregoing, except as provided by the Committee in an Award Agreement, Participant Agreement or otherwise, in connection with (i) a merger, amalgamation, or consolidation involving the Company in which the Company is not the surviving corporation, (ii) a merger, amalgamation, or consolidation involving the Company in which the Company is the surviving corporation but the holders of shares of Stock receive securities of another corporation or other property or cash, (iii) a Change in Control, or (iv) the reorganization, dissolution or liquidation of the Company (each, a "Corporate Event"), the Committee may provide for any one or more of the following:

(1) The assumption or substitution of any or all Awards in connection with such Corporate Event, in which case the Awards shall be subject to the adjustment set forth in subsection (a) above, and to the extent that such Awards are Awards that vest subject to the achievement of performance criteria, such performance criteria shall be adjusted appropriately to reflect the Corporate Event;

(2) The acceleration of vesting of any or all Awards not assumed or substituted in connection with such Corporate Event, subject to the consummation of such Corporate Event; *provided* that any Awards that vest subject to the achievement of performance criteria will be deemed earned (i) based on actual performance through the date of the Corporate Event, or (ii) at the target level (or if no target is specified, the maximum level), in the event actual performance cannot be measured through the date of the Corporate Event, in each case, with respect to all unexpired performance periods or performance periods for which satisfaction of the performance criteria or other material terms for the applicable performance period has not been certified by the Committee prior to the date of the Corporate Event;

(3) The cancellation of any or all Awards not assumed or substituted in connection with such Corporate Event (whether vested or unvested) as of the consummation of such Corporate Event, together with the payment to the Participants holding vested Awards (including any Awards that would vest upon the Corporate Event but for such cancellation) so canceled of an amount in respect of cancellation equal to an amount based upon the per-share consideration being paid for the Stock in connection with such Corporate Event, less, in the case of Options, Stock Appreciation Rights, and other Awards subject to exercise, the applicable exercise or base price; *provided, however*, that holders of

Options, Stock Appreciation Rights, and other Awards subject to exercise shall be entitled to consideration in respect of cancellation of such Awards only if the per-share consideration less the applicable exercise or base price is greater than zero dollars (\$0), and to the extent that the per-share consideration is less than or equal to the applicable exercise or base price, such Awards shall be canceled for no consideration;

(4) The cancellation of any or all Options, Stock Appreciation Rights and other Awards subject to exercise not assumed or substituted in connection with such Corporate Event (whether vested or unvested) as of the consummation of such Corporate Event; *provided* that all Options, Stock Appreciation Rights and other Awards to be so canceled pursuant to this paragraph (4) shall first become exercisable for a period of at least ten (10) days prior to such Corporate Event, with any exercise during such period of any unvested Options, Stock Appreciation Rights or other Awards to be (A) contingent upon and subject to the occurrence of the Corporate Event, and (B) effectuated by such means as are approved by the Committee; and

(5) The replacement of any or all Awards (other than Awards that are intended to qualify as “stock rights” that do not provide for a “deferral of compensation” within the meaning of Section 409A of the Code) with a cash incentive program that preserves the value of the Awards so replaced (determined as of the consummation of the Corporate Event), with subsequent payment of cash incentives subject to the same vesting conditions as applicable to the Awards so replaced and payment to be made within thirty (30) days of the applicable vesting date.

Payments to holders pursuant to paragraph (3) above shall be made in cash or, in the sole discretion of the Committee, and to the extent applicable, in the form of such other consideration necessary for a Participant to receive property, cash, or securities (or a combination thereof) as such Participant would have been entitled to receive upon the occurrence of the transaction if the Participant had been, immediately prior to such transaction, the holder of the number of shares of Stock covered by the Award at such time (less any applicable exercise or base price). In addition, in connection with any Corporate Event, prior to any payment or adjustment contemplated under this subsection (b), the Committee may require a Participant to (A) represent and warrant as to the unencumbered title to his or her Awards, (B) bear such Participant’s pro-rata share of any post-closing indemnity obligations, and be subject to the same post-closing purchase price adjustments, escrow terms, offset rights, holdback terms, and similar conditions as the other holders of Stock, and (C) deliver customary transfer documentation as reasonably determined by the Committee. The Committee need not take the same action or actions with respect to all Awards or portions thereof or with respect to all Participants. The Committee may take different actions with respect to the vested and unvested portions of an Award.

(c) Fractional Shares. Any adjustment provided under this Section 10 may, in the Committee’s discretion, provide for the elimination of any fractional share that might otherwise become subject to an Award. No cash settlements shall be made with respect to fractional shares so eliminated.

(d) Double-Trigger Vesting. Notwithstanding any other provisions of the Plan, but other than as provided in an Award Agreement or Participant Agreement, with respect to any Award that is assumed or substituted in connection with a Change in Control, the vesting, payment, purchase or distribution of such Award may not be accelerated by reason of the Change in Control for any Participant unless the Participant experiences an involuntary Termination as a result of the Change in Control. For purposes of this Section 10(d), a Participant will be deemed to experience an involuntary Termination as a result of a Change in Control if the Participant experiences a Termination by the Service Recipient other than for Cause, or otherwise experiences a Termination under circumstances which entitle the Participant to mandatory severance payment(s) pursuant to applicable law or, in the case of a non-employee director of the Company, if the non-employee director’s service on the Board terminates in connection with or as a result of a Change in Control, in each case, at any time beginning on the date of the Change in Control up to and including the second (2nd) anniversary of the Change in Control.

11. Cancellation and Rescission of Awards.

(a) Unless the Award Agreement specifies otherwise, the Committee may cancel, rescind, suspend, withhold or otherwise limit or restrict any unexpired, unpaid, or deferred Awards at any time if the

Participant is not in compliance with all applicable provisions of the Award Agreement and the Plan, or if the Participant engages in any “Detrimental Activity.” For purposes of this Section 11, “Detrimental Activity” shall include: (i) the rendering of services for any organization or engaging directly or indirectly in any business which is or becomes competitive with any member of the Company Group, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company Group; (ii) the disclosure to anyone outside the Company Group, or the use in other than the business of the Company Group, without prior written authorization from the Service Recipient, of any confidential information or material, as defined in any restrictive covenant agreement or other such agreement with confidentiality provisions between the Service Recipient and the Participant, relating to the business of the Company Group, acquired by the Participant either during or after employment with the Service Recipient; (iii) the failure or refusal to disclose promptly and to assign to the Service Recipient, pursuant to any restrictive covenant agreement or other such inventions assignment agreement, all right, title and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment by the Service Recipient, relating in any manner to the actual or anticipated business, research or development work of the Company Group or the failure or refusal to do anything reasonably necessary to enable the Company Group to secure a patent where appropriate in the United States and in other countries; (iv) activity that results in the Participant’s Termination for Cause; (v) a violation of any rules, policies, procedures or guidelines of the Service Recipient; (vi) any attempt directly or indirectly to induce any employee of the Company Group to be employed or perform services elsewhere or any attempt directly or indirectly to solicit the trade or business of any current or prospective customer, supplier or partner of the Company Group; (vii) the Participant being convicted of, or entering a guilty plea with respect to, a crime, whether or not connected with the Service Recipient; or (viii) any other conduct or act determined to be injurious, detrimental or prejudicial to any interest of the Company Group.

(b) Upon exercise, payment or delivery pursuant to an Award, the Participant shall certify in a manner acceptable to the Company that he or she is in compliance with the terms and conditions of the Plan. In the event a Participant fails to comply with the provisions of clauses (a)(i)-(viii) of this Section 11 prior to, or during the Rescission Period, then any exercise, payment or delivery may be rescinded within two years after such exercise, payment or delivery. In the event of any such rescission, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required, and the Company shall be entitled to set-off against the amount of any such gain any amount owed to the Participant by the Service Recipient. As used herein, “Rescission Period” shall mean that period of time established by the Committee which shall not be less than 6 months after any exercise, payment or delivery pursuant to an Award.

12. Use of Proceeds.

The proceeds received from the sale of Stock pursuant to the Plan shall be used for general corporate purposes.

13. Rights and Privileges as a Stockholder.

Except as otherwise specifically provided in the Plan, no Person shall be entitled to the rights and privileges of Stock ownership in respect of shares of Stock that are subject to Awards hereunder until such shares have been issued to that Person.

14. Transferability of Awards.

Awards may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the applicable laws of descent and distribution, and to the extent subject to exercise, Awards may not be exercised during the lifetime of the grantee other than by the grantee. Notwithstanding the foregoing, except with respect to Incentive Stock Options, Awards and a Participant’s rights under the Plan shall be transferable for no value to the extent provided in an Award Agreement or otherwise determined at any time by the Committee.

15. **Employment or Service Rights.**

No individual shall have any claim or right to be granted an Award under the Plan or, having been selected for the grant of an Award, to be selected for the grant of any other Award. Neither the Plan nor any action taken hereunder shall be construed as giving any individual any right to be retained in the employ or service of the Company or an Affiliate of the Company.

16. **Compliance with Laws.**

The obligation of the Company to deliver Stock upon issuance, vesting, exercise, or settlement of any Award shall be subject to all applicable laws, rules, and regulations, and to such approvals by governmental agencies as may be required. Notwithstanding any terms or conditions of any Award to the contrary, the Company shall be under no obligation to offer to sell or to sell, and shall be prohibited from offering to sell or selling, any shares of Stock pursuant to an Award unless such shares have been properly registered for sale with the U.S. Securities and Exchange Commission pursuant to the Securities Act (or with a similar non-U.S. regulatory agency pursuant to a similar law or regulation) or unless the Company has received an opinion of counsel, satisfactory to the Company, that such shares may be offered or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with. The Company shall be under no obligation to register for sale or resale under the Securities Act any of the shares of Stock to be offered or sold under the Plan or any shares of Stock to be issued upon exercise or settlement of Awards. If the shares of Stock offered for sale or sold under the Plan are offered or sold pursuant to an exemption from registration under the Securities Act, the Company may restrict the transfer of such shares and may legend the Stock certificates representing such shares in such manner as it deems advisable to ensure the availability of any such exemption.

17. **Withholding Obligations.**

As a condition to the issuance, vesting, exercise, or settlement of any Award (or upon the making of an election under Section 83(b) of the Code), the Committee may require that a Participant satisfy, through deduction or withholding from any payment of any kind otherwise due to the Participant, or through such other arrangements as are satisfactory to the Committee, the amount of all federal, state, and local income and other taxes of any kind required or permitted to be withheld in connection with such issuance, vesting, exercise, or settlement (or election). The Committee, in its discretion, may permit shares of Stock to be used to satisfy tax withholding requirements, and such shares shall be valued at their Fair Market Value as of the issuance, vesting, exercise, or settlement date of the Award, as applicable. Depending on the withholding method, the Company may withhold by considering the applicable minimum statutorily required withholding rates or other applicable withholding rates in the applicable Participant's jurisdiction, including maximum applicable rates that may be utilized without creating adverse accounting treatment under Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor pronouncement thereto).

18. **Amendment of the Plan or Awards.**

(a) Amendment of Plan. The Board or the Committee may amend the Plan at any time and from time to time.

(b) Amendment of Awards. The Board or the Committee may amend the terms of any one or more Awards at any time and from time to time.

(c) Stockholder Approval; No Material Impairment. Notwithstanding anything herein to the contrary, no amendment to the Plan or any Award shall be effective without stockholder approval to the extent that such approval is required pursuant to applicable law or the applicable rules of each national securities exchange on which the Stock is listed. Additionally, no amendment to the Plan or any Award shall materially impair a Participant's rights under any Award unless the Participant consents in writing (it being understood that no action taken by the Board or the Committee that is expressly permitted under the Plan, including, without limitation, any actions described in Section 10 hereof, shall constitute an amendment to the Plan or an Award for such purpose). Notwithstanding the foregoing, subject to the limitations of applicable law, if any, and without an affected Participant's consent, the Board or the

Committee may amend the terms of the Plan or any one or more Awards from time to time as necessary to bring such Awards into compliance with applicable law, including, without limitation, Section 409A of the Code.

(d) No Repricing of Awards Without Stockholder Approval. Notwithstanding subsection (a) or (b) above, or any other provision of the Plan, the repricing of Awards shall not be permitted without stockholder approval. For this purpose, a “repricing” means any of the following (or any other action that has the same effect as any of the following): (1) changing the terms of an Award to lower its exercise or base price (other than on account of capital adjustments resulting from share splits, etc., as described in Section 10(a) hereof), (2) any other action that is treated as a repricing under Generally Accepted Accounting Principles, and (3) repurchasing for cash or canceling an Award in exchange for another Award at a time when its exercise or base price is greater than the Fair Market Value of the underlying Stock, unless the cancellation and exchange occurs in connection with an event set forth in Section 10(b) hereof.

19. **Termination or Suspension of the Plan.**

The Board or the Committee may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on day before the tenth (10th) anniversary of the Restatement Date. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated; *provided, however*, that following any suspension or termination of the Plan, the Plan shall remain in effect for the purpose of governing all Awards then outstanding hereunder until such time as all Awards under the Plan have been terminated, forfeited, or otherwise canceled, or earned, exercised, settled, or otherwise paid out, in accordance with their terms.

20. **Effective Date of the Plan.**

The Plan, as amended and restated, is effective as of the Restatement Date, subject to stockholder approval.

21. **Miscellaneous.**

(a) Treatment of Dividends and Dividend Equivalents on Unvested Awards. Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that provides for or includes a right to dividends or dividend equivalents, if dividends are declared during the period that an equity Award is outstanding, such dividends (or dividend equivalents) shall either (i) not be paid or credited with respect to such Award or (ii) be accumulated but remain subject to vesting requirement(s) to the same extent as the applicable Award and shall only be paid at the time or times such vesting requirement(s) are satisfied. Except as otherwise determined by the Committee, no interest will accrue or be paid on the amount of any cash dividends withheld. No dividends or dividend equivalents shall be paid on Options or Stock Appreciation Rights.

(b) Certificates. Stock acquired pursuant to Awards granted under the Plan may be evidenced in such a manner as the Committee shall determine. If certificates representing Stock are registered in the name of the Participant, the Committee may require that (1) such certificates bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Stock, (2) the Company retain physical possession of the certificates, and (3) the Participant deliver a stock power to the Company, endorsed in blank, relating to the Stock. Notwithstanding the foregoing, the Committee may determine, in its sole discretion, that the Stock shall be held in book-entry form rather than delivered to the Participant pending the release of any applicable restrictions.

(c) Other Benefits. No Award granted or paid out under the Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its Affiliates nor affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.

(d) Corporate Action Constituting Grant of Awards. Corporate action constituting a grant by the Company of an Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Committee, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event

that the corporate records (*e.g.*, Committee consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (*e.g.*, exercise price, vesting schedule or number of shares of Stock) that are inconsistent with those in the Award Agreement as a result of a clerical error in connection with the preparation of the Award Agreement, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement.

(e) Clawback/Recoupment Policy. Notwithstanding anything contained herein to the contrary, all Awards granted under the Plan shall be and remain subject to any incentive compensation clawback or recoupment policy currently in effect or as may be adopted by the Board (or a committee or subcommittee of the Board) and, in each case, as may be amended from time to time. No such policy adoption or amendment shall in any event require the prior consent of any Participant. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for “good reason” or “constructive termination” (or similar term) under any agreement with the Company or any of its Affiliates. In the event that an Award is subject to more than one such policy, the policy with the most restrictive clawback or recoupment provisions shall govern such Award, subject to applicable law.

(f) Non-Exempt Employees. If an Option is granted to an employee of the Company or any of its Affiliates in the United States who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, the Option will not be first exercisable for any shares of Stock until at least six (6) months following the date of grant of the Option (although the Option may vest prior to such date). Consistent with the provisions of the Worker Economic Opportunity Act, (1) if such employee dies or suffers a Disability, (2) upon a Corporate Event in which such Option is not assumed, continued, or substituted, (3) upon a Change in Control, or (4) upon the Participant’s retirement (as such term may be defined in the applicable Award Agreement or a Participant Agreement, or, if no such definition exists, in accordance with the Company’s then current employment policies and guidelines), the vested portion of any Options held by such employee may be exercised earlier than six (6) months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option will be exempt from his or her regular rate of pay. To the extent permitted and/or required for compliance with the Worker Economic Opportunity Act to ensure that any income derived by a non-exempt employee in connection with the exercise, vesting or issuance of any shares under any other Award will be exempt from such employee’s regular rate of pay, the provisions of this Section 21(f) will apply to all Awards.

(g) Data Privacy. As a condition of receipt of any Award, each Participant explicitly and unambiguously consents to the collection, use, and transfer, in electronic or other form, of personal data as described in this Section 21(g) by and among, as applicable, the Company and its Affiliates for the exclusive purpose of implementing, administering, and managing the Plan and Awards and the Participant’s participation in the Plan. In furtherance of such implementation, administration, and management, the Company and its Affiliates may hold certain personal information about a Participant, including, but not limited to, the Participant’s name, home address, telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title(s), information regarding any securities of the Company or any of its Affiliates, and details of all Awards (the “Data”). In addition to transferring the Data amongst themselves as necessary for the purpose of implementation, administration, and management of the Plan and Awards and the Participant’s participation in the Plan, the Company and its Affiliates may each transfer the Data to any third parties assisting the Company in the implementation, administration, and management of the Plan and Awards and the Participant’s participation in the Plan. Recipients of the Data may be located in the Participant’s country or elsewhere, and the Participant’s country and any given recipient’s country may have different data privacy laws and protections. By accepting an Award, each Participant authorizes such recipients to receive, possess, use, retain, and transfer the Data, in electronic or other form, for the purposes of assisting the Company in the implementation, administration, and management of the Plan and Awards and the Participant’s participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Company or the Participant may elect to deposit any shares of Stock. The Data related to a Participant will be held only as long as is necessary to implement, administer, and manage the Plan and Awards and the Participant’s participation in the Plan. A Participant may, at any time, view the Data held by the Company with respect to such Participant, request additional information about the storage and processing of the Data with respect to such Participant, recommend any necessary corrections to the Data with respect to the Participant, or

refuse or withdraw the consents herein in writing, in any case without cost, by contacting his or her local human resources representative. The Company may cancel the Participant's eligibility to participate in the Plan, and in the Committee's discretion, the Participant may forfeit any outstanding Awards if the Participant refuses or withdraws the consents described herein. For more information on the consequences of refusal to consent or withdrawal of consent, Participants may contact their local human resources representative.

(h) Participants Outside of the United States. The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then a resident, or is primarily employed or providing services, outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the Participant is then a resident or primarily employed or providing services, or so that the value and other benefits of the Award to the Participant, as affected by non — U.S. tax laws and other restrictions applicable as a result of the Participant's residence, employment, or providing services abroad, shall be comparable to the value of such Award to a Participant who is a resident, or is primarily employed or providing services, in the United States. An Award may be modified under this Section 21(h) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) of the Exchange Act for the Participant whose Award is modified. Additionally, the Committee may adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Eligible Persons who are non — U.S. nationals or are primarily employed or providing services outside the United States.

(i) Change in Time Commitment. In the event a Participant's regular level of time commitment in the performance of his or her services for the Company or any of its Affiliates is reduced (for example, and without limitation, if the Participant is an employee of the Company and the employee has a change in status from a full-time employee to a part-time employee) after the date of grant of any Award to the Participant, the Committee has the right in its sole discretion to (i) make a corresponding reduction in the number of shares of Stock subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (ii) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

(j) No Liability of Committee Members. Neither any member of the Committee nor any of the Committee's permitted delegates shall be liable personally by reason of any contract or other instrument executed by such member or on his or her behalf in his or her capacity as a member of the Committee or for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless each member of the Committee and each other employee, officer, or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against all costs and expenses (including counsel fees) and liabilities (including sums paid in settlement of a claim) arising out of any act or omission to act in connection with the Plan, unless arising out of such Person's own fraud or willful misconduct; *provided, however*, that approval of the Board shall be required for the payment of any amount in settlement of a claim against any such Person. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such Persons may be entitled under the Company's certificate or articles of incorporation or by-laws, each as may be amended from time to time, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

(k) Payments Following Accidents or Illness. If the Committee shall find that any Person to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such Person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so directs the Company, be paid to his or her spouse, child, relative, an institution maintaining or having custody of such Person, or any other Person deemed by the Committee to be a proper recipient on behalf of such Person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(l) Governing Law. The Plan shall be governed by and construed in accordance with the laws of the State of Delaware without reference to the principles of conflicts of laws thereof.

(m) Jurisdiction; Waiver of Jury Trial. Any suit, action or proceeding with respect to the Plan or any Award Agreement or Participant Agreement, or any judgment entered by any court of competent jurisdiction in respect of any thereof, shall be resolved only in the courts of the State of Delaware or the United States District Court for the District of Delaware and the appellate courts having jurisdiction of appeals in such courts. In that context, and without limiting the generality of the foregoing, the Company and each Participant shall irrevocably and unconditionally: (i) submit in any proceeding relating to the Plan or any Award Agreement or Participant Agreement, or for the recognition and enforcement of any judgment in respect thereof (a “Proceeding”), to the exclusive jurisdiction of the courts of the State of Delaware, the court of the United States of America for the District of Delaware, and appellate courts having jurisdiction of appeals from any of the foregoing, and agree that all claims in respect of any such Proceeding shall be heard and determined in such Delaware State court or, to the extent permitted by law, in such federal court; (ii) consent that any such Proceeding may and shall be brought in such courts and waives any objection that the Company and each Participant may now or thereafter have to the venue or jurisdiction of any such Proceeding in any such court or that such Proceeding was brought in an inconvenient court and agree not to plead or claim the same; (iii) waive all right to trial by jury in any Proceeding (whether based on contract, tort or otherwise) arising out of or relating to the Plan or any Award Agreement or Participant Agreement; (iv) agree that service of process in any such Proceeding may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party, in the case of a Participant, at the Participant’s address shown in the books and records of the Company or, in the case of the Company, at the Company’s principal offices, attention General Counsel, and (v) agree that nothing in the Plan shall affect the right to effect service of process in any other manner permitted by the laws of the State of Delaware.

(n) Electronic Delivery. Any reference herein to a “written” agreement or document or “writing” will include any agreement or document delivered electronically or posted on the Company’s intranet (or other shared electronic medium controlled or authorized by the Company to which the Participant has access) to the extent permitted by applicable law.

(o) Statute of Limitations. A Participant or any other person filing a claim for benefits under the Plan must file the claim within one (1) year of the date the Participant or other person knew or should have known of the facts giving rise to the claim. This one-year statute of limitations will apply in any forum where a Participant or any other person may file a claim and, unless the Company waives the time limits set forth above in its sole discretion, any claim not brought within the time periods specified shall be waived and forever barred.

(p) Funding. No provision of the Plan shall require the Company, for the purpose of satisfying any obligations under the Plan, to purchase assets or place any assets in a trust or other entity to which contributions are made or otherwise to segregate any assets, nor shall the Company be required to maintain separate bank accounts, books, records, or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Participants shall have no rights under the Plan other than as unsecured general creditors of the Company, except that insofar as they may have become entitled to payment of additional compensation by performance of services, they shall have the same rights as other employees and service providers under general law.

(q) Reliance on Reports. Each member of the Committee and each member of the Board shall be fully justified in relying, acting, or failing to act, and shall not be liable for having so relied, acted, or failed to act in good faith, upon any report made by the independent public accountant of the Company and its Affiliates and upon any other information furnished in connection with the Plan by any Person or Persons other than such member.

(r) Titles and Headings. The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

* * *

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**2020 ANNUAL REPORT ON
FORM 10-K AND 10-K/A**

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

or

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

For the transition period from _____ to _____

Commission File Number: 001-36788

EXELA TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State of or other Jurisdiction
Incorporation or Organization)

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

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

75061
(Zip Code)

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

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

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

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

The aggregate market value of the Registrant's voting common equity held by non-affiliates of the Registrant, computed by reference to the price at which such voting common equity was last sold as of June 30, 2020, was approximately \$42,280,594 (based on a closing price of \$1.66).

As of March 18, 2021, the Registrant had 58,968,599 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Shareholders to be held in 2021, which definitive proxy statement shall be filed with the Securities and Exchange Commission no later than 120 days after the close of the fiscal year ended December 31, 2020.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this Annual Report on Form 10-K (“Annual 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, the estimated or anticipated future results and benefits of the Novitex Business Combination, future opportunities for the combined company, and other statements that are not historical facts. These statements are based on the current expectations of Exela management and are not predictions of actual performance. These statements are subject to a number of risks and uncertainties regarding Exela’s businesses, and actual results may differ materially. The factors that may affect our results include, among others: the impact of political and economic conditions on the demand for our services; the impact of the COVID-19 pandemic; the impact of the Appraisal Action, the impact of a data or security breach; the impact of competition or alternatives to our services on our business pricing and other actions by competitors; our ability to address technological development and change in order to keep pace with our industry and the industries of our customers; the impact of terrorism, natural disasters or similar events on our business; the effect of legislative and regulatory actions in the United States and internationally; the impact of operational failure due to the unavailability or failure of third-party services on which we rely; the effect of intellectual property infringement; and other factors discussed in this report under the headings “Risk Factors”, “Legal Proceedings”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and otherwise identified or discussed in this Annual 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 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 report. We are not including the information provided on the websites referenced herein as part of, or incorporating such information by reference into, this Annual Report. In addition, forward-looking statements provide Exela’s expectations, plans or forecasts of future events and views as of the date of this report. Exela anticipates that subsequent events and developments will cause Exela’s assessments to change. These forward-looking statements should not be relied upon as representing Exela’s assessments as of any date subsequent to the date of this report.

DEFINED TERMS

In this Annual Report, we use the terms “Company”, “we”, “us”, or “our” to refer to Exela Technologies, Inc. and its consolidated subsidiaries, and where applicable, our predecessors SourceHOV and Novitex prior to the closing of the Novitex Business Combination. “Following is a glossary of other abbreviations and acronyms that are found in this Annual Report.”

“*Appraisal Action*” means the petition for appraisal pursuant to 8 Del. C. § 262 in the Delaware Court of Chancery, captioned Manichaeon Capital, LLC, et al. v. SourceHOV Holdings, Inc., C.A. No. 2017 0673 JRS.

“*BPA*” means business process automation.

“*BPO*” means business process outsourcing

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Common Stock*” means the common stock of the Company, par value \$0.0001.

“*Consent, Waiver and Amendment*” means the Consent, Waiver and Amendment dated June 15, 2017, by and among the Company, Quinpario Merger Sub I, Inc., Quinpario Merger Sub II, Inc., SourceHOV, Novitex, Novitex Parent, L.P., Ex Sigma LLC, HOVS LLC and HandsOn Fund 4 I, LLC, amending the Novitex Business Combination Agreement.

“*EIM*” means enterprise information management.

“*ERP*” means enterprise resource planning system.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Ex-Sigma 2*” means Ex-Sigma 2 LLC, our principal stockholder at the Closing of the Novitex Business Combination.

“*Ex-Sigma*” means Ex-Sigma LLC, the sole equity holder of Ex-Sigma 2.

“*GAAP*” means generally accepted accounting principles in the United States.

“*HGM Group*” means, collectively, HOVS LLC and HandsOn Fund 4 I, LLC and certain of their respective affiliates.

“*HITECH Act of 2009*” means the Health Information Technology for Economic and Clinical Health Act, enacted under Title XIII of the American Recovery and Reinvestment Act of 2009.

“*HIPAA*” means the Health Insurance Portability and Accountability Act of 1996.

“*IT*” mean information technology.

“*JOBS Act*” means the Jumpstart our Business Startups Act.

“*Margin Loan*” means the additional PIPE financing in the form of a \$55.8 million loan obtained by Ex-Sigma 2 as borrower (and secured by shares of the Company held by Ex-Sigma 2) that was used by Ex-Sigma 2 to purchase additional common and preferred shares from the Company to help meet the minimum cash requirements needed to close the Novitex Business Combination.

“*Nasdaq*” means The Nasdaq Stock Market.

“*Novitex*” means Novitex Holdings, Inc., a Delaware corporation.

“*Novitex Business Combination*” means the transactions contemplated by the Novitex Business Combination Agreement, which closed on July 12, 2017 and resulted in SourceHOV and Novitex becoming our wholly-owned subsidiaries and the financing transactions entered into in connection therewith.

“*Novitex Business Combination Agreement*” means the Business Combination Agreement, dated February 21, 2017, among the Company, Quinpario Merger Sub I, Inc., Quinpario Merger Sub II, Inc., SourceHOV, Novitex, HOVS LLC, HandsOn Fund 4 I, LLC and Novitex Parent, L.P., as amended by the Consent, Waiver and Amendment.

“*PCIDSS*” means the Payment Card Industry Data Security Standard.

“*Quinpario*” means Quinpario Acquisition Corp. 2, a Delaware corporation, the former name of Exela Technologies, Inc.

“*SEC*” means the United States Securities and Exchange Commission.

“*Securities Act*” means the Securities Act of 1933, as amended.

“*SourceHOV*” means SourceHOV Holdings, Inc., a Delaware corporation.

“*TCJA*” means the Tax Cut and Jobs Act.

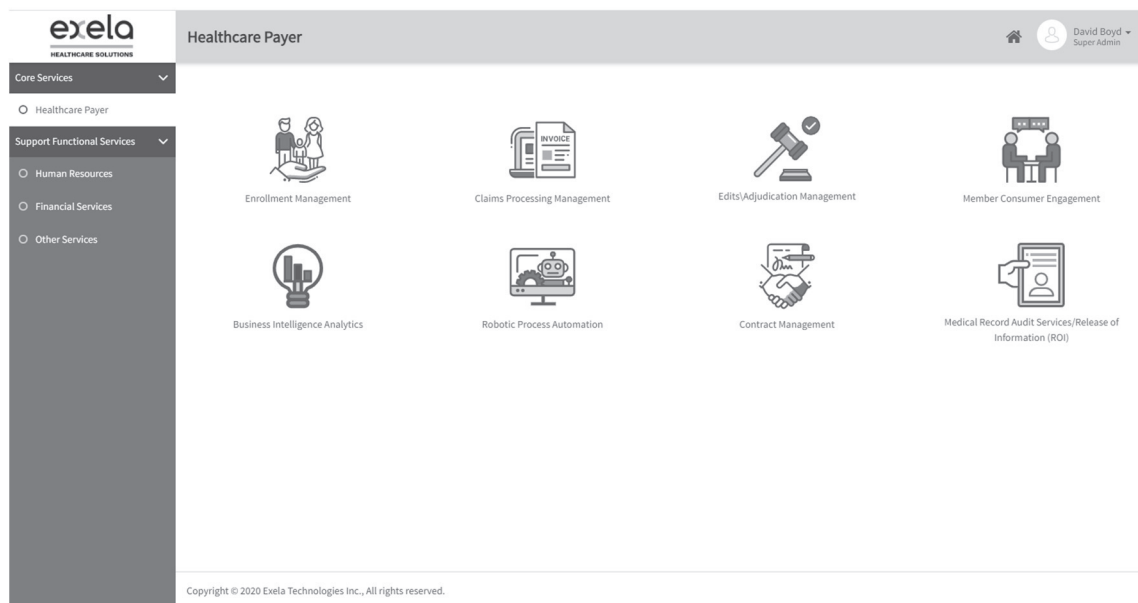
“*TPS*” means transaction processing solutions.

PART I

ITEM 1. BUSINESS

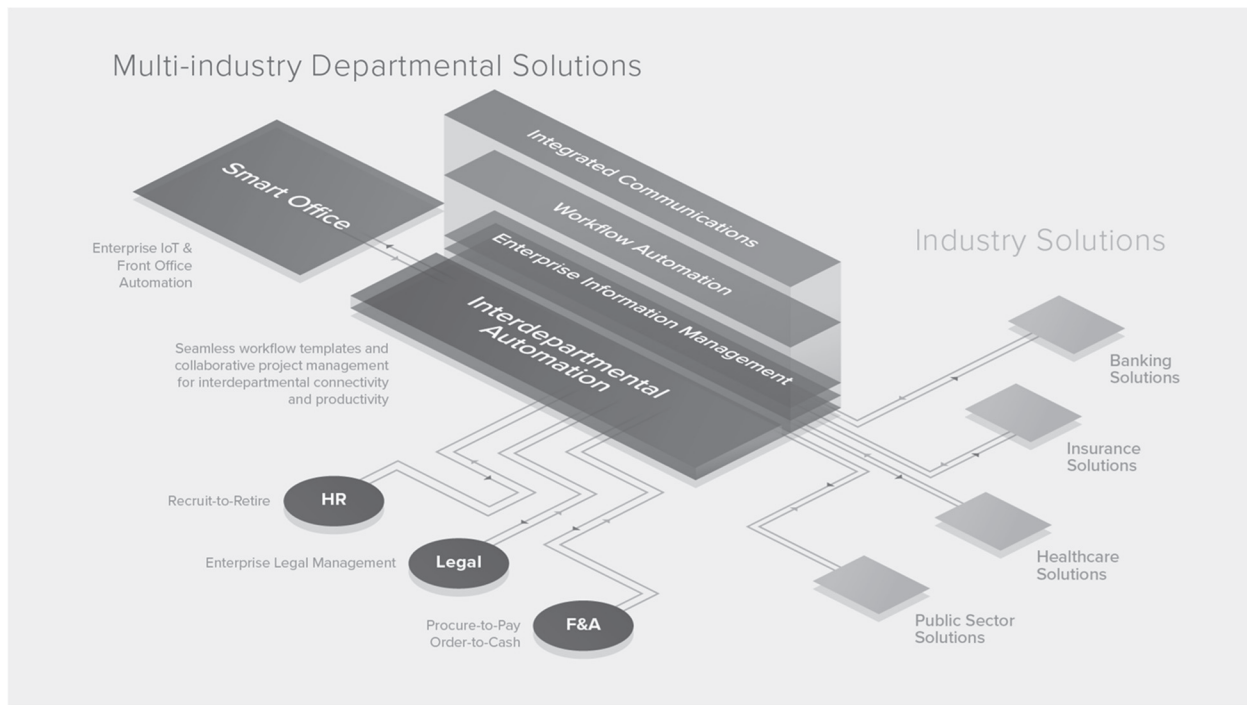
Exela is a business process automation leader, leveraging a global footprint and proprietary technology to streamline complex, disconnected transactions and processes. By connecting data through user friendly software platforms and solutions, we enable our employees and our customers with business process management and help accelerate their digital transformation journey. We have decades of expertise earned from serving many of the world's largest enterprises, including over 60% of the Fortune® 100 and in many mission critical environments across multiple industries, including banking, healthcare, insurance and manufacturing. For the fiscal year ended December 31, 2020, we generated \$1.29 billion of revenue from over 4,000 customers throughout the world.

Our solutions and services touch multiple elements within a customer's organization. We use a global delivery model and primarily host solutions in our data centers, on the cloud or directly from our customers' premises. Our approximately 19,000 employees as of December 31, 2020 operate from business facilities in 22 countries, with many of our employees co-located at our customers' facilities. Our solutions are location agnostic, and we believe the combination of our hybrid hosted solutions and global work force in the Americas, EMEA and Asia offers a meaningful differentiation to the industries we serve and services we provide.



Exela's portals provide on-demand multi-industry and departmental solutions and services alongside industry specific solutions to enable our customers, employees, vendors and Exela to deliver BPM services.

We will continue to further expand our solutions and services for the industries we serve, with a focus on connecting the front, middle and the back office. We believe this positions us as one of the few companies that can offer solutions and services that span from multi-industry departmental solutions to industry specific solutions.



Our Solutions and Services

We are a leading, global provider in the Business Process Management (“BPM”) industry. Our digital foundation has been shaped to deliver fully outsourced solutions for current and evolving customer needs. Specifically, our fully operational seven-layer technology stack enables easier integration to build digital bridges over broken processes. We derive all our revenue from BPM, including approximately \$104 million (8% of total revenues) in 2020 from the sale of licenses by our digital assets group (“DAG”).

We host our digital foundation across a hybrid environment, both on-premise and/or hosted on the cloud and our customers are able to choose one based on their needs and preferences. Our customers also take advantage of hybrid deployments leveraging either our or their own environment. We sell to our customers recurring licenses and maintenance charges, along with professional service fees for configuration and system integration services. We offer multiple options in relation to licensing. Similar to our BPM model, customers can purchase a license for a number of transactions, however they usually acquire multi-year term licenses with flexible recurring options. As part of our DAG offering, we also offer per user per month subscriptions. We plan for an ever growing portion of our digital foundation to be made available along these pricing and licensing models to our existing and potential customers and to that effect we expanded our plans in late 2020 to include small and medium businesses as well. Our solutions are evolving to contain more self-service features, are easy to deploy, and integrate with existing solutions.

Our BPM solutions have expanded to include a suite of Work from Anywhere (WFA) applications to support a remote workforce with enterprise software for connectivity and productivity. Our current BPM solutions including our digital assets are grouped as follows:

- Liquidity Solutions including Procure-to-Pay, Order-to-Cash and Expense Management
- Payment Technologies and Services
- Human Capital Management

- Healthcare Payers and Revenue Cycle Management (RCM)
- Work-from-Anywhere (WFA) solutions
- Information Management and Communications

Our multi-industry and departmental BPM suite of offerings combines platform modules for finance and accounting services, enterprise information management, robotic process automation, digital mailroom, business process management and workflow automation, visualization and analytics, contract management and legal management solutions, and integrated communication services which contribute to revenues across our organization and accounting segments and also complement our core industry solutions for banking, insurance, healthcare and the public sector.

Finance and Accounting Solutions (F&A)

Exela offers a suite of finance and accounting (“F&A”) solutions across its network of customers, providing digital roads to connect broken processes of global commerce. By structuring and linking digital data across disparate customer systems, processes and standards, our exchange for bills and payments (“XBP”) enables digital transformation savings and modernization to be rapidly implemented utilizing existing customer infrastructure and in-country settlement processes. As an enabler of digital roads carrying enriched biller, payer and transaction data, we provide process automation and enhanced services addressing the payments lifecycle from procure to pay (“P2P”) to order to cash (“O2C”). We use our own technology and our global operations to deliver these solutions.

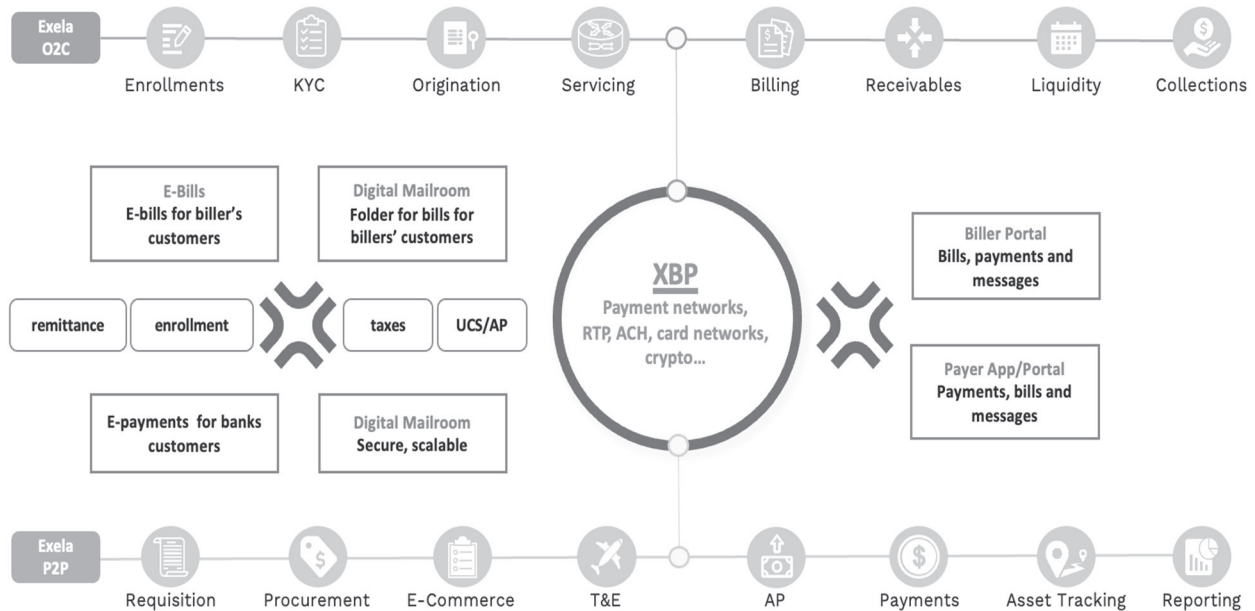
Our XBP solution provides a platform with a secure messaging service, allowing billers, consumers and businesses to communicate and transact utilizing a modern technology stack that can be rapidly connected to any system without a material investment by the prospective customers. Billers are able to send bills to payers, whether businesses or consumers, electronically, offering transparency and simpler reconciliations. Payers are able to receive their bills in one place, with analytics, alerts and several payment options. With XBP making the bill component of P2P and O2C electronic, downstream processes can be integrated with richer and more actionable data, available for adjacent value-added services.

Our O2C solutions enable consolidation of inbound payment channels and data continuity to drive digital adoption and enhance treasury management, including integrated receivables dashboards, multi-channel bill presentment and payment, reconciliation, exception and dispute management, aging analytics, collections management and targeted engagements. The full process includes fulfillment of a customer order, raising an invoice in accordance with customer contracts, accounts receivable management and collections.

Our P2P services can be integrated with our digital mail room technology, which expands our ability to support existing data types and formats. In effect, both digital and analog items can enter this information stream. The process kicks off by opening a requisition, and once approved it moves to procurement to solicit bids from an approved supplier network. We believe that supporting our customers by making available our supplier network can be a key differentiator in enabling a complete P2P solution. Our P2P platform also records receipt of goods and invoices and performs three way matching digitally. Exceptions are processed by our employees, and once approved, we record the purchase in a customer’s ERP system, so it can be paid. We then use our system to generate and deliver a payment file in the format the bank needs so that a payment can be processed. Some of our customers also authorize us to process the payment on their behalf.

Our Record-to-Report (R2R) services include spend analytics and data mining tools for financial planning and analysis to support reporting and audit functions, interchanges and robotics providing automation of ERP entries and regulatory reporting and fixed asset management.

Our mission is to build roads over broken processes, for example, exchange for bills and payments (“XBP”) is an example of connection bills, payments and many related processes across many industries:



Plug and play solutions across the Procure-to-Pay (P2P) and Order-to-Cash (O2C) cycle to simplify and personalize user experience, optimize treasury management, and facilitate compliance while reducing administrative cost

Enterprise Information Management (EIM)

Exela’s enterprise information management solutions ingest and organize large amounts of data across many data types and formats and store the information in cloud enabled proprietary platforms. We also gather transactional data from enterprise systems for similar hosting. The collected, extracted data is used to complete a process, and is then made available to our customers and their end-consumers for an agreed upon period. We derive revenue for such services, hosting and access.

Our EIM systems host billions of often mission critical records for our customers and the total number continues to rise. As an example of a large deployment of our EIM platform, we helped enable online records access to over 48 million end-customers of a group of European savings banks for deposits, statements, and car and personal loans and mortgages. Another example of EIM deployment is in the hosting of images of healthcare records, checks and payroll taxes for many years for retrieval, compliance and internal information purposes.

Our platforms provide a data fabric to simplify integration with customers’ existing EIM systems, and our customers can benefit from being able to conduct federated searches across connected datasets, manage records in accordance with their needs and regulatory requirements, build live customer and employee profiles, and facilitate release of information and routing with control over security and permissions. We also provide business intelligence add-ons, offering summarization of data sets, dashboards and trend monitoring, relationship visualization, macro and micro drill-downs, escalation triggers and notifications.

Exela Robotic Process Automation

Exela has been at the forefront of using robotic process automation since 2009. Our deployment model is to use desktop automation first, and if the usage is very high, we usually migrate to server level automation. We have built up a

large library of rules by industry and by customer. While we have been using robotic solutions as part of our internal processes for years, only recently have we made them available to our customers. Our domain experts and analysts can either use an existing bot, modify one or create new ones using our design studio. Our robotic solutions are available as programmable robots with a rules library for a specific industry or feature, or as an enterprise license or on a per user per month basis.

Digital Mailroom Solutions

Exela is one of the leading global providers of digital mailroom solutions. Our digital mailroom solutions rely on proprietary technology, use our own or a client's facilities and process a significant number of transactions daily. We use proprietary high-speed scanners as well as support most other major scanners. Our end-to-end digital mail room features ingestion from many sources – paper, fax, electronic, emails and other digital data. We also offer recorded voice, image and video ingestion channels. This solution can be complemented with our shipping and receiving services with digital receipt, delivery and routing to our intelligent lockers.

We own several classification engines that we deploy for information processing, including unattended digital repositories, for example unattended email boxes to identify content and route it to the appropriate member of an organization. Exela offers its digital mail room for enterprise wide deployment to captive mailrooms of our customers, mailrooms outsourced to both Exela and others, and for business locations where there is no dedicated mail room, such as a front desk. Our customers can see their information across the enterprise from a single platform. Our digital mail solutions are available as SaaS, BaaS or enterprise licenses and we often handle the entire mail operation for a customer.

Business process management and intelligent workflow automation

Exela has built extensive proprietary workflow automation platforms for business process management across several industries and regions. Our platforms are designed to have intuitive user interfaces with drag & drop configuration enabling analysts a certain amount of customization. Our platforms use our EIM engines by default, are designed to integrate with popular database and enterprise systems and are offered across three user categories:

- **Enterprise class**, hosted on premises. Suitable for 10,000 or more users and 10,000 or more tasks or process automations. Over 10,000 of our employees use this every day to perform mission critical work for our customers in the Americas, EMEA and Asia.
- **Interdepartmental class** workflow automation is ideal to bring structure and collaboration across departments. Over 2,500 of our employees globally use this platform to collaborate with each other and their individual work management. The platform is designed to integrate with other industry leading platforms to create a comprehensive collaborative experience.
- **Case-management** workflow automation platform available as a shrink wrap version for building custom workflows. One can use our library of workflows, customize them or build one from scratch for purposes of case management only. Customers can buy enterprise licenses of this platform, or on a SaaS basis and build their own workflows.

Exela provides visualization and analytics capabilities within its platforms to provide actionable intelligence tied to collaboration and task management. Configurable dashboards enable users to quickly consolidate and organize disparate data sources through intuitive interfaces. Users can also build their own dashboards with dynamic drilldown options and alerts, link data to managers, and launch action items in pursuit of optimization and issue resolution. By providing analytics tied to actionable tasks, we can help drive optimization to enhance profitability and connectivity. For example, users can create visualization of volume trends and set triggers upon statistical thresholds, sending SMS alerts to managers to adjust their downstream capacity planning, if trends are not in line with set thresholds.

While we offer reporting and analytics on the scope of work processed through operations, we also provide our customers the capability to consolidate various data streams into comprehensive dashboards to enhance the business intelligence functions of an organization, including providing real-time visibility to revenue, cost, profitability and cash flow as well as process monitoring, KPI tracking, and actionable alerts.

We believe providing analytics modules complement our services and solutions, creating a superior user experience, and reducing the need for other third-party tools by centralizing business management within Exela's platforms. By enabling users to share dashboards across their organization, we believe additional users will adopt Exela platforms and increase our penetration into the front-end applications across an enterprise.

Enterprise Legal Management

Exela provides a contract management system to streamline execution, organization, and data management of large volumes of contracts. We utilize natural language processing and machine learning to extract key terms within unstructured formats and complex content, providing variance analysis, summary tables, and automated organization. Users can easily find important data points in contracts, and quickly analyze large volumes of language variations across format types. The extracted data can then be used to connect to existing systems and ERPs and serve as inputs to business operations, such as accounting and billing processes, financial planning and analysis, and regulatory reporting, enabling real-time audit and automated alerts for deviations from contract parameters. By automating key term extraction, our contract management system enables large volumes of contracts to be analyzed quickly and enables processes such as billing or automatic reminders for significant dates. We believe that Exela's ability to cost effectively provide high accuracy transactional operations with automated validations creates a competitive advantage against those relying on manual processes and discrete sampling.

Exela can also provide a digital signature system to streamline collaboration, approvals and execution of contracts. We deploy a secure, hosted environment to request and execute signatures and exchange contracts and documents across individuals or groups. Our platforms enable multiple signature execution with routing through approval hierarchies, while providing transparency to the status and tracking of comments and edits. Upon execution, documents are stored electronically for secure archiving and retrieval.

Furthermore, Exela offers a suite of enterprise legal management solutions and services that streamline and automate legal department processes to rationalize costs and drive productivity. Solutions and services range from preventative remediation, identifying risks such as overcharges, discrimination, and data breaches and proactively providing restitution, eDiscovery, word processing and contract management using automated summarization and metadata extraction along with cognitive search enabled by natural language processing; and records management.

Integrated Communications

Exela's comprehensive multi-channel integrated communications solutions help customers communicate with other businesses or customers. This suite of solutions links through many channels, for example, email, print and mail, SMS, web, voice, and chat. Exela solutions and services can also include design and marketing and selection of optimal engagement and least cost routing for mission critical communications for example, bills, statements, enrollments, customer support, targeted marketing, mass notifications, reprographics, and regulatory notices.

We also work with our customers as a digital migration partner to improve user experience while helping to reduce and even eliminate inefficient, wasteful communications. We use proprietary discovery techniques and analytics in addition to service specific technology to propose optimal channel and content. Our employees can also generate personalized messages, customized promotions, incentives, escalations, and resolutions.

Exela Smart Office

In the second half of 2019, we launched a group of solutions that complement our existing offerings, labeled Exela Smart OfficeSM (“Smart Office”). Smart Office seeks to improve employee and visitor experiences while optimizing facility management efficiency thereby contributing towards corporate sustainability standards. Smart Office is our enterprise IoT, which helps transform the front-office, energy and facilities management, logistics and fulfillment for our customers, and provides on-demand services with connected devices to facilitate green initiatives, reduce waste, and ultimately enhance the employee and visitor experience. For example, our space management software uses sensors to detect facility utilization, which enables optimized space and energy usage and provides mobile workers directions to available work spaces, while our Contactless Entry and Exit (“CEE”) and lobby kiosk can be deployed to regulate facility access and track employee activities with automated time sheets. Our FYI platform connects our customers’ employees with AI assisted digital help desk channels across departments and a federated search forum to quickly explore related topics and discussions. Our Intelligent Lockers are available for visitor day storage of luggage and to provide a secure chain of custody for parcels and mail for employees using our hosted shipping and receiving tools.

Human Capital Management (“HCM”)

During 2019, we moved the majority of our employees to our proprietary human capital management platform, HCM. This platform integrates with our existing offerings and is designed to help an enterprise and its employees manage the data and processes relevant to the entire employment lifecycle from recruitment to retirement. By providing digital management and data tracking for human capital, we enable reduction in administrative overhead and enhanced management of human capital productivity while improving the overall experience. Our human capital management platform is now available for sale.

Industry Specific Services and Solutions

While the above-described solutions and services can be leveraged across industries, over the years we have also developed services and solutions for specific industries which help our customers around the world better manage their liquidity. The most significant are summarized below.

Banking and Financial Industry Solutions and Services

Our banking and financial solutions consist of payment, mortgage, enrollment, lending and loan management, governance and information management solutions and accounted for approximately 27% of 2020 revenue. Exela’s payment operations and treasury management solutions are designed to improve digital engagement and transaction speed and compliance. We also provide mobile and remote deposit technologies to our banking and financial services customers.

We are one of the largest non-bank processors of payments. We handle many payment channels in addition to checks and credit cards including, automated clearing house (ACH), Faster Payments in UK and Ireland, Single European Payment Area (SEPA), Bank Giro in the Nordics and other payment networks. We perform these services on behalf of banks or their customers. We believe the regulatory environment in many geographies is beginning to allow non-bank payment processors to connect to the payment networks directly such that one can verify funds, confirm payee and settlement of payments and are pursuing a PSP license in the European Union to further expand our payment offerings.

We have extensive experience and technology that we have built over decades and that are in use to serve many banks and companies to process the payments related to both business to business (“B2B”) and business to consumer (“B2C”) transactions. We develop, use, and sell proprietary integrated receivables processing technology, providing our customers with a solution that consolidates B2B and B2C transactions across many payment channels into a single platform, connected to our XBP network of global buyers and suppliers. We plan to offer this as a branded or as a private label solution to our banking customers giving them the ability to offer advanced treasury solutions with insights from accounts receivable, customer credit worthiness, payment habits, soft collections and delinquent collections.

We add value by automating manual, repetitive processes to improve speed and provide cost efficiencies within a compliant mortgage and lending completion process. Our proprietary mortgage and loan management solutions enable lenders to originate loans and service them with greater efficiency. Our platforms also enable invoice discounting, factoring, payables financing and leverage automation and integration such that traditional lenders and alternate lenders, including peer to peer lenders can provide liquidity to underserved borrowers.

Our key focus is connecting broken billing and payment processes through XBP using secure messaging and established settlement infrastructure. By providing a digital transformation path without heavy integration requirements, we believe we can rapidly improve user experience, reduce postage, print and mail costs, enable faster decisions, and facilitate optimal allocation of capital and risk management for our customers. By using our solutions and services, we believe our banking and financial services customers can better manage their lending book and at a lower cost of ownership.

Our banking solutions help organizations transform compliance, know your customer, anti-money laundering and confirmation of payee checks into a competitive advantage, including accelerated digital on-boarding, complex process automation, screening and monitoring and predictive analytics. Exela can provide these services as an end-to-end solution or as an augmentation of existing banking processes, as a technology license or through our employees to manage a component or an entire process.

Healthcare Industry Solutions and Services for Insurance Companies and Healthcare Providers

Exela's healthcare industry customers include commercial and government sponsored healthcare plans, hospital networks and university hospital systems and large medical distribution systems and pharmacy networks, and accounted for approximately 23% of total revenues in 2020. We serve our customers using our proprietary technology and for some customers combined with their systems.

We bundle our core solutions and services with a suite of healthcare payer specific services such as end-to-end processing of complex transactions, enrollments and credentialing, claims processing, adjudication and payment operations. We specialize in transactions that require multiple layers of validation, supporting documentation processing, reconciliation, and management of exceptions.

We host a proprietary platform that connects providers and payers for claims submissions, acknowledgements or denials of payments and many other interactions covering the complete lifecycle of a claim, which enables a more satisfactory engagement between payers and providers and contributes to improved access to health care and lower administrative costs. Our payer customers often encourage their contracted providers to adopt our digital platforms for overall reduction of claim processing time and cost. We also provide our healthcare provider customers with many services including computer assisted coding, audit and recovery of underpayments, denial and grievances, release of information, and electronic health records. We plan to offer our mobile and web enrollment solutions, appointment scheduling and locating providers with ratings, also include insurance verification, cost of visit estimates and visit pre-approval. We provide some of these services and features on a stand-alone basis and on a more integrated basis.

Insurance Industry Solutions and Services

Exela offers a suite of insurance industry solutions aimed at providing digital engagements and rapid integration of disparate systems and silos. Our insurance industry solutions accounted for approximately 10% of total revenues in 2020. We provide applications and services to facilitate automation and digital transformation for underwriting and enrollments, premium payments, claims submission, first notification of loss, fraud, waste & abuse monitoring and integrated communications. Our solutions are aimed at improving the customer experience by providing digital pathways and transparency with web portals and integrated communications, while helping to improve quality and risk management.

Public Sector

We provide technology and solutions to public sector customers. Our public sector solutions accounted for approximately 9% of total revenues in 2020. Our mission is to help our public sector customers with their digital journey and meet their objectives of better serving the public. Exela solutions are primarily deployed across pension benefits and administration, tax return processing, payment operations, inter-agency information management and communications with citizens and employees of government institutions.

Our solutions have evolved over time to include digital capabilities and are designed to reduce taxpayer refund waiting time, decrease the potential for tax fraud, and provide reports and data to the relevant stakeholders. Exela also has the infrastructure in place to process payments, perform collection services, handle overflow taxpayer calls, provide e-filing for individual income tax, generate outbound taxpayer notification (traditional and/or electronic notifications), and host other developed solutions.

Commercial, Tech, Manufacturing, and Legal Industries Solutions and Services

For the commercial, technology, manufacturing and legal industries, we primarily provide multi-industry solutions described earlier. For 2020, our commercial industry revenue accounted for approximately 19% of total revenues, our revenues from the technology and manufacturing industry accounted for approximately 6%, while our revenue from the legal industry accounted for approximately 5%.

Historically, the majority of revenue for the above-mentioned industries was generated in the Americas, though we believe there is significant expansion opportunity throughout EMEA and the Asian markets. As we have made investments in our global scale, technology platforms, and business strategy, some of our multi-national customers have expanded our services to other geographies to leverage our international footprint. We believe our value proposition as a single source provider with global platforms and location agnostic operations, positions us as a differentiated partner to our multi-national customers.

With the launch of Smart Office, we have been targeting technology companies in our initial go-to-market approach. We believe technology companies have a heavy focus on employee experience to attract top tier talent, and they often serve as early adopters for new offerings setting trends across other industries, and we believe they will serve as strong references as we expand our Smart Office growth strategy.

Overview of Revenues

Our business consists of three reportable segments:

- **Information and Transaction Processing Solutions ("ITPS").** The ITPS segment is our largest segment, with \$1,005.0 million of revenues for the fiscal year ended December 31, 2020, representing 77.8% of our revenues. We generate ITPS revenues primarily 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.
- **Healthcare Solutions ("HS").** The HS segment generated \$219.0 million of revenues for the fiscal year ended December 31, 2020, representing 16.9% of our revenues. We generate HS revenues primarily from a transaction-based pricing model for the various types of volumes processed for healthcare payers and providers.
- **Legal & Loss Prevention Services ("LLPS").** The LLPS segment generated \$68.5 million of revenues for the fiscal year ended December 31, 2020, representing 5.3% of our revenues. We generate LLPS revenues primarily based on time and materials pricing as well as through transactional services priced on a per item basis.

Additional financial information for our three business segments is included in Note 19 within our consolidated financial statements.

We provide services to our customers on a global basis. In 2020, our revenues by geography were as follows: \$1,057.0 million in the United States (81.8% of total revenues), \$213.4 million in EMEA (16.5% of total revenues), and \$22.1 million from the rest of the world (1.7% of total revenues). We present additional geographical financial information in Note 19 within our consolidated financial statements.

Our revenues can be affected by various factors such as our customers' demand pattern for our services. These factors have historically resulted in lower revenues in the third quarter and higher revenues in the fourth quarter. Backlog is not a metric that we use to measure our business.

History and Development of Our Company

Exela is a Delaware corporation that was formed through the strategic combination of SourceHOV Holdings, Inc. ("SourceHOV") a leading global transaction processing company, and Novitex Holding, Inc. ("Novitex"), a cloud-based document outsourcing company, pursuant to a business combination agreement dated February 21, 2017. Formerly known as Quinpario Acquisition Corp. 2 ("Quinpario"), Exela was originally formed as a special purpose acquisition company on July 15, 2014 and completed its initial public offering on January 22, 2015. In conjunction with the completion of the Novitex Business Combination in July 2017, Quinpario was renamed "Exela Technologies, Inc." Exela began trading under the ticker "XELA" on the Nasdaq Stock Market on July 13, 2017.

The Novitex Business Combination was accounted for as a reverse merger for which SourceHOV was determined to be the accounting acquirer. The acquisition of Novitex was accounted for using the acquisition method. As a result, the financial information for 2017 presented in this Annual Report is not pro forma (unless labeled as such); it includes the financial information and activities for SourceHOV for the entire year ending December 31, 2017, but only reflects the financial information and activities of Novitex for the period following the Novitex Business Combination from July 13, 2017 to December 31, 2017.

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

On November 12, 2019 we announced that our Board of Directors had adopted a debt reduction and liquidity improvement initiative ("Initiative"). The Initiative is part of the Company's strategic priority to position the Company for long-term success and increased stockholder value. As part of the Initiative, certain subsidiaries of the Company entered into accounts receivable securitization facilities during 2020 and we consummated the sale of our tax benefits consulting group in March 2020 and our physical records storage and logistics business in July 5, 2020. The Company is continuing to pursue the sale of non-core assets that are not central to the Company's long-term strategic vision. The Company has retained financial advisors to assist with the sale of select assets and announced in December 2020 that it had retained an Investment Bank as an additional financial advisor to assist the Company and management in pursuing alternatives to strengthen its balance sheet and enhance shareholder value. The Company expects to use the net proceeds from the Initiative for the repayment of debt, with a target reduction of \$150.0 to \$200.0 million. Exela has set a two-year timetable for completion of the Initiative. There can be no assurance that the Initiative or any particular element of the Initiative will be consummated or will achieve its desired result.

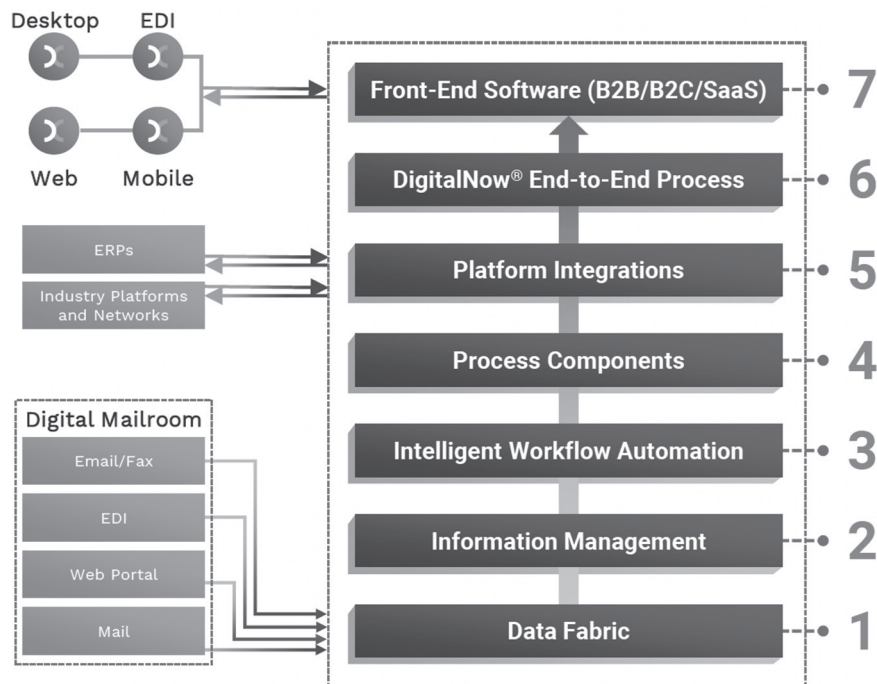
On January 25, 2021, we amended our Second Amended and Restated Certificate of Incorporation (the "COI") to effect a one-for-three Reverse Stock Split (as further described under "Reverse Stock Split" below). Except as otherwise indicated, all share and per share information herein gives effect to the Reverse Stock Split.

Key Business Strategies

Exela business strategy is to use its Digital NowSM model, which aims to accelerate our customers' digital transformation through deployment of our software automation techniques, hosted within a single, cloud hosted platform. Our overarching goal is to provide highest value and lowest cost of ownership. We accomplish this by building scalable systems that are used by our employees to deliver business process automation services globally. The key elements of our growth strategy are described below:

- **Expand Penetration of Solution Stack Across Customer Base.** We seek to move up what we call “the seven layers of technology enabled solutions and services stack,” climbing the value chain from discrete services to end-to-end processes through use of front-end enterprise software. We believe continued deployment of our single sign on portals with on-demand applications will drive expansion of our front-end software (B2B/B2C/SaaS) and integrated offerings.
 - **Layer 1 - Data Fabric** - Host, gather, extract all types of structured and unstructured data, digital and analog
 - **Layer 2 - Information Management** - Digital classifications, data enhancement and normalization driving downstream processes improvement
 - **Layer 3 – Intelligent Workflow Automation** - Digital connectivity and automated decisioning driving productivity and quality
 - **Layer 4 - Process Components** - Operations partner for component(s) of larger process, handing off output file for downstream execution
 - **Layer 5 - Platform Integrations** - Exela platforms directly connected to customers’ core systems, accessed through SSO and common interfaces
 - **Layer 6 - Digital Now End-to-End Process** - Full cycle operations and technology for multi-channel process through execution of business outcomes
 - **Layer 7 - Front-End Software (B2B/B2C/SaaS)** - Exela front end applications (branded or private label) directly interfacing with end user experience

See diagram of 7 layers of solutions below:



- **Expand relationships with existing customers.** We intend to continue aggressively pursuing cross-selling and up-selling opportunities within our existing customer base. With an existing base of over 4,000 customers, we believe we have meaningful opportunities to offer a bundled suite of services and be a "one-stop-shop" for our

customers' information and transaction processing needs. Our sales force is organized on an industry basis and utilizes solutions and relationships to better serve our customers across all levels of their organizations. As an example, we now offer a full suite of healthcare-focused solutions by bundling enrollments, policy and plan management, claims processing, audit and recovery services, payment solutions, integrated accounts payable and receivable, medical records management, and unified communication services for payers and providers.

- **Expand XBP network of buyers and suppliers.** We process approximately 5 billion transactions per year, including over \$1 trillion worth of deposits and \$600 billion worth of invoices. The transactions we process impact hundreds of millions of consumers globally, and present a significant opportunity to seamlessly connect all stakeholders with improved experience, lower cost, and value-added services. We intend to expand the scope and scale of services we offer to our customers by leveraging the integration value our existing network provides as we endeavor to further connect buyers and suppliers to communicate and transact digitally.
- **Leverage BPA suite across on-site services.** Approximately 5,000 of our employees currently work at customers in an on-site capacity. We believe this on-site presence is a competitive differentiator and a valuable asset as we pursue future growth opportunities. We have been deploying our BPA software across these customer locations, and we believe that by offering our customers enhanced productivity and quality through our onsite employees, we will continue to create additional opportunities to expand our footprint and wallet share across their organization. For example, in customers where we provide underwriting support and claims processing, we can enable our onsite employees to accelerate the aggregation and analysis of datasets while also increasing accuracy and automatically flagging deficiencies using our software. By enhancing the productivity and quality of our onsite employees, we believe we will increase the demand from our customers to replicate our processes across their organization, bolstering our cross-sell/up-sell initiatives. By having our BPA suite already approved and deployed within existing onsite engagements, we believe our ability to expand into new lines of business will be streamlined and accelerated.
- **Work-from-Anywhere (WFA) enablement** – We believe the modern workforce will become more globalized, dynamic and distributed, demanding applications that support digital workflows, remote connectivity, productivity optimization and flexible facilities. We plan to continue expanding our WFA suite of enterprise software to meet the evolving needs of our customers and their employees.
- **Pursue new customer opportunities.** We plan to continue to develop new long-term, strategic customer relationships, especially where we have an opportunity to deliver a wide range of our capabilities and can have a meaningful impact on our customers' business outcomes. For example, we plan to dedicate resources within the legal industry in order to pursue opportunities in e-discovery and contract management services.
- **Develop additional process capabilities and industry expertise.** We will focus on developing additional process capabilities and market expertise for our core industries. We will continue to invest in technology and innovation that will accelerate the build-out of our portfolio of next-generation solutions, such as platform-based descriptive and predictive analytics services for processing flows of "Big Data" to help customers gain better insight into their processes and businesses. As an example, on behalf of our customers, we are deploying Big Data automation platforms to analyze individual consumer behavior and interaction patterns to identify opportunities for revenue enhancement and loss prevention, and configure optimal outreach campaigns to drive sales, loyalty, and profitability.
- **Pursue meaningful cost synergy opportunities and accelerate long-term profitability.** Due to similar operating infrastructures between SourceHOV and Novitex, we continue to deliver and believe we have additional opportunities across information technology, operations, facilities, and corporate functions to achieve cost savings executable as we approach three years from the closing of the Novitex Business Combination.
- **Capitalize on our enhanced scale and operating capacity.** We intend to utilize our increased global scale and brand recognition to strengthen our ability to bid on new opportunities. We plan to dedicate more resources to pursue whitespace coverage to expand our range of service offerings and pursue additional cross-selling

opportunities. We will also look to use our increased scale and operations expertise to improve utilization of our assets.

Customers

We serve over 4,000 customers across a variety of industries, including over 60% of the Fortune® 100. Our customers are among the leading companies in their respective industries, and many of them are recurring customers that have maintained long-term relationships with us and our predecessor companies.

We have successfully leveraged our relationships with customers to offer extended value chain services, creating stickier customer relationships and increasing overall margins. Customers are increasingly turning to us due to a demonstrated ability to work on large-scale projects, past performance and record of delivery, and deep domain expertise accumulated from years of experience in key verticals. We believe, our stable base of customers and sticky, long-term relationships lead to predictable revenues.

Industry Highlights

EIM	Healthcare	Banking	Legal	Commercial	Public Sector
100B Multi-Media Transactions Stored Online	700,000 Complex Claims Processed Daily	\$1T+ Deposits Processed Annually	\$20B Funds Distributed	\$600B Invoices Processed Annually	\$500M+ Electronic Medical Records Processed Annually

We maintain a strong mix of diversified customers with low customer concentration. No customer accounts for more than 10% of 2020 revenue. The diversity of our customer base has contributed to the stability and predictability of our revenue streams and cash flows. We have been able to effectively balance our customer mix and reduce dependency on any single customer or vertical by penetrating a diverse set of end markets.

Research and Development

Our ability to continue to compete successfully depends heavily upon our ability to ensure a timely flow of competitive products, services and technologies to the marketplace while also leveraging our domain expertise to demonstrate our understanding in implementing solutions across the industries we serve. Through regular and sustained investment, licensing of intellectual property and acquisition of third-party businesses and technology, we continue to develop new knowledge platforms, applications and supporting service bundles that enhance and expand our existing suite of services.

Our seven-layer technology model requires us to continue to harness our capabilities in each layer and the ultimate measure of success will be how many customers are in each layer. We believe that a greater customer concentration in the top layers will reflect the success of our R&D strategy. Additional financial information regarding our R&D expense is included in Note 2 within our consolidated financial statements.

Intellectual Property

We deploy a combination of internally developed proprietary knowledge platforms, applications and generally available third-party licensed software as part of our scalable and flexible solutions and services. We believe our intellectual property is our competitive strength.

Our platforms aim to enhance information management and workflow processes through automation and process optimization to minimize labor requirements or to improve labor performance. Our decisioning engines have been built with years of deep domain expertise, incorporating hundreds of thousands of customer and industry specific rules which enable efficiency and lowers cost preparation and decisioning of transactions. Our business processes and implementation methodologies are confidential and proprietary and include trade secrets that are important to our business. We own a variety of trademarks and patents, which are registered or pending.

We regularly enter into nondisclosure agreements with customers, business partners, employees, and contractors that require confidential treatment of our information to establish, maintain and enforce our intellectual property rights. Our licensed intellectual properties are generally governed by written agreements of varying durations, including some with fixed terms that are subject to renewal based on mutual agreement. Generally, each agreement may be further extended, and we have historically been able to renew most existing agreements before they expire. We expect these and other similar agreements to be extended so long as it is mutually advantageous to both parties at the time of renewal.

Competition

We believe that the principal competitive factors in providing our solutions include proprietary platforms, industry specific knowledge, quality, reliability and security of service, and price. We are differentiated competitively given our scale of operations, reputation as a trusted partner with deep domain expertise, innovative solutions, and highly integrated technology platforms that provide customers with end-to-end services addressing many aspects of their mission-critical operational processes. We continue to integrate best practice delivery processes into our service-delivery capabilities to improve its quality and service levels and to increase operational efficiencies. The markets in which we serve are competitive with both large and small businesses, as well as global companies:

- Multi-national companies that provide data aggregation, information management and workflow automation services, such as IBM, EMC, OpenText, Hyland, Iron Mountain, Canon, and Ricoh;
- Consulting, discrete process and platform integration service providers such as Fiserv, Jack Henry, FIS, Black Knight Financial, Optum, Broadridge Financial Solutions, Computershare, Cognizant, and Accenture;
- Platform and front-end software providers, such as Workday, Salesforce, Blackline and Pega;
- Multi-shore BPO companies, such as Genpact, Cognizant, Exl service, Conduent, Wipro, and WNS; and
- Smaller, niche service providers in specific verticals or geographic markets.

Regulation and Compliance

We handle, directly or indirectly through customer contracts and business associate agreements, a significant amount of information, including personal and health-related information, which results in our being subject to federal, state and local privacy laws, including the Gramm-Leach-Bliley Act, HIPAA and the HITECH Act of 2009. Further, we are subject to the local rules and regulations, including those relating to the handling of information, in the other countries in which we operate. In addition, services in our LLPS segment, though not directly regulated, must be provided in a manner consistent with the relevant legal framework. For example, our bankruptcy claims administration services must be provided in accordance with the requirements and deadlines of the United States Bankruptcy Code and Federal Rules of Civil Procedure. In addition, some of our customers are subject to regulatory oversight, which may result in our being reviewed from time to time by such oversight bodies. Further, as a government contractor, we are subject to associated regulations and requirements.

Changes to existing laws, introduction of new laws, or failure to comply with existing laws that are applicable to us may subject us to, among other things, additional costs or changes to our business practices, liability for monetary

damages, fines and/or criminal prosecution, unfavorable publicity, restrictions on our ability to obtain and process information and allegations by our customers and customers that we have not performed our contractual obligations, any of which may have a material adverse effect on profitability and cash flow.

Privacy and Information Security Regulations

Data privacy laws and regulations in the U.S. and foreign countries apply to the access, collection, transfer, use, storage, and destruction of personal information in connection with our services. In the U.S., our financial institution customers are required to comply with privacy regulations imposed under the Gramm-Leach-Bliley Act, in addition to other regulations. As a processor of personal information in our role as a provider of services to financial institutions, we are bound by similar limitations on disclosure of the information received from our customers as apply to the financial institutions themselves. We also perform services for healthcare companies and are, therefore, subject to compliance with laws and regulations regarding healthcare information, including HIPAA in the U.S. We also perform credit-related services and agree to comply with payment card standards, including the PCIDSS. In addition, federal and state privacy and information security laws, and consumer protection laws, which apply to businesses that collect or process personal information, also apply to our businesses.

Privacy laws and regulations may require notification to affected individuals, federal and state regulators, and consumer reporting agencies in the event of a security breach that results in unauthorized access to, or disclosure of, certain personal information. Privacy laws outside the U.S. may be more restrictive and may require different compliance requirements than U.S. laws and regulations and may impose additional duties on us in the performance of our services.

There has been increased public attention regarding the use of personal information and data transfer, accompanied by legislation and regulations intended to strengthen data protection, information security and consumer and personal privacy. The law in these areas continues to develop and the changing nature of privacy laws in the U.S., the European Union ("E.U") and elsewhere could impact our processing of personal information of our employees and on behalf of our customers. In the E.U. the comprehensive General Data Privacy Regulation (the "GDPR") went into effect in May 2018. The GDPR has introduced significant privacy-related changes for companies operating both in and outside the EU. In the U.S., California has adopted the California Consumer Privacy Act, which went into effect on January 1, 2020, and several states are considering adopting similar laws imposing obligations regarding the handling of personal information. While we believe that we are compliant with our regulatory responsibilities, information security threats continue to evolve resulting in increased risk and exposure. In addition, legislation, regulation, litigation, court rulings, or other events could expose us to increased costs, liability, and possible damage to our reputation.

Human Capital

The continued success of our business is driven by our people. Our senior leadership team has extensive experience within the larger BPO as well as the BPA industries. As we were formed through a series of acquisitions, we have retained an experienced and cohesive leadership team. The combination of our employees with our technology is the backbone of our ability to provide holistic solutions designed to meet the rapidly evolving needs of our customers.

As of December 31, 2020, we had approximately 19,000 total employees, of which approximately 625 are part-time employees. We have a global workforce with a majority of our employees located in Americas and EMEA, and the remainder located in India, the Philippines and China. Our employee count fluctuates from time to time based upon the timing and duration of our engagements. We consider our employees to be the foundation for our growth and success. As such, our future success as an organization depends in part on our ability to attract, train, retain, and motivate qualified personnel. We are also fully committed to developing and fostering a culture of diversity and inclusion, and understand that our ability to identify and hire talented individuals from all backgrounds and perspectives is key to our continued success.

- **Diversity and inclusion.** We believe that a diverse workforce is critical to our success, and we continue to focus on the hiring, retention, and advancement of women and underrepresented populations. Our recent efforts have been focused in three areas: giving back and supporting the social issues impacting our

communities and people, expanding our efforts to recruit and hire world-class diverse talent, and identifying strategic partners to accelerate our inclusion and diversity programs.

- ***Compensation and benefits.*** We offer a complete set of benefits for our employees, including competitive base salaries and annual cash bonuses, as well as comprehensive health benefits, retirement plans, and a generous time off policy. In addition, we have used targeted equity-based grants with vesting conditions to facilitate retention of personnel, particularly those with critical engineering skills and experience.
- ***Health, safety, and wellness.*** Health, safety, and wellness. The success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety and wellness of our employees. We provide our employees and their families with access to a variety of innovative, flexible, and convenient health and wellness programs. These include benefits that provide protection and security so our people can have peace of mind concerning events that may require time away from work or that impact their financial well-being, benefits that support our people's physical and mental health by providing tools and resources to help them improve or maintain their health status and encourage engagement in healthy behaviors, and benefits that offer choice, where possible, so our people can customize benefits to meet their needs and the needs of their families. In response to the COVID-19 pandemic, we implemented significant changes that we determined were in the best interest of our employees and their families, as well as the communities in which we operate, and which comply with government regulations. This includes having the vast majority of our employees work from home, while implementing additional safety measures for employees continuing critical on-site work.
- ***Talent development.*** We invest significant resources to develop the talent needed to continue to be a leader in our industry. We deliver numerous training opportunities, provide rotational assignment opportunities, have expanded our focus on continuous learning and development, and implemented industry leading methodologies to manage performance, provide feedback and develop talent. Our talent development programs provide employees with the resources they need to help achieve their career goals, build management skills and lead their organizations. We provide a series of employee workshops around the globe that support professional growth and development. Additionally, our manager and employee forum programs provide an ongoing opportunity for employees to practice and apply learning around conversations aligned with our annual review process. We also have an employee development website that provides quick access to learning resources that are personalized to the individual's development needs.
- ***Building connections - with each other and our communities.*** We believe that building connections between our employees, their families, and our communities creates a more meaningful, fulfilling and enjoyable workplace. Our employees are passionate about many causes, so our corporate giving and volunteering programs support and encourage employees by engaging with those causes. We are active and involved members in the communities in which our employees live and work, and we promote a culture of volunteering and giving back.

We locate our operation centers in areas where the value proposition it offers is attractive relative to other local opportunities, resulting in an engaged educated multi-lingual workforce that is able to make a meaningful global contribution from their local marketplace. We offer our employees a focused set of training programs to increase their skills and leadership capabilities with the goal of creating a long-term funnel of talent to support the Company's continued growth. Additionally, our proprietary platforms enable rapid learning and facilitate knowledge transfer among employees, reducing training time.

Human Capital Management (HCM)

During 2019, we moved the majority of our employees to our proprietary human capital management platform, HCM. This platform integrates with our existing offerings and is designed to help an enterprise and its employees manage the data and processes relevant to the entire employment lifecycle from recruitment to retirement. By providing digital management and data tracking for human capital, we enable reduction in administrative overhead and enhanced

management of human capital productivity while improving the overall experience. Our human capital management platform is now available for sale.

Executive Officers

The following table sets forth information concerning our executive officers as of March 22, 2021:

Name	Age	Position
Ronald Cogburn	65	Chief Executive Officer
Shrikant Sortur	48	Chief Financial Officer
Suresh Yannamani	55	President
Mark Fairchild	61	President, Exela Smart Office
Srini Murali	48	President, Americas and APAC
Vitalie Robu	49	President, EMEA

Ronald Cogburn is our Chief Executive Officer and served as Chief Executive Officer of SourceHOV from 2013 until the closing of the Novitex Business Combination. Mr. Cogburn has been part of companies that were predecessors to SourceHOV since 1993, bringing over 30 years of diversified experience in executive management, construction claims consulting, litigation support, program management project management, cost estimating, damages assessment and general building construction. Mr. Cogburn has also been a principal of HGM since 2003. Prior to his role as Chief Executive Officer of SourceHOV, Mr. Cogburn was SourceHOV’s President, KPO from March 2011 to July 2013. Prior to this role, Mr. Cogburn was the President of HOV Services, LLC from January 2005 to September 2007, providing executive leadership during the company’s growth to its IPO on the India Stock Exchange in September 2006. Mr. Cogburn has a BSCE in Structural Design/Construction Management from Texas A&M University and is a registered Professional Engineer.

Shrikant Sortur is our Chief Financial Officer and served as Executive Vice President, Global Finance from the Novitex Business Combination in 2017 until May 15, 2020. Mr. Sortur served as Senior Vice President, Global Finance of SourceHOV from 2016 until the closing of the Novitex Business Combination. He was responsible for SourceHOV’s finance and accounting groups and led financial operations, activities, plans and budgets. Mr. Sortur’s career spans more than 19 years of varied experience in financial management, accounting, reporting, and lean operations. Mr. Sortur served in other management roles in predecessor companies to SourceHOV from 2002 until the closing of the Novitex Business Combination. Mr. Sortur also acted as Vice President of Finance of SourceHOV from June 2015 to May 2016. Mr. Sortur acted as Director of Financial Planning and Analysis, TPS from January 2014 to June 2015. Prior to this role, Mr. Sortur was the Director of Financial Planning and Analysis, North America Operations from January 2012 to December 2013. Mr. Sortur acted as Controller for HOV Global from January 2009 to December 2011. Mr. Sortur was a Senior Accounting Manager for HOV Services, LLC / Lason, Inc. from May 2004 to December 2008 and worked for the SourceHOV group as a Manager, Finance & Accounts for Lason India Ltd. from December 2002 to May 2014. From March 1999 to December 2002, Mr. Sortur served as General Manager, Finance at SRM Technologies, a business solutions and technology provider specializing in software design and development, systems integration, web services, enterprise mobilization, and embedded solutions development. From June 1997 to February 1999, Mr. Sortur served as Junior Manager, Finance and Accounting for Steel Authority of India, a large state-owned steel making company based in New Delhi, India. Mr. Sortur graduated from Osmania University with a bachelor’s degree in accounting and is a Certified Public Accountant (CPA), Chartered Accountant (CA), and Certified Management Accountant (CMA).

Suresh Yannamani is our President and served as President, Americas of SourceHOV from 2011 until the closing of the Novitex Business Combination, and has been a part of companies that were predecessors to SourceHOV from 1997 until the closing of the Novitex Business Combination. Mr. Yannamani oversees the sales and operations and plays a large part in scaling the transaction processing solutions practice and enterprise solution strategy for healthcare, financial services and commercial industries. Mr. Yannamani was also President of HOV Services, LLC from 2007 to 2011, serving customers in the healthcare, financial services, insurance and commercial industries. Mr. Yannamani was the Executive Vice President of BPO services for Lason from 1997 to 2007 prior to its acquisition by HOV Services, LLC. Mr. Yannamani also served in management roles at IBM from 1995 to 1997, managing the design, development,

and implementation of financial management information systems for the public sector and worked for Coopers & Lybrand as a consultant in public audits from 1992 to 1994. Mr. Yannamani has a bachelor's degree in Chemistry from the University of London and holds an MBA from Eastern Michigan University.

Mark D. Fairchild is our President, Exela SmartOffice and served as President of Exela Enterprise Solutions from the Novitex Business Combination until January 2019 and prior to that served as President, Europe, of SourceHOV from the merger of BancTec and SourceHOV in 2014, having served in management roles at BancTec since 1985. With more than 30 years of executive experience in the financial services industry, Mr. Fairchild specializes in global account management, transaction processing services, software solutions and hardware technology products. In 2005, Mr. Fairchild was appointed Chief Technology Officer of BancTec and was responsible for the company's software and hardware products, manufacturing and internal IT services until 2014. Prior to this role, Mr. Fairchild acted as Vice President for International Operations of BancTec from 2001 to 2005 and VP of European Operations from 1998 to 2001. In his role as International Systems Director from 1991 to 1998, Mr. Fairchild led the European software teams, implementing payment platforms throughout the region. As Director of Engineering of BancTec from 1989 to 1991, Mr. Fairchild led the research and development team that introduced a new high-speed digital image processing system that formed the base of BancTec's ImageFIRST product portfolio. Mr. Fairchild joined BancTec as a Project Manager, a position he held from 1985 to 1986. He began his career as a software developer at British Aerospace, where he worked from 1981 to 1985. Mr. Fairchild graduated with honors from Manchester University with a bachelor's degree in aeronautical engineering and holds an MBA from London Business School.

Srini Murali is our President, Americas and APAC and served as Chief Operating Officer Americas and APAC from the Novitex Business Combination until January 2019. He is responsible for all sales, operations and business strategy functions across the Americas and Asia Pacific. Prior to the Novitex Business Combination, Mr. Murali served as Senior Vice President, Operations for the Americas and APAC regions for SourceHOV, creating global operating strategies, developing client relationships, and overseeing compliance. Mr. Murali has been a part of predecessor companies to SourceHOV since 1993. During his tenure, Mr. Murali has held analysis, product development, IT, and operational roles. In 2010, Mr. Murali took on a broader scope of responsibility as SourceHOV's Senior Vice President of Global Operations and IT. Mr. Murali has served in executive-level leadership roles at companies that preceded SourceHOV since 2007, when he was appointed Vice President of IT and Technology. Prior to these management roles, Mr. Murali served as Director of Information Technology for Lason from 2002 to 2007, and as an Application Development Manager for Lason from 1998 to 2002. Before joining Lason, Mr. Murali worked as a Systems Engineer for Vetri Systems from 1996 to 1998. Mr. Murali graduated with a bachelor's degree in mathematics and statistics from Loyola College, Chennai, and earned an MBA from Davenport University, Michigan.

Vitalie Robu is our President, EMEA and served as Chief Operating Officer, EMEA from the Novitex Business Combination until January 2019. Mr. Robu is responsible for all sales, operations and business strategy functions across Europe, the Middle East and Africa. Mr. Robu specializes in transaction processing services, technology products, and software solutions, and has over 20 years of international management experience in the private and public sectors. Prior to the Novitex Business Combination, he served as Senior Vice President, Operations for the European region of SourceHOV from 2014. From 2010 to 2014, Mr. Robu held the position of President and Executive Director of DataForce UK, a business process outsourcing and software provider that was part of SourceHOV. Prior to joining the SourceHOV group, Mr. Robu served as Manager of Investment and Insurance Products for Citibank EMEA in London from 2007 to 2010. Mr. Robu has degrees in International Relations from the National School for Political Studies, Bucharest and Physics from the State University of Moloves, and earned an MBA from IMD — International Institute for Management Development, Lausanne.

Reverse Stock Split

At the 2020 Annual Meeting, our stockholders authorized our Board of Directors, in its discretion, to amend our COI to effect a reverse split of our outstanding Common Stock at a ratio between one-for-three and one-for-ten, with such final ratio to be determined by the Board of Directors following the special meeting (the "Reverse Stock Split"). On January 22, 2021, the Board of Directors determined to set the Reverse Stock Split ratio at one-for-three and approved the final form of the certificate of amendment to our COI to effectuate the Reverse Stock Split, which was filed with the

Secretary of State of the State of Delaware on January 25, 2021. The Reverse Stock Split became effective in accordance with the terms of the certificate of amendment at 5:00 p.m. Eastern Time on that date, at which time every three (3) shares of Common Stock issued and outstanding automatically combined into one (1) share of issued and outstanding Common Stock, without any change in the par value per share. Fractional shares were not issued as a result of the Reverse Stock Split. Stockholders who would otherwise have been entitled to a fractional share of Common Stock instead received cash in lieu of fractional shares based on the closing sales price of the Company's Common Stock as quoted on The Nasdaq Capital Market on January 25, 2021.

The Reverse Stock Split resulted in a proportionate adjustment to the per share exercise price and the number of shares of Common Stock issuable upon the exercise of our outstanding stock options and warrants, as well as the number of shares of Common Stock eligible for issuance under the Company's 2018 Stock Incentive Plan. In addition, the conversion rate of our preferred stock was equitably adjusted following the Reverse Stock Split, such that the conversion rate is now 0.3030 (previously 0.9090) and the Conversion Price is \$26.40 (previously \$8.80), with the effect that immediately following the Reverse Stock Split, each share of Preferred Stock converts into 1/3rd of the number of shares of Common Stock into which it was convertible immediately prior to Reverse Stock Split. Similarly, as a result of the Reverse Stock Split, the number of shares of Common Stock issuable on exercise of each of our warrants has been decreased in proportion to such decrease in outstanding shares of Common Stock. As a result, each warrant previously exercisable for one-half a share at \$5.75 per half share (\$11.50 per share), is now exercisable for one-sixth of a share at \$5.75 per one-sixth of a share (\$34.50 per share).

Except as otherwise indicated, all share and per share information herein gives proforma effect to the Reverse Stock Split.

Available Information

Our website address is www.exelatech.com. We are not including the information provided on our website as a part of, or incorporating it by reference into, this Annual Report. We make available free of charge (other than an investor's own internet access charges) through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (the "SEC"). In addition, we make available our code of ethics entitled "Global Code of Ethics and Business Conduct" free of charge through our website. We intend to post on our website all disclosures that are required by law or Nasdaq listing standards concerning any amendments to, or waivers from, any provision of our code of ethics.

The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The information contained on the websites referenced in this Annual Report is not incorporated by reference into this filing.

ITEM 1A. RISK FACTORS

In addition to the other information contained in this Annual Report, the following risks impact our business and operations. These risk factors are not exhaustive and all investors are encouraged to perform their own investigation with respect to our business, financial condition and prospects.

Risks Related to our Business

We have substantial indebtedness and other obligations and any failure to meet our debt service obligations or restrictive covenants would have a material adverse effect on our business, financial condition, cash flows and results of operation and could cause the market value of our Common Stock to decline.

As of December 31, 2020, we had approximately \$1.5 billion of long-term debt, excluding current maturities. In the fourth quarter of 2019, we announced a debt reduction and liquidity improvement initiative, which is part of the Company's strategic priority to position the Company to long-term success and increased stockholder value. As the first step of this initiative, the Company entered into accounts receivable securitization facilities and sold two non-core assets

during 2020 and continues to pursue the sale of other non-core assets. While the Company seeks to repay and/or refinance a material portion of its indebtedness, there can be no assurance that such plan will be successful in whole or in part and, even if the plan is successful, we will still have a substantial amount of indebtedness outstanding. On March 26, 2020, the Delaware Court of Chancery entered a judgment against one of our subsidiaries in the amount of \$57,698,426 inclusive of costs and interest arising out of the Appraisal Action, which judgment will continue to accrue interest, until paid, at the legal rate, compounded quarterly. The Company was unsuccessful in its appeal of the judgment, and the petitioners aggressively continue to seek to enforce the judgment, including an action alleging unjust enrichment and seeking restitution and to pierce the corporate veil and seek alter ego liability against Exela and over 50 alleged subsidiaries and/or affiliates in an attempt to collect the award in the Appraisal Action from entities other than SourceHOV, and an action against SourceHOV and certain of its directors and officers alleging creditor derivative claims relating to the Company's securitization facilities. In early February 2021, petitioners also filed a motion for a preliminary injunction in the derivative action in which they seek a court order freezing certain property and prohibiting certain transfers and payments by Exela subsidiaries other than SourceHOV, including preventing them from paying their creditors unless the payments are made equally among Exela's other creditors and toward the Appraisal Action liability. If the petitioners are successful in their efforts to accelerate payment of the entire judgment, such action could have a material adverse effect on our liquidity and/or cause certain of our secured lenders to take action adverse to us.

Our indebtedness and other obligations could: require a substantial portion of cash flow from operations to be dedicated to servicing our indebtedness, thereby reducing our ability to use cash flow from operations to fund operations, capital expenditures, and future business opportunities; increase the risks of adverse consequences resulting from a breach of any indebtedness agreement, including, for example, a failure to make required payments of principal or interest due to failure of our business to perform as expected; decrease our ability to obtain additional financing for working capital, capital expenditures, general corporate or other purposes; limit our flexibility to make acquisitions; require non-strategic divestitures; increase our cash requirements to support the payment of interest; limit our flexibility in planning for, or reacting to, changes in our business and our industry; and increase our vulnerability to adverse changes in general economic and industry conditions.

Our ability to make payments of principal and interest on our indebtedness and our ability to comply with financial covenants in our various debt agreements depends upon our future performance, which will be subject to general economic conditions and financial, business and other factors affecting our consolidated operations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt and meet our other cash requirements, we may be required, among other things: to seek additional financing in the debt or equity markets; to refinance or restructure all or a portion of our indebtedness; to sell certain of our assets, to the extent permitted under our indebtedness agreements; or to reduce or delay planned capital or operating expenditures. Our ability to restructure or refinance our debt will depend on the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, any such financing, refinancing or sale of assets might not be available at all or on economically favorable terms. Our inability to generate sufficient cash flow to satisfy our debt service obligations or to refinance our obligations on commercially reasonable terms could have a material adverse effect on our business, financial condition, cash flows and results of operations and could cause the market value of our Common Stock to decline.

Our future profitability and ability to sustain positive cash flow is uncertain.

Our future profitability depends on, among other things, our ability to generate revenue in excess of our expenses. However, we have significant and continuing fixed costs relating to the maintenance of our assets and business, including debt service requirements, which we may not be able to reduce adequately to sustain such profitability if our revenue decreases. Our future profitability also may be impacted by non-cash charges such as stock-based compensation charges and potential impairment of goodwill, which will negatively affect our reported financial results. Even if we achieve profitability on an annual basis, we may not be able to achieve profitability on a quarterly basis. You should not consider prior revenue growth as indicative of our future performance. In fact, in future quarters, we may not have any revenue growth or our revenue could decline. We may incur significant losses in the future for a number of reasons and risks described elsewhere herein and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown events.

Our ability to generate positive cash flow depends on our ability to generate collections from sales in excess of our cash expenditures. Our ability to generate and collect on sales can be negatively affected by many factors, including but not limited to our inability to convince new customers to use our services or existing customers to renew their contracts or use additional services; the lengthening of our sales cycles and implementation periods; changes in our customer mix; a decision by any of our existing customers to cease or reduce using our services; failure of customers to pay our invoices on a timely basis or at all; a failure in the performance of our solutions or internal controls that adversely affects our reputation or results in loss of business; the loss of market share to existing or new competitors; the failure to enter or succeed in new markets; regional or global economic conditions or regulations affecting perceived need for or value of our services; or our inability to develop new offerings, expand our offerings or drive adoption of our new offerings on a timely basis and thus potentially not meeting evolving market needs.

We anticipate that we will incur increased sales and marketing and general and administrative expenses as we continue to diversify our business into new industries and geographic markets. Our business will also require significant amounts of working capital to support our growth. We may not achieve collections from sales to offset these anticipated expenditures sufficient to maintain positive future cash flow. In addition, we may encounter unforeseen expenses, difficulties, complications, delays and other unknown events that cause our costs to exceed our expectations. An inability to generate positive cash flow may decrease our long-term viability.

In 2020, we restated certain of our previously issued consolidated financial statements, which resulted in unanticipated costs and may affect investor and customer confidence and raise reputational issues.

In 2020, we restated our consolidated financial statements and related disclosures for the years ended December 31, 2018 and December 31, 2017 and restated each of the quarterly periods for the nine months ended September 30, 2019 and for the year ended December 31, 2018. As a result, we incurred unanticipated costs for accounting and legal fees in connection with or related to the restatement, and have become subject to a number of additional risks, costs and uncertainties, including the risk of related litigation, which may affect investor and customer confidence in the accuracy of our financial disclosures and may raise reputational issues for our business.

We have recorded significant goodwill impairment charges and may be required to record additional charges to future earnings if our goodwill or intangible assets become impaired.

As of December 31, 2020, our goodwill balance was \$359.8 million which represented 31.1% of total consolidated assets. We are required under GAAP to review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our intangible assets and/or goodwill may not be recoverable include a decline in stock price and market capitalization, slower growth rates in our industry or our own operations, and/or other materially adverse events that have implications on the profitability of our business or business segments. We may be required to record additional charges to earnings during the period in which any impairment of our goodwill or other intangible assets is determined which could have a material adverse impact on our results of operations. Even though these charges may be non-cash items and may not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us or our securities, including, our Common Stock.

The HGM Group has significant influence over us and our corporate governance.

The HGM Group may be deemed to have voting control of over 40% of our Common Stock. As long as the HGM Group owns or controls a significant percentage of outstanding voting power, it will have the ability to strongly influence all corporate actions requiring stockholder approval, including the election and removal of directors and the size of our board of directors, any amendment of our certificate of incorporation or bylaws, or the approval of any merger or other significant corporate transaction, including a sale of substantially all of our assets. In addition, pursuant to the terms of the Director Nomination Agreement, the HGM Group has certain nomination rights with respect to our board of directors and consent rights over certain of our corporate actions.

Additionally, the HGM Group's interests may not align with the interests of our other stakeholders. The HGM Group is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. The HGM Group may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. In addition, our certificate of incorporation provides that we renounce any interest or expectancy in the business opportunities of the HGM Group and that it shall not have any obligation to offer to us those opportunities unless presented to one of our directors or officers in his or her capacity as a director or officer of Exela.

Certain of our contracts are subject to termination rights, audits and/or investigations, which, if exercised, could negatively impact our reputation and reduce our ability to compete for new contracts and have an adverse effect on our business, results of operations and financial condition.

Many of our customer contracts may be terminated by our customers without cause and without any fee or penalty, with only limited notice. Any failure to meet a customer's expectations, as well as factors beyond our control, including a customer's financial condition, strategic priorities, or mergers and acquisitions, could result in a cancellation or non-renewal of such a contract or a decrease in business provided to us and cause our actual results to differ from our forecasts. We may not be able to replace a customer that elects to terminate or not renew its contract with us, which would reduce our revenues.

In addition, a portion of our revenues is derived from contracts with the U.S. federal and state governments and their agencies and from contracts with foreign governments and their agencies. Government entities typically finance projects through appropriated funds. While these projects are often planned and executed as multi-year projects, government entities usually reserve the right to change the scope of, or terminate, these projects for lack of approved funding and/or at their convenience. Changes in government or political developments, including budget deficits, shortfalls or uncertainties, government spending reductions (e.g., during a government shutdown) or other debt or funding constraints could result in lower governmental sales and in our projects being reduced in price or scope or terminated altogether, which also could limit our recovery of incurred costs, reimbursable expenses and profits on work completed prior to the termination. The public procurement environment is unpredictable and this could adversely affect our ability to perform work under new and existing contracts. Also, our government business is subject to the risk that one or more of our potential contracts or contract extensions may be diverted by the contracting agency to a small or disadvantaged or minority-owned business pursuant to set-aside programs may be bundled into large multiple award contracts for very large businesses. These risks can potentially have an adverse effect on our revenue growth and profit margins.

Moreover, government contracts are generally subject to audits and investigations by government agencies. If the government finds that it inappropriately charged any costs to a contract, the costs are not reimbursable or, if already reimbursed, the cost must be refunded to the government. Additionally, if the government discovers improper or illegal activities or contractual non-compliance (including improper billing), we may be subject to various civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with the government. Any resulting penalties or sanctions could be substantial. Further, the negative publicity that could arise from any such penalties, sanctions or findings in such audits or investigations could have an adverse effect on our reputation in the industry and reduce our ability to compete for new contracts and could materially adversely affect our results of operations and financial condition.

Our failure to meet the continued listing requirements of Nasdaq could result in a delisting of our Common Stock.

Our Common Stock is currently listed for trading on The Nasdaq Capital Market, and the continued listing of our Common Stock on The Nasdaq Capital Market is subject to our compliance with a number of listing standards, including the \$1.00 minimum bid price requirement for continued listing on The Nasdaq Capital Market under Rule 5550(a)(2) of the Nasdaq Listing Rules and Nasdaq Listing Rule 5550(b)(2) requiring the Market Value of Listed Securities ("MVLS") to be at or above \$35 million and Nasdaq Listing Rule 5250(c)(1), which requires timely filing of periodic reports with the SEC. During 2020, we failed to meet each of these requirements, and

while we are currently in compliance with these requirements, there can be no assurance that we will continue to satisfy these or other continuing listing requirements and remain listed on The Nasdaq Capital Market. If our Common Stock were no longer listed on The Nasdaq Capital Market, investors might only be able to trade on one of the over-the-counter markets. This would impair the liquidity of our Common Stock not only in the number of shares that could be bought and sold at a given price, which might be depressed by the relative illiquidity, but also through delays in the timing of transactions and reduction in media coverage. In addition, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- a limited amount of news and analyst coverage for us; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Downgrades in our credit ratings could impact our ability to access capital and materially adversely affect our business, financial condition and results of operations.

Credit rating agencies continually review their ratings for the companies that they follow, including us. Credit rating agencies also evaluate the industries in which we and our affiliates operate as a whole and may change their credit rating for us based on their overall view of such industries. Both Moody's and Standard and Poor's downgraded our ratings during 2019. There can be no assurance that any rating assigned to our currently outstanding public debt securities will remain in effect for any given period of time or that any such ratings will not be further lowered, suspended or withdrawn entirely by a rating agency if, in that rating agency's judgment, circumstances so warrant.

A further downgrade of our credit ratings could, among other things:

- limit our ability to access capital or otherwise adversely affect the availability of other new financing on favorable terms, if at all;
- result in more restrictive covenants governing the terms of any future indebtedness that we may incur;
- cause us to refinance indebtedness with less favorable terms and conditions, which debt may require collateral and restrict, among other things, our ability to pay distributions or repurchase shares;
- increase our cost of borrowing;
- adversely affect the market price of our outstanding debt securities; and
- impair our business, financial condition and results of operation.

We may not always offset increased costs with increased fees under long-term contracts.

The pricing and other terms of our customer contracts, particularly our long-term contact center agreements, are based on estimates and assumptions we make at the time we enter into these contracts. These estimates reflect our best judgments regarding the nature of the engagement and our expected costs to provide the contracted services and could differ from actual results. Not all our larger long-term contracts allow for escalation of fees as our cost of operations increase and those that allow for such escalations do not always allow increases at rates comparable to increases that we experience. If and where we cannot negotiate long-term contract terms that provide for fee adjustments to reflect increases in our cost of service delivery, our business, financial conditions, and results of operation would be materially impacted.

Our business process automation solutions often require long selling cycles and long implementation periods that may result in significant upfront expenses that may not be recovered.

We often face long selling cycles to secure new contracts for our business process automation solutions. If we are successful in obtaining an engagement, the selling cycle can be followed by a long implementation period during which we plan our services in detail and demonstrate to the customer our ability to successfully integrate our solutions with the customer's internal operations. Our customers may experience delays in obtaining internal approvals or delays associated with technology or system implementations which can further lengthen the selling cycle or implementation period, and certain engagements may also require a ramping up period after implementation before we can commence providing our services. Even if we succeed in developing a relationship with a potential customer and begin to discuss the services in detail, the potential customer may choose a competitor or decide to retain the work in-house prior to the time a contract is signed. In addition, once a contract is signed, we sometimes do not begin to receive revenue until

completion of the implementation period and our solution is fully operational. The extended lengths of our selling cycles and implementation periods can result in the incurrence of significant upfront expenses that may never result in profits or may result in profits only after a significant period of time has elapsed, which may negatively impact our financial performance. For example, we generally hire new employees to provide services in connection with certain large engagements once a new contract is signed. Accordingly, we may incur significant costs associated with these hires before we collect corresponding revenues. Our inability to obtain contractual commitments after a selling cycle, maintain contractual commitments after the implementation period or limit expenses prior to the receipt of corresponding revenue may have a material adverse effect on our business, results of operations and financial condition.

We face significant competition from U.S.-based and non-U.S.-based companies and from our customers who may elect to perform their business processes in-house.

Our industry is highly competitive, fragmented and subject to rapid change. We compete primarily against large multi-national information technology companies, focused BPO companies based in offshore locations, BPO divisions of information technology companies located in India, other BPO and BPA and consulting providers that focus on the legal sector and the in-house capabilities of our customers and potential customers. These competitors may include entrants from adjacent industries or entrants in geographic locations with lower costs than those in which we operate.

Some of our competitors have greater financial, marketing, technological or other resources, larger customer bases and more established reputations or brand awareness than we do. In addition, some of our competitors who do not have, or have limited, global delivery capabilities may expand their delivery centers to the countries in which we operate or increase their capacity in lower cost geographies, which could result in increased competition. Some of our competitors may also enter into strategic or commercial relationships among themselves or with larger, more established companies in order to benefit from increased scale and enhanced scope capabilities or enter into similar arrangements with potential customers. Further, we expect competition to intensify in the future as more companies enter our markets and customers consolidate the services they require among fewer vendors. Increased competition, our inability to compete successfully against competitors, pricing pressures or loss of market share could result in reduced operating margins, which could adversely affect our business, results of operations and financial condition.

Our industry is characterized by rapid technological change and failure to compete successfully within the industry and address rapid technological change could adversely affect our results of operations and financial condition.

The process of developing new services and solutions is inherently complex and uncertain. It requires accurate anticipation of customers' changing needs and emerging technological trends. We must make long-term investments and commit significant resources before knowing whether these investments will eventually result in services that achieve customer acceptance and generate the revenues required to provide desired returns. If we fail to accurately anticipate and meet our customers' needs through the development of new technologies and service offerings or if our new services are not widely accepted, we could lose market share and customers to our competitors and that could materially adversely affect our results of operations and financial condition.

More specifically, the business process solutions industry is characterized by rapid technological change, evolving industry standards and changing customer preferences. The success of our business depends, in part, upon our ability to develop technology and solutions that keep pace with changes in our industry and the industries of our customers. Although we have made, and will continue to make, significant investments in the research, design and development of new technology and platforms-driven solutions, we may not be successful in addressing these changes on a timely basis or in marketing the changes we implement. In addition, products or technologies developed by others may render our services uncompetitive or obsolete. Failure to address these developments could have a material adverse effect on our business, results of operations and financial condition.

In addition, existing and potential customers are actively shifting their businesses away from paper-based environments to electronic environments with reduced needs for physical document management and processing. This shift may result in decreased demand for the physical document management services we provide such that our business and revenues may become more reliant on technology-based services in electronic environments, which are typically provided at lower prices compared to physical document management services. Though we have solutions for customers

seeking to make these types of transitions, a significant shift by our customers away from physical documents to non-paper based technologies, whether now existing or developed in the future, could adversely affect our business, results of operation and financial condition.

Also, some of the large international companies in the industry have significant financial resources and compete with us to provide document processing services and/or business process services. We compete primarily on the basis of technology, performance, price, quality, reliability, brand, distribution and customer service and support. Our success in future performance is largely dependent upon our ability to compete successfully, to promptly and effectively react to changing technologies and customer expectations and to expand into additional market segments. To remain competitive, we must develop services and applications; periodically enhance our existing offerings; remain cost efficient; and attract and retain key personnel and management. If we are unable to compete successfully, we could lose market share and important customers to our competitors and that could materially adversely affect our results of operations and financial condition.

We rely, in some cases, on third-party hardware and software, which could cause errors or failures of our services and could also result in adverse effects for our business and reputation if these third-party services fail to perform properly or are no longer available.

Although we developed our platform-driven solutions internally, we rely, in some cases, on third-party hardware and software in connection with our service offerings which we either purchase or lease from third-party vendors. We are generally able to select from a number of competing hardware and software applications, but the complexity and unique specifications of the hardware or software makes design defects and software errors difficult to detect. Any errors or defects in third-party hardware or software incorporated into our service offerings, may result in a delay or loss of revenue, diversion of resources, damage to our reputation, the loss of the affected customer, loss of future business, increased service costs or potential litigation claims against us.

Further, this hardware and software may not continue to be available on commercially reasonable terms or at all. Any loss of the right to use any of this hardware or software could result in delays in the provisioning of our services, which could negatively affect our business until equivalent technology is either developed by us or, if available, is identified, obtained and integrated. In addition, it is possible that our hardware vendors or the licensors of third-party software could increase the prices they charge, which could have a material adverse impact on our results of operations. Further, changing hardware vendors or software licensors could detract from management's ability to focus on the ongoing operations of our business or could cause delays in the operations of our business.

Some of the work we do involves greater risks than other types of claims processing or document management engagements.

We provide certain business process solutions for customers that, for financial, legal or other reasons, may present higher risks compared to other types of claims processing or document management engagements. Examples of higher risk engagements include, but are not limited to:

- class action and other legal distributions involving significant sums of money;
- economic analysis and expert testimony in high stakes legal matters; and
- engagements where we receive or process sensitive data, including personal consumer or private health information.

While we attempt to identify higher risk engagements and customers and mitigate our exposure by taking certain preventive measures and, where necessary, turning down certain engagements, these efforts may be ineffective and an actual or alleged error or omission on our part, the part of our customer or other third parties or possible fraudulent activity in one or more of these higher-risk engagements could result in the diversion of management resources, damage to our reputation, increased service costs or impaired market acceptance of our services, any of which could negatively impact our business and our financial condition.

Our business could be materially and adversely affected if we do not protect our intellectual property or if our services are found to infringe on the intellectual property of others.

Our success depends in part on certain methodologies and practices we utilize in developing and implementing applications and other proprietary intellectual property rights. In order to protect such rights, we rely upon a combination of nondisclosure and other contractual arrangements, as well as trade secret, copyright, trademark and patent laws. We also generally enter into confidentiality agreements with our employees, customers and potential customers and limit access to and distribution of our proprietary information. There can be no assurance that the laws, rules, regulations and treaties in effect in the U.S., India and the other jurisdictions in which we operate and the contractual and other protective measures we take are adequate to protect us from misappropriation or unauthorized use of our intellectual property, or that such laws will not change. There can be no assurance that the resources invested by us to protect our intellectual property will be sufficient or that our intellectual property portfolio will adequately deter misappropriation or improper use of our technology, and our intellectual property rights may not prevent competitors from independently developing or selling products and services similar to or duplicative of ours. We may not be able to detect unauthorized use and take appropriate steps to enforce our rights, and any such steps may be costly and unsuccessful. Infringement by others of our intellectual property, including the costs of enforcing our intellectual property rights, may have a material adverse effect on our business, results of operations and financial condition. We could also face competition in some countries where we have not invested in an intellectual property portfolio. If we are not able to protect our intellectual property, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected. Further, although we believe that we are not infringing on the intellectual property rights of others, claims may nonetheless be successfully asserted against us in the future, and we may be the target of enforcement of patents or other intellectual property by third parties, including aggressive and opportunistic enforcement claims by non-practicing entities. Regardless of the merit of such claims, responding to infringement claims can be expensive and time-consuming. If we are found to infringe any third-party rights, we could be required to pay substantial damages or we could be enjoined from offering some of our products and services. The costs of defending any such claims could be significant, and any successful claim may require us to modify our services. The value of, or our ability to use, our intellectual property may also be negatively impacted by dependencies on third parties, such as our ability to obtain or renew on reasonable terms licenses that we need in the future, or our ability to secure or retain ownership or rights to use data in certain software analytics or services offerings. Any such circumstances may have a material adverse effect on our business, results of operations and financial condition.

We generate a significant portion of our revenues from a small number of customers, and any loss of business from these customers could materially reduce our revenues.

We have derived, and believe that in the foreseeable future we will continue to derive, a significant portion of our revenues from a small number of customers. While we have no one customer that accounts for more than 10% of our revenue, for each of the years ended December 31, 2020 and 2019, our ten largest customers accounted for approximately 26% of our revenues. Our ability to maintain close relationships with these and other major customers is essential to the growth and profitability of our business. However, the volume of work performed for a specific customer is likely to vary from year to year. A major customer in one year may not provide the same level of revenues for us in any subsequent year and there can be no assurance that any customer will extend or renew its contract with us. The business process solutions we provide to our customers, and the revenues and net income from those services, may decline or vary as the type and quantity of services we provide change over time. Furthermore, our reliance on any individual customer for a significant portion of our revenues may give that customer a certain degree of pricing leverage against us when negotiating contracts and terms of service.

In addition, a number of factors other than our performance could cause the loss of or reduction in business or revenues from a customer, and these factors are not predictable. For example, a customer may decide to reduce spending on business process solutions from us due to a challenging economic environment or other factors, both internal and external, relating to our business. These factors may include corporate restructuring, pricing pressure, changes to our outsourcing strategy, switching to another BPO provider or returning work in-house or other changes in a customer's prospects or profitability. The risk of customer loss may be heightened as a result of recent economic volatility due to the COVID-19 pandemic. The loss of any of our major customers, or a significant decrease in the volume of work they give

to us or the price at which we are able to provide our services to them, could materially adversely affect our revenues and thus our results of operations.

Our revenues are highly dependent on a limited number of industries, and any decrease in demand for business process solutions in these industries could reduce our revenues and adversely affect the results of operations.

A substantial portion of our revenues are derived from three specific industry based segments: ITPS, HS, and LLPS. Customers in ITPS accounted for 77.8 and 79.0% of our revenues in 2020 and 2019, respectively. Customers in HS accounted for 16.9% and 16.4% of our revenues in 2020 and 2019, respectively. Customers in LLPS accounted for 5.3% and 4.6% of our revenues in 2020 and 2019, respectively. Our success largely depends on continued demand for our services from customers in these segments, and a downturn or reversal of the demand for business process solutions in any of these segments, or the introduction of regulations that restrict or discourage companies from engaging our services, could materially adversely affect our business, financial condition and results of operations. For example, consolidation in any of these industries or combinations or mergers, particularly involving our customers, may decrease the potential number of customers for our services. We have been affected by the worsening of economic conditions and significant consolidation in the financial services industry and continuation of this trend may negatively affect our revenues and profitability. The COVID-19 pandemic, may lead to further increased consolidation in the financial services industry as larger, better capitalized competitors will be in a stronger position to withstand prolonged periods of economic downturn and sustain their business through the financial volatility.

We derive significant revenue and profit from commercial and government contracts awarded through competitive bidding processes, including renewals, which can impose substantial costs on us, and we will not achieve revenue and profit objectives if we fail to accurately and effectively bid on such projects.

Many of these contracts are extremely complex and require the investment of significant resources in order to prepare accurate bids and proposals. Competitive bidding imposes substantial costs and presents a number of risks, including: (i) the substantial cost and managerial time and effort that we spend to prepare bids and proposals for contracts that may or may not be awarded to us; (ii) the need to estimate accurately the resources and costs that will be required to implement and service any contracts we are awarded, sometimes in advance of the final determination of their full scope and design; (iii) the expense and delay that may arise if our competitors protest or challenge awards made to us pursuant to competitive bidding and the risk that such protests or challenges could result in the requirement to resubmit bids and in the termination, reduction or modification of the awarded contracts; and (iv) the opportunity cost of not bidding on and winning other contracts we might otherwise pursue. If our competitors protest or challenge an award made to us on a government contract, the costs to defend such an award may be significant and could involve subsequent litigation that could take years to resolve.

Our profitability is dependent upon our ability to obtain adequate pricing for our services and to improve our cost structure.

Our success depends on our ability to obtain adequate pricing for our services. Depending on competitive market factors, future prices we obtain for our services may decline from previous levels. If we are unable to obtain adequate pricing for our services, it could materially adversely affect our results of operations and financial condition. In addition, our contracts are increasingly requiring tighter timelines for implementation as well as more stringent service level metrics. This makes the bidding process for new contracts much more difficult and requires us to adequately consider these requirements in the pricing of our services.

We regularly review our operations with a view towards reducing our cost structure, including, without limitation, reducing our employee base, exiting certain businesses, improving process and system efficiencies and outsourcing some internal functions. We, from time to time, engage in restructuring actions to reduce our cost structure. If we are unable to continue to maintain our cost base at or below the current level and maintain process and systems changes resulting from prior restructuring actions or to realize the expected cost reductions in the ongoing strategic transformation program, it could materially adversely affect our results of operations and financial condition. In addition, in order to meet the service requirements of our customers, which often includes 24/7 service, and to optimize our employee cost base, including our back-office support, we often locate our delivery service and back-office support

centers in lower-cost locations, including several developing countries. Concentrating our centers in these locations presents a number of operational risks, many of which are beyond our control, including the risks of political instability, natural disasters, safety and security risks, labor disruptions, excessive employee turnover and rising labor rates. Additionally, a change in the political environment in the U.S. or the adoption and enforcement of legislation and regulations curbing the use of such centers outside of the U.S. could materially adversely affect our results of operations and financial condition. These risks could impair our ability to effectively provide services to our customers and keep our costs aligned to our associated revenues and market requirements.

Our ability to sustain and improve profit margins is dependent on a number of factors, including our ability to continue to improve the cost efficiency of our operations through such programs as robotic process automation, to absorb the level of pricing pressures on our services through cost improvements and to successfully complete information technology initiatives. If any of these factors adversely materialize or if we are unable to achieve and maintain productivity improvements through restructuring actions or information technology initiatives, our ability to offset labor cost inflation and competitive price pressures would be impaired, each of which could materially adversely affect our results of operations and financial condition.

We are subject to regular customer and third-party security reviews and failure to pass these may have an adverse impact on our operations.

Many of our customer contracts require that we maintain certain physical and/or information security standards, and, in certain cases, we permit a customer to audit our compliance with these contractual standards. Any failure to meet such standards or pass such audits may have a material adverse impact on our business. Further, customers from time to time may require stricter physical and/or information security than they negotiated in their contracts, and may condition continued volumes and business on the satisfaction of such additional requirements. Some of these requirements may be expensive to implement or maintain, and may not be factored into our contract pricing. Further, on an annual basis we obtain third-party audits of certain of our locations in accordance with Statement on Standards for Attestation Engagements No. 16 (SSAE 16) put forth by the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA). SSAE 16 is the current standard for reporting on controls at service organizations, and many of our customers expect that we will perform an annual SSAE 16 audit, and report to them the results. Negative findings in such an audit and/or the failure to adequately remediate in a timely fashion such negative findings may cause customers to terminate their contracts or otherwise have a material adverse effect on our reputation, results of operation and financial condition.

Currency fluctuations among the Euro, British Pound, Swedish Krona, Indian rupee, the Philippine Peso, the Mexican Peso, the Canadian Dollar, the Chinese Yuan and the U.S. Dollar could have a material adverse effect on our results of operations.

The functional currencies of our businesses outside of the U.S. are the local currencies. Changes in exchange rates between these foreign currencies and the U.S. Dollar will affect the recorded levels of our assets, liabilities, net sales, cost of goods sold and operating margins and could result in exchange gains or losses. The primary foreign currencies to which we have exposure are the European Union Euro, Swedish Krona, British Pound Sterling, Canadian Dollar and Indian rupees. Exchange rates between these currencies and the U.S. Dollar in recent years have fluctuated significantly and may do so in the future. Our operating results and profitability may be affected by any volatility in currency exchange rates and our ability to manage effectively currency transaction and translation risks. To the extent the U.S. Dollar strengthens against foreign currencies, our foreign revenues and profits will be reduced when translated into U.S. Dollars.

Although the vast majority of our revenues are denominated in U.S. dollars, a significant portion of our expenses are incurred and paid in Euros, British Pound Sterling, Swedish Krona, Indian rupees, and to a lesser extent in other currencies, including the Philippine Peso, the Mexican Peso, the Canadian dollar and the Chinese Yuan. We report our financial results in U.S. Dollars. The exchange rate between the Indian rupee and the U.S. Dollar has changed substantially in recent years and may fluctuate substantially in the future. Our results of operations may be adversely affected if such fluctuations continue, or increase, or other currencies fluctuate significantly against the U.S. Dollar.

Further, although we do not currently take steps to hedge our foreign currency exposures, should we choose in the future to implement a hedging strategy, there can be no assurance that our hedging strategy will be successful.

Fluctuations in the costs of paper, ink, energy, by-products and other raw materials may adversely impact the results of our operations.

Purchases of paper, ink, energy and other raw materials represent a large portion of our costs. Increases in the costs of these inputs may increase our costs and we may not be able to pass these costs on to customers through higher prices. In addition, we may not be able to resell waste paper and other print-related by-products or may be adversely impacted by decreases in the prices for these by-products. Increases in the cost of materials may adversely impact customers' demand for our printing and printing-related services.

Sales tax laws in the U.S. may change resulting in service providers having to collect sales taxes in states where the current laws do not require us to do so. This could result in substantial tax liabilities.

Our U.S. subsidiaries collect and remit sales tax in states in which the subsidiaries have physical presence or in which we believe sufficient nexus exists which obligates us to collect sales tax. Other states may, from time to time, claim that we have state-related activities constituting physical nexus to require such collection. Additionally, many other states seek to impose sales tax collection or reporting obligations on companies that sell goods to customers in their state, or directly to the state and its political subdivisions, regardless of physical presence. Such efforts by states have increased recently, as states seek to raise revenues without increasing the income tax burden on residents. We cannot predict whether the nature or level of contacts we have with a particular state will be deemed enough to require us to collect sales tax in that state nor can we be assured that Congress or individual states will not approve legislation authorizing states to impose tax collection or reporting obligations on our activities. A successful assertion by one or more states that we should collect sales tax could result in substantial tax liabilities related to past sales and would result in considerable administrative burdens and costs for us.

We are subject to laws of the United States and foreign jurisdictions relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions, and failure to comply with those laws could subject us to legal actions and materially adversely affect our results of operations and financial condition.

We process, support and execute financial transactions, and disburse funds, on behalf of both government and commercial customers, often in partnership with financial institutions. This activity includes receiving debit and credit card information, processing payments for and due to our customers and disbursing funds on payment or debit cards to payees of our customers. As a result, the transactions we process may be subject to numerous United States (both federal and state) and foreign jurisdiction laws and regulations, including the Electronic Fund Transfer Act, as amended, the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as amended, the Gramm-Leach-Bliley Act, as amended, and the USA PATRIOT ACT of 2001, as amended. Other United States (both federal and state) and foreign jurisdiction laws apply to our processing of certain financial transactions and related support services. These laws are subject to frequent changes, and new statutes and regulations in this area may be enacted at any time. Changes to existing laws, the introduction of new laws in this area or failure to comply with existing laws that are applicable to us may subject us to, among other things, additional costs or changes to our business practices, liability for monetary damages, fines and/or criminal prosecution, unfavorable publicity, restrictions on our ability to process and support financial transactions and allegations by our customers, partners and clients that we have not performed our contractual obligations. Any of these could materially adversely affect our results of operations and financial condition.

The Reverse Stock Split may decrease the liquidity of the shares of our Common Stock and the resulting market price of our Common Stock may not attract or satisfy the investing requirements of new investors, including institutional investors.

Effective January 25, 2021, we completed the Reverse Stock Split. The effect of the Reverse Stock Split upon the future market price of our Common Stock cannot be predicted with certainty. The liquidity of the shares

of our Common Stock may also be affected adversely by the Reverse Stock Split given the reduced number of shares outstanding following the Reverse Stock Split. Additionally, the Reverse Stock Split may increase the number of shareholders who own odd lots (less than 100 shares) of our Common Stock, creating the potential for such shareholders to experience an increase in the cost of selling their shares and greater difficulty effecting such sales. Moreover, there can be no assurance that the Reverse Stock Split will result in a share price that will attract new investors, including institutional investors, and there can be no assurance that the market price of our Common Stock will satisfy the investing requirements of these investors. Consequently, the trading liquidity of our Common Stock may not necessarily improve as a result of the Reverse Stock Split.

General Risk Factors

Our results of operations could in the future be materially adversely impacted by the coronavirus pandemic (COVID-19) or similar public health events.

Our results of operations could in the future be materially adversely impacted by the coronavirus pandemic (COVID-19) or similar public health events. While we remain hopeful that the effects of the coronavirus pandemic on our world and our business will subside with the continuing roll out of vaccines, we continue to have two priorities: the safety and wellbeing of our employees and their families, and maintaining our ability to provide services to our customers in these unprecedented times. The global spread of the coronavirus (COVID-19) has created significant volatility and uncertainty and economic disruption. The extent to which the coronavirus pandemic will continue to impact our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the impact of the pandemic on economic activity and actions taken in response; the effect on our customers and customer demand for our services and solutions; our ability to sell and provide our services and solutions, including as a result of travel restrictions and people working from home; the ability of our customers to pay for our services and solutions; and any closures of our and our customers' offices and facilities. The spread of the coronavirus has caused us to modify our business practices (including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers and business partners.

Our results of operations could be adversely affected by economic and political conditions, creating complex risks, many of which are beyond our control.

Our business depends on the continued demand for our services, and if current global economic conditions worsen, our business could be adversely affected by our customers' financial condition and level of business activity. Along with our customers we are subject to global political, economic and market conditions, including inflation, interest rates, energy costs, the impact of natural disasters, disease, military action and the threat of terrorism. In particular, we currently derive, and are likely to continue to derive, a significant portion of revenues from customers located in North America and EMEA. Any future decreases in the general level of economic activity in these markets, such as decreases in business and consumer spending and increases in unemployment rates as we experienced as a result of the COVID-19 pandemic, could result in a decrease in demand for our services, thus reducing our revenue. For example, certain customers may decide to reduce or postpone their spending on the services we provide, and we may be forced to lower our prices. Other developments in response to economic events, such as consolidations, restructurings or reorganizations, particularly involving our customers, could also cause the demand for our services to decline, negatively affecting the amount of business that we are able to obtain or retain. We may not be able to predict the impact such conditions will have on the industries we serve and may be unable to plan effectively for or respond to such impact. In response to economic and market conditions, from time to time we have undertaken or may undertake initiatives to reduce our cost structure where appropriate, such as consolidation of resources to provide functional region-wide support to our international subsidiaries in a centralized fashion. These initiatives, as well as any future workforce and facilities reductions we may implement, may not be sufficient to meet current and future changes in economic and market conditions and allow us to continue to achieve the growth rates expected. In addition, costs actually incurred in connection with certain restructuring actions may be higher than our estimates of such costs and/or may not lead to the anticipated cost savings.

In addition, any future disruptions or turbulence in the global credit markets may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers. Such disruptions may limit our ability to access financing, increase the cost of financing needed to meet liquidity needs and affect the ability of our customers to use credit to purchase our services or to make timely payments to us, adversely affecting our financial condition and results of operations.

Cybersecurity issues, vulnerabilities, and criminal activity resulting in a data or security breach could result in risks to our systems, networks, products, solutions and services resulting in liability or reputational damage.

We collect and retain large volumes of internal and customer data, including personally identifiable information and other sensitive data both physically and electronically, for business purposes, and our various information technology systems enter, process, summarize and report such data. We also maintain personally identifiable information about our employees. Safeguarding customer, employee and our own data is a key priority for us, and our customers and employees have come to rely on us for the protection of their personal information. Augmented vulnerabilities, threats and more sophisticated and targeted cyber-related attacks pose a risk to our security and the security of our customers, partners, suppliers and third-party service providers, and to the confidentiality, availability and integrity of data owned by us or our customers. Despite our efforts to protect sensitive, confidential or personal data or information, we may be vulnerable to material security breaches, theft, misplaced or lost data, programming errors, employee errors and/or malfeasance that could potentially lead to the compromise of sensitive, confidential or personal data or information, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational disruptions. Despite protective measures, we may not be successful in preventing security breaches which compromise the confidentiality and integrity of this data. While an attempt is made to mitigate these risks by employing a number of measures, including employee training, monitoring and testing, and maintenance of protective systems and contingency plans, we remain vulnerable to such threats. The risk of such threats may be heightened as a result of the extended period of remote work arrangements occasioned by the COVID-19 pandemic.

The sensitive, confidential or personal data or information that we have access to is also subject to privacy and security laws, regulations or customer-imposed controls. The regulatory environment, as well as the requirements imposed on us by the industries we serve governing information, security and privacy laws is increasingly demanding. Maintaining compliance with applicable security and privacy regulations may increase our operating costs and/or adversely impact our ability to provide services to our customers. Furthermore, a compromised data system or the intentional, inadvertent or negligent release or disclosure of data could result in theft, loss, fraudulent or unlawful use of customer, employee or our data which could harm our reputation or result in remedial and other costs, fines or lawsuits. In addition, a cyber-related attack could result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action. Fraud, employee negligence, and unauthorized access, including, malfunctions, viruses and other events beyond our control, may lead to the misappropriation or unauthorized disclosure of sensitive or confidential information we process, store and transmit, including personal information, for our customers, failure to prevent or mitigate data loss or other security breaches, including breaches of our vendors' technology and systems, could expose us or our customers to a risk of loss or misuse of such information, adversely affect our operating results, result in litigation or potential liability for us and otherwise harm our business. As a result, we may be subject to monetary damages, regulatory enforcement actions or fines under federal legislation, such as, the Gramm-Leach-Bliley Act and HIPAA, as well as various states' laws, such as the California Consumer Privacy Act ("CCPA"), which became effective on January 1, 2020 or under the GDPR in Europe. Similarly, regulations such as the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009 expand the obligations of "covered entities" and their business associates, including certain mandatory breach notification requirements. In addition to any legal liability, data or security breaches may lead to negative publicity, reputational damage and otherwise adversely affect the results of our operations.

Our industry may be adversely impacted by a negative public reaction in the U.S. and elsewhere to providing certain of our services from outside the U.S. and related legislation.

We have based our strategy of future growth on certain assumptions regarding our industry and future demand in the market for the provision of business process solutions in part using offshore resources. However, providing services from offshore locations is a politically sensitive topic in the U.S. and elsewhere, and many organizations and public figures have publicly expressed concern about a perceived association between offshore service providers and the loss of jobs in their home countries. In addition, there has been some publicity about the negative experience of certain companies that provide their services offshore, particularly in India. The trend of providing business process solutions offshore may not continue and could reverse if companies elect to develop and perform their business processes internally or are discouraged from transferring these services to offshore service providers. Any slowdown or reversal of existing industry trends could negatively affect the amount of business that we are able to obtain or retain, and could have a material and adverse effect on our business, results of operations, financial condition and cash flows.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), and the listing standards of the Nasdaq Stock Market. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly, and place significant strain on our personnel, systems and resources. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of management evaluations of our internal control over financial reporting that we are required to include in our periodic reports that we file with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Common Stock. In addition, if we are unable to meet these requirements, we may not be able to remain listed on the Nasdaq Stock Market.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020 and based on its assessment, our management, including our CEO and CFO, has concluded that our internal control over financial reporting was not effective as of December 31, 2020 due to material weaknesses in our internal control over financial reporting. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results and cause a decline in the price of our Common Stock.

Internal control matters are more fully discussed in Part II—Item 9A—Controls and Procedures of this Annual Report.

If we are unable to attract, train and retain skilled professionals, including highly skilled technical personnel to satisfy customer demand and senior management to lead our business globally, our business and results of operations may be materially adversely affected.

Our success is dependent, in large part, on our ability to keep our supply of skilled professionals, including project managers, IT engineers and senior technical personnel, in balance with customer demand around the world and on our ability to attract and retain senior management with the knowledge and skills to lead our business globally. Each year, we must hire several hundred new professionals and retrain, retain, and motivate our workforce across the globe. Competition for skilled labor is intense and, in some jurisdictions in which we operate, there are more jobs for certain professionals than qualified persons to fill these jobs. Costs associated with recruiting and training professionals can be significant. If we are unable to hire or deploy employees with the needed skillsets or if we are unable to adequately equip our employees with the skills needed, this could materially adversely affect our business. Additionally, if we are unable to maintain an employee environment that is competitive and contemporary, it could have an adverse effect on engagement and retention, which may materially adversely affect our business. If more stringent labor laws become applicable to us or if a significant number of our employees unionize, our profitability may be adversely affected.

Increased labor costs due to competition, increased minimum wage or employee benefits costs (including various federal, state and local actions to increase minimum wages), unionization activity or other factors would adversely impact our cost of sales and operating expenses. For example, as minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees but also the wages paid to employees at wage rates that are above minimum wage. As a result, we anticipate that our labor costs will continue to increase.

We are also subject to applicable rules and regulations relating to our relationship with our employees, including minimum wage and break requirements, health benefits, unemployment and sales taxes, overtime, and working conditions and immigration status. Legislated increases in the minimum wage and increases in additional labor cost components, such as employee benefit costs, workers' compensation insurance rates, compliance costs and fines, as well as the cost of litigation in connection with these regulations, would increase our labor costs. Should our employees become represented by unions, we would be obligated to bargain with those unions with respect to wages, hours, and other terms and conditions of employment, which could increase our labor costs. Moreover, as part of the process of union organizing and collective bargaining, strikes and other work stoppages may occur, which could cause disruption to our business. In addition, many employers have been subject to actions brought by governmental agencies and private individuals under wage-hour laws on a variety of claims, such as improper classification of workers as exempt from overtime pay requirements and failure to pay overtime wages or record breaks properly, with such actions sometimes brought as class actions or under "private attorney general" statutes. These actions can result in material liabilities and expenses. Should we be subject to employment litigation, such as actions involving wage-hour, overtime, break, and working time, we may distract our management from business matters and result in increased labor costs. If costs of labor increase significantly, our business, results of operations, and financial condition may be adversely affected.

New, more stringent privacy and data security regulations may have a negative impact on our business.

Any inability to adequately address privacy and security concerns could result in expenses and liability, and adverse impact on us. Moreover, international privacy and data security regulations may become more complex and have greater consequences. For instance, as of May 25, 2018, the General Data Protection Regulation, or GDPR, has replaced the Data Protection Directive with respect to the collection and use of personal data of data subjects in the EU. The GDPR applies extra territorially and imposes several stringent requirements for controllers and processors of personal data, including, for example, higher standards for obtaining consent from individuals to process their personal data, more robust disclosures to individuals and a strengthened individual data rights regime, shortened timelines for data breach notifications, limitations on retention of information, increased requirements pertaining to health data, other special categories of personal data and pseudonymized (i.e., key-coded) data and additional obligations when we contract third-party processors in connection with the processing of the personal data. The GDPR provides that EU member states may make their own further laws and regulations limiting the processing of personal data, including genetic, biometric or health data, which could limit our ability to use and share personal data or could cause our costs could increase, and harm our business and financial condition. Failure to comply with the requirements of GDPR and the applicable national data protection laws of the EU Member States may result in fines of up to €20,000,000 or up to 4%

of the total worldwide annual turnover of the preceding financial year, whichever is higher, and other administrative penalties.

Similar to the GDPR, the CCPA, which became effective January 1, 2020, grants California residents with several new rights relating to their personal information. The CCPA applies to businesses that conduct business in California and satisfies one of three financial conditions, including a business that has a gross revenue greater than \$25 million. The CCPA sets forth several data protection obligations for applicable businesses, including, but not limited to the obligations to inform a consumer, at or before collection, of the purpose and intended use of the collection; and to delete a consumer's personal information upon request. As for penalties and fines, the CCPA establishes a private right of action for serious data breaches, which allows consumers the right to seek damages. The CCPA also allows the California Attorney General to bring actions against non-compliant businesses with fines of \$2,500 per violation or, if intentional, up to \$7,500 per violation.

Any future failure by us to comply with the GDPR and/or CCPA could have a material adverse effect on our business, results of operations or financial condition. Further, as the GDPR and CCPA have recently come into effect, enforcement priorities and interpretation of certain provisions are still unclear. Industry groups also impose self-regulatory standards that bind us by their incorporation into the contracts we execute. For example, should we fail to be compliant with the PCIDSS we may be subject to fines and other penalties.

Failure to comply with the U.S. Foreign Corrupt Practices Act, or the FCPA, economic and trade sanctions, regulations, and similar laws could subject us to penalties and other adverse consequences.

We operate internationally, and we are subject to anti-corruption laws and regulations, including the FCPA, the U.K. Bribery Act and other laws that prohibit the making or offering of improper payments to foreign government officials and political figures, including anti-bribery provisions enforced by the Department of Justice and accounting provisions enforced by the SEC. These laws prohibit improper payments or offers of payments to foreign governments and their officials and political parties by the U.S. and other business entities for the purpose of obtaining or retaining business. We have implemented policies to identify and address potentially impermissible transactions under such laws and regulations; however, there can be no assurance that all of our and our subsidiaries' employees, consultants, and agents, including those that may be based in or from countries where practices that violate U.S. or other laws may be customary, will not take actions in violation of our policies, for which we may be ultimately responsible. We are also subject to certain economic and trade sanctions programs that are administered by the Department of Treasury's Office of Foreign Assets Control, or OFAC, which prohibit or restrict transactions to or from or dealings with specified countries, their governments, and in certain circumstances, their nationals, and with individuals and entities that are specially-designated nationals of those countries, narcotics traffickers, and terrorists or terrorist organizations. Our subsidiaries may be subject to additional foreign or local sanctions requirements in other relevant jurisdictions.

Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect our business, investments and results of operations.

We are subject to laws, regulations and rules enacted by national, regional and local governments and Nasdaq. In particular, we are required to comply with certain SEC, Nasdaq and other legal or regulatory requirements. Compliance with, and monitoring of, applicable laws, regulations and rules may be difficult, time consuming and costly. Those laws, regulations and rules and their interpretation and application may also change from time to time and those changes could have a material adverse effect on our business, investments and results of operations. In addition, a failure to comply with applicable laws, regulations and rules, as interpreted and applied, could have a material adverse effect on our business and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease and own numerous facilities worldwide with larger concentrations of space in Texas, Michigan, Connecticut, California, India, Mexico, the Philippines, and China. The size of our active property portfolio as of December 31, 2020 was approximately 3.9 million square feet (sq. ft.) comprised of 143 leased properties and 9 owned properties, including offices, sales offices, service locations, and production facilities. Many of our operating facilities are equipped with fiber connectivity and have access to other power sources. Substantially all of our operations facilities are leased under long term leases with varying expiration dates, except for the following owned locations: (i) two operations facilities in India with a combined building area of approximately 78,000 sq. ft., respectively, (ii) an operating facility in Georgiana, Alabama with an approximate building area of 20,000 sq. ft., (iii) an operating facility in Tallahassee, Florida consisting of four buildings with a combined building area of approximately 21,000 sq. ft., (iv) an operating facility in Troy, Michigan that will serve as the Company's primary data center with an approximate building area of 66,000 sq. ft. (v) an operating facility in Egham, England with an approximate building area of 11,000 sq. ft., and (vi) an innovation center in New York, NY with an approximate building area of 2,200 sq. ft. We also maintain an operating presence at approximately 900 customer sites.

Our properties are suitable to deliver services to our customers for each of our business segments. Our management believes that all of our properties and facilities are well maintained.

ITEM 3. LEGAL PROCEEDINGS

Appraisal Action

On September 21, 2017, former stockholders of SourceHOV, who owned 10,304 shares of SourceHOV common stock, filed an Appraisal Action. The Appraisal Action arose out of a preliminary transaction in connection with the Novitex Business Combination, and the petitioners sought, among other things, a determination of the fair value of their shares at the time of the Novitex Business Combination; an order that SourceHOV pay that value to the petitioners, together with interest at the statutory rate; and an award of costs, attorneys' fees, and other expenses. During the trial the parties and their experts offered competing valuations of the SourceHOV shares as of the date of the Novitex Business Combination. SourceHOV argued the value was no more than \$1,633.85 per share and the appraisal petitioners argued the value was at least \$5,079.28 per share. On January 30, 2020, the Court issued its post-trial Memorandum Opinion in the Appraisal Action, in which it found that the fair value of SourceHOV as of the date of the Novitex Business Combination was \$4,591 per share, and on March 26, 2020, the Court issued its final order awarding the petitioners \$57,698,426 inclusive of costs and interest. Per the Court's opinion, the legal rate of interest, compounded quarterly, accrues on the per share value from the July 2017 closing date of the Novitex Business Combination until the date of payment to petitioners. As of December 31, 2020, the Company has accrued a liability of \$60.7 million for the Appraisal Action based on management's best estimate of SourceHOV's total payment obligation including accrued interest as of such date.

SourceHOV appealed the judgment in the Appraisal Action on June 30, 2020. On January 22, 2021, the Delaware Supreme Court affirmed the judgment of the Delaware Court of Chancery in favor of the petitioners. To date, SourceHOV has not paid the judgment in the Appraisal Action, and the petitioners have not been successful in their attempts to collect on the judgment against SourceHOV.

The appraisal petitioners have filed additional actions to recognize the judgment against SourceHOV, an action alleging unjust enrichment and seeking restitution and to pierce the corporate veil and seek alter ego liability against Exela Technologies, Inc. and over 50 alleged subsidiaries and/or affiliates in an attempt to collect the award in the Appraisal Action from entities other than SourceHOV, and an action against SourceHOV and certain of its directors and officers alleging creditor derivative claims relating to the Company's securitization facilities. In early February 2021, petitioners also filed a motion for a preliminary injunction in the derivative action in which they seek a court order freezing certain property and prohibiting certain transfers and payments by Exela subsidiaries other than SourceHOV, including preventing them from paying their creditors unless the payments are made equally among Exela's other creditors and toward the Appraisal Action liability. Although the Company believes that it has valid defenses to these ancillary proceedings and has moved to dismiss them, there can be no assurance that the Company will be successful.

Based on the status of the ancillary proceedings, the Company believes that this matter may not be fully resolved through the courts within the next four fiscal quarters.

Class Action

On March 23, 2020, the Plaintiff, Bo Shen, filed a putative class action against the Company, Ronald Cogburn, the Company's Chief Executive Officer, and James Reynolds, the Company's former Chief Financial Officer. Plaintiff claims to be a current holder of 1,333 shares of Company stock, purchased on October 4, 2019 at \$4.02/share. Plaintiff asserts two claims covering the purported class period of March 16, 2018 to March 16, 2020: (1) a violation of Section 10(b) and Rule 10b-5 of the Exchange Act against all defendants; and (2) a violation of Section 20(a) of the Exchange Act against Mr. Cogburn and Mr. Reynolds. The allegations stem from the Company's press release, dated March 16, 2020 (announcing the postponement of the earnings call and delay in filing of its annual report on Form 10-K for the fiscal year ended December 31, 2019), and press release and related SEC filings, dated March 17, 2020 (announcing its intent to restate its financial statements for 2017, 2018 and interim periods through September 30, 2019). At this early stage in the litigation, it is not practicable to render an opinion about whether an unfavorable outcome is probable or remote with respect to this matter; however, the Company has moved to dismiss the case and believes it has meritorious defenses and will vigorously assert them.

Derivative Action

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 set forth in the *Shen* securities class action lawsuit, described above. At this time, it is not practicable to render an opinion about whether an unfavorable outcome is probable or remote with respect to this matter; however, the Company believes it has meritorious defenses and will vigorously assert them.

Other

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our Common Stock is traded on the Nasdaq under the symbol "XELA." Set forth below is the high and low sales price of our Common Stock during the periods presented. Prices are reported on a "last sale" basis. The prices have been adjusted to reflect a one share-for-three shares reverse stock split which became effective on January 25, 2021:

	Sales Price	
	High	Low
Year Ended December 31, 2020		
Fourth Quarter	\$ 1.95	\$ 1.02
Third Quarter	2.28	0.99
Second Quarter	2.61	0.36
First Quarter	1.62	0.27
Year Ended December 31, 2019		
Fourth Quarter	\$ 4.89	\$ 0.81
Third Quarter	9.60	3.27
Second Quarter	12.00	4.95
First Quarter	14.04	9.36

In order for us to maintain the listing of our shares of Common Stock on the Nasdaq, our Common Stock must maintain a minimum bid price of \$1.00 as set forth in NASDAQ Marketplace Rule 5550(a)(2). (the "Minimum Price Requirement"). If the closing bid price of our Common Stock is below \$1.00 for 30 consecutive trading days, then the closing bid price of the Common Stock must be \$1.00 or more for 10 consecutive trading days during a 180-day grace period to regain compliance with the rule. Previously, we were not in compliance with the Minimum Price Requirement but regained compliance following the Reverse Stock Split. We cannot guarantee that we will be able to remain in compliance with the Minimum Price Requirement in the future or satisfy other continued listing requirements. If our Common Stock is delisted from trading on the Nasdaq, it may be eligible for trading over-the-counter, but the delisting of our Common Stock from the Nasdaq could adversely impact the liquidity and value of our Common Stock.

On March 15, 2021, the Company entered into a securities purchase agreement with institutional investors for the purchase and sale of 9,731,819 shares of Common Stock at a price of \$2.75 per share and warrants to purchase 9,731,819 shares of Common Stock at an exercise price of \$4.00 per share. The offering closed on March 18, 2021.

Stockholders

As of March 18, 2021 we had 66 record holders of our Common Stock.

Dividends

We have not paid any cash dividends on shares of our Common Stock. The payment of cash dividends in the future will be dependent upon our revenues and earnings, capital requirements, general financial condition, and is within the discretion of our board of directors.

Equity Compensation Plan Information

The following table provides information as of December 31, 2020, with respect to the shares of our Common Stock that may be issued under our existing equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options and RSUs	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans(1)
Equity compensation plans approved by stockholders	1,662,155	11.89	794,885
Equity compensation plans not approved by stockholders	—	—	—
Total	1,662,155	11.89	794,885

(1) The Company currently maintains the 2018 Stock Incentive Plan, which was approved by our board of directors on December 19, 2017 and subsequently approved by a majority of our stockholders by written consent on December 20, 2017. The 2018 Stock Incentive Plan became effective on January 17, 2018 and there were originally 2,774,589 shares of our Common Stock reserved for issuance under our 2018 Stock Incentive Plan.

Sale of Unregistered Securities

There were no unregistered sales of equity securities in 2020 that have not been previously reported in a Quarterly Report on Form 10-Q or Current Report on Form 8-K.

Issuer Purchases of Equity Securities

The table below sets forth information with respect to purchases made by or on behalf of us or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934) of shares of our Common Stock during the period of November 8, 2017 through the year ended December 31, 2020:

Period	Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(1)
Year Ended December 31, 2017				
Fourth Quarter	16,433	\$ 14.91	16,433	1,650,233
Year Ended December 31, 2018				
First Quarter	—	—	16,433	1,650,233
Second Quarter	256,231	14.57	272,664	1,394,002
Third Quarter	75,168	14.89	347,832	1,318,834
Fourth Quarter	501,896	10.76	849,728	816,938
Year Ended December 31, 2019				
First Quarter	—	—	849,728	816,938
Second Quarter	79,321	7.53	929,049	737,618
Third Quarter	—	—	929,049	737,618
Total	929,049	\$ 11.68	929,049	

(1) On November 8, 2017, the Company’s board of directors authorized a share buyback program (the “Share Buyback Program”), pursuant to which the Company was authorized to purchase up to 1,666,667 shares of its Common Stock

through various means, including, open market transactions, privately negotiated transactions or otherwise. The Share Buyback Program has expired. As of December 31, 2020, we had repurchased 929,049 shares of Common Stock under the Share Buyback Program. The Company records treasury stock using the cost method.

Reverse Stock Split

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

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, "Financial Statements and Supplementary Data" of this Annual Report in order to fully understand factors that may affect the comparability of the financial data. The following selected Consolidated Balance Sheet data as of December 31, 2020 and 2019 and selected Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018 are derived from our audited financial statements included in Item 8 of this Annual Report. The historical results do not necessarily indicate results expected for any future period.

(in thousands, except share and per share data)	Year Ended December 31,				
	2020	2019	2018	2017	2016
Statements of Operations Information:					
Revenue	\$ 1,292,562	\$ 1,562,337	\$ 1,586,222	\$ 1,145,891	\$ 789,926
Cost of revenue (exclusive of depreciation and amortization)	1,023,544	1,224,735	1,213,403	827,544	519,121
Selling, general and administrative expenses (exclusive of depreciation and amortization)	186,104	198,864	184,908	220,955	130,437
Depreciation and amortization	93,953	100,903	138,077	98,890	79,639
Impairment of goodwill and other intangible assets	—	349,557	48,127	69,437	—
Related party expense	5,381	9,501	12,403	33,431	10,493
Operating (loss) income	(16,420)	(321,223)	(10,696)	(104,366)	50,236
Other expense (income), net:					
Interest expense, net	173,878	163,449	155,991	129,676	109,414
Debt modification and extinguishment costs	9,589	1,404	1,067	35,512	—
Sundry expense (income), net	(153)	969	(3,271)	2,295	712
Other expense (income), net	(34,788)	14,429	(3,030)	(1,297)	—
Net loss before income taxes	(164,946)	(501,474)	(161,453)	(270,552)	(59,890)
Income tax (expense) benefit	(13,584)	(7,642)	(8,353)	61,068	11,787
Net loss	(178,530)	(509,116)	(169,806)	(209,484)	(48,103)
Dividend equivalent on Series A Preferred Stock related to beneficial conversion feature	—	—	—	(16,375)	—
Cumulative dividends for Series A Preferred Stock	(1,309)	(3,309)	(3,655)	(2,489)	—
Net loss attributable to common stockholders	(179,839)	(512,425)	(173,461)	(228,348)	(48,103)
Loss per share:					
Basic	(3.66)	(10.55)	(3.52)	(6.53)	(2.25)
Diluted	(3.66)	(10.55)	(3.52)	(6.53)	(2.25)
Weighted average number of shares outstanding (1):					
Basic	49,144,429	48,572,979	49,257,696	34,971,461	21,341,519
Diluted	49,144,429	48,572,979	49,257,696	34,971,461	21,341,519

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

(in thousands)	As of December 31,				
	2020	2019	2018	2017	2016
Balance Sheet Data:					
Cash and cash equivalents	\$ 68,221	\$ 6,198	\$ 36,206	\$ 39,000	\$ 8,361
Accounts receivable, net of allowance for doubtful accounts	206,868	261,400	270,812	229,704	138,421
Working capital	(131,446)	(147,056)	(123,502)	(68,634)	(41,404)
Total Assets	1,157,779	1,258,324	1,627,823	1,717,232	969,486
Long-term debt, net of current maturities	1,498,004	1,398,385	1,306,423	1,276,094	983,502
Total liabilities	2,084,311	2,001,365	1,869,082	1,769,029	1,309,387
Total stockholders' deficit	(926,532)	(743,041)	(241,259)	(51,797)	(339,901)

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

Forward Looking Statements

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with a review of the other Items included in this Annual Report and our December 31, 2020 Consolidated Financial Statements included elsewhere in this report. Certain statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" may be deemed to be forward-looking statements. See "Special Note Regarding Forward-Looking Statements."

Overview

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

History

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

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

Our Segments

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

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

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

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

Sale of Non-core Assets

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

Acquisitions

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

Revenues

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

People

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

As of December 31, 2020, we had approximately 19,000 employees globally, with 59% located in Americas and EMEA, and the remainder located primarily in India, the Philippines and China.

Costs associated with our employees represent the most significant expense for our business. We incurred personnel costs of \$632.4 million, \$721.9 million and \$687.3 million for the years ended December 31, 2020, 2019 and 2018, respectively. The majority of our personnel costs are variable and are incurred only while we are providing our services.

Facilities

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

The size of our active property portfolio as of December 31, 2020 was approximately 3.9 million square feet and comprised of 143 leased properties and 9 owned properties.

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

Key Performance Indicators

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

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

Revenue

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

EBITDA and Adjusted EBITDA

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

Results of Operations

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

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

Revenue

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

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

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

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

Cost of Revenue

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

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

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

Selling, General and Administrative Expenses

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

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

Depreciation & Amortization

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

Impairment of Goodwill and Other Intangible Assets

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

Related Party Expenses

Related party expense was \$5.4 million and \$9.5 million for the year ended December 31, 2020 and 2019, respectively. The lower related party expense in 2020 is attributable to the curtailment in reimbursements made to Ex-Sigma and Ex-Sigma 2. In 2019 the Company paid approximately \$4.3 million in respect of legal expenses, premium payments on the Margin Loan and other expenses related to secondary offerings that did not recur in 2020.

Interest Expense

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

Loss on Extinguishment of Debt

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

Sundry Expense (Income)

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

Other Expense (Income)

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

Income Tax Expense

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

Results of Operations

Year Ended December 31, 2019, Compared to Year Ended December 31, 2018

	Year Ended December 31,	
	2019	2018
Revenue:		
ITPS	\$ 1,234,284	\$ 1,273,647
HS	256,721	228,015
LLPS	71,332	84,560
Total revenue	<u>1,562,337</u>	<u>1,586,222</u>
Cost of revenue (exclusive of depreciation and amortization):		
ITPS	1,001,655	1,010,320
HS	180,045	151,877
LLPS	43,035	51,206
Total cost of revenues	<u>1,224,735</u>	<u>1,213,403</u>
Selling, general and administrative expenses (exclusive of depreciation and amortization)	198,864	184,908
Depreciation and amortization	100,903	138,077
Impairment of goodwill and other intangible assets	349,557	48,127
Related party expense	9,501	12,403
Operating loss	<u>(321,223)</u>	<u>(10,696)</u>
Interest expense, net	163,449	155,991
Debt modification and extinguishment costs	1,404	1,067
Sundry expense (income), net	969	(3,271)
Other expense (income), net	14,429	(3,030)
Net loss before income taxes	<u>(501,474)</u>	<u>(161,453)</u>
Income tax expense	<u>(7,642)</u>	<u>(8,353)</u>
Net loss	<u>\$ (509,116)</u>	<u>\$ (169,806)</u>

Revenue

Our revenue decreased \$23.9 million, or 1.5%, to \$1,562.3 million for the year ended December 31, 2019 compared to \$1,586.2 million for the year ended December 31, 2018. This decrease is primarily related to a decrease in our ITPS segment revenues of \$39.4 million and LLPS segment revenue of \$13.2 million. The decrease was partially offset by an increase in revenues in the HS segment by \$28.7 million. Our ITPS, HS, and LLPS segments constituted 79.0%, 16.4%, and 4.6% of our total revenue, respectively, for the year ended December 31, 2019, compared to 80.3%, 14.4%, and 5.3%, respectively, for the year ended December 31, 2018. The revenue changes by reporting segment were as follows:

ITPS—Revenues decreased \$39.4 million, or 3.1%, to \$1,234.3 million for the year ended December 31, 2019 compared to \$1,273.6 million for the year ended December 31, 2018. The decrease was primarily attributable to the low margin contract exit in the third quarter of 2018 and adverse currency impact that was offset partially by the revenue from acquisitions completed in 2018.

HS—Revenues increased \$28.7 million, or 12.6%, to \$256.7 million for the year ended December 31, 2019 compared to \$228.0 million for the year ended December 31, 2018. The increase was primarily attributable to the ramp up of new businesses.

LLPS—Revenues decreased \$13.2 million, or 15.6%, to \$71.3 million for the year ended December 31, 2019 compared to \$84.6 million for the year ended December 31, 2018. The decrease was primarily attributable to lower revenue resulting from legal claims administration services of \$11.3 million during the year ended December 31, 2019, compared to the year ended December 31, 2018.

Cost of Revenue

Cost of revenue increased \$11.3 million, or 0.9%, to \$1,224.7 million for the year ended December 31, 2019 compared to \$1,213.4 million for year ended December 31, 2018. The increase was primarily attributable to an increase in the HS segment of \$28.2 million that was offset by a decrease in the ITPS and LLPS segments of \$8.7 million and \$8.2 million respectively. The cost of revenue changes by operating segment was as follows:

ITPS—Cost of revenue decreased \$8.7 million, or 0.9%, to \$1,001.6 million for the year ended December 31, 2019 compared to \$1,010.3 million for year ended December 31, 2018. The decrease was attributable to the corresponding revenue decline and flow through of savings that was offset by cost inflation. Cost of revenue as a percentage of revenue increased by 190 basis points from 79.3% for the year ended December 31, 2018 to 81.2% for the year ended December 31, 2019.

HS—Cost of revenue was \$180.0 million for the year ended December 31, 2019, up \$28.2 million, or 18.5%, from \$151.9 million in for the year ended December 31, 2018. The increase was primarily attributable an increase in volumes and ramp up of the healthcare asset acquisition from 2018, including additions to our operational headcount for the large new deals. Cost of revenue as a percentage of revenue increased by 350 basis points from 66.6% for the year ended December 31, 2018 to 70.1% for the year ended December 31, 2019.

LLPS—Cost of revenue decreased \$8.2 million, or 16.0%, to \$43.0 million for the year ended December 31, 2019 compared to \$51.2 million for year ended December 31, 2018. The decrease was primarily attributable to the lower costs on the legal claims administration of \$5.8 million as a result of corresponding revenue decline. Cost of revenue as a percentage of revenue remained relatively flat from 60.6% for the year ended December 31, 2018 compared to 60.4% for the year ended December 31, 2019.

Selling, General and Administrative Expenses (“SG&A”)

Selling, general, and administrative expenses increased \$14.0 million, or 7.5%, to \$198.9 million for the year ended December 31, 2019 compared to \$184.9 million for the year ended December 31, 2018. The increase was primarily attributable to higher professional and legal expenses.

Depreciation & Amortization

Depreciation and amortization expense decreased \$37.2 million, or 26.9%, to \$100.9 million for the year ended December 31, 2019 compared to \$138.1 million for the year ended December 31, 2018. The decrease was primarily attributable to accelerated amortization of trademarks and trade name write off that ended on December 31, 2018.

Impairment of Goodwill and Other Intangible Assets

Impairment of goodwill and other intangible assets for the years ended December 31, 2019 and 2018 was \$349.6 million and \$48.1 million respectively. During the three months ended September 30, 2019, the Company made an evaluation based on factors such as changes in the Company’s growth rate and recent trends in the Company’s market capitalization, and concluded that a triggering event for an interim impairment analysis had occurred in the third quarter of 2019. As a result of the interim impairment assessment, the Company recorded an impairment charge to goodwill and trade names of \$96.2 million and \$1.0 million, respectively. Due to continued depressed market capitalization during the three months ended December 31, 2019, another triggering event resulted in additional impairment charge of \$252.4 million to goodwill at LLPS and ITPS reporting unit.

Related Party Expense

Related party expense decreased \$2.9 million, or 23.4%, to \$9.5 million for the year ended December 31, 2019 compared to \$12.4 million for the year ended December 31, 2018. The decrease was primarily attributable to an overall reduction in the expenses required to be reimbursed to Ex-Sigma 2 pursuant to the terms of the Consent, Waiver and Amendment.

Interest Expense

Interest expense increased \$7.5 million, or 4.8%, to \$163.4 million for the year ended December 31, 2019 compared to \$156.0 million for the year ended December 31, 2018. The increase was primarily attributable accrued interest for the Appraisal Action.

Loss on Extinguishment of Debt

Loss on extinguishment of debt for the years ended December 31, 2019 and 2018 was \$1.4 million and \$1.1 million. The Repricing and issuance of the 2019 and 2018 Incremental Term Loans resulted in the partial debt extinguishment, for which Exela recognized \$1.4 million and \$1.1 million in debt extinguishment costs.

Sundry Expense (income)

Sundry expense increased by \$4.2 million to \$1.0 million for the year ended December 31, 2019 compared to \$(3.3) million for the year ended December 31, 2018. The increase was mainly attributable to foreign currency transaction losses associated with exchange rate fluctuations.

Other Income

Other income for the years ended December 31, 2019 and 2018 was \$(14.4) million and \$3.0 million respectively. The decrease of \$17.5 million over the prior year period is primarily attributable to the Appraisal Action settlement expenses and an interest rate swap entered into in 2017. The interest rate swap was not designated as a hedge. As such, changes in the fair value of this derivative instrument are recorded directly in earnings.

Income Tax (Expense) Benefit

Income tax expense decreased \$0.7 million to \$7.6 million for the year ended December 31, 2019 compared to \$8.4 million for the year ended December 31, 2018. The December 31, 2019 federal tax expense is primarily due to the impact of the 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 define Adjusted EBITDA as EBITDA plus optimization and restructuring charges, including severance and retention expenses; transaction and integration costs; other non-cash charges, including non-cash compensation, (gain) or loss from sale or disposal of assets, and impairment charges; and management fees and expenses.

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

Note Regarding Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are not financial measures presented in accordance with GAAP. We believe that the presentation of these non-GAAP financial measures will provide useful information to investors in assessing our financial performance and results of operations as our board of directors and management use EBITDA and Adjusted EBITDA to assess our financial performance, because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization) and items outside the control of our management team. Net loss is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. Our non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measure. Each of

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

The following tables present a reconciliation of EBITDA and Adjusted EBITDA to our net loss, the most directly comparable GAAP measure, for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,		
	2020	2019	2018
Net Loss	\$ (178,530)	\$ (509,116)	\$ (169,806)
Taxes	13,584	7,642	8,353
Interest expense	173,878	163,449	155,991
Depreciation and amortization	93,953	100,903	138,077
EBITDA	102,885	(237,122)	132,615
Optimization and restructuring expenses (1)	45,616	73,936	54,235
Transaction and integration costs (2)	16,620	5,703	4,121
Non-cash equity compensation (3)	2,846	7,827	7,647
Other charges including non-cash (4)	26,154	21,382	25,554
Loss/(Gain) on sale of assets (5)	114	301	(867)
Loss/(Gain) on business disposals (6)	(44,595)	—	1,363
Debt modification and extinguishment costs	9,589	1,404	1,067
Loss/(Gain) on derivative instruments (7)	375	4,337	(1,897)
Contract costs (8)	4,317	17,046	4,212
Dissenting shareholders expense (relating to the Appraisal Action)	—	10,431	—
Litigation reserve	9,624	—	—
Impairment of goodwill and other intangible assets	—	349,557	48,127
Adjusted EBITDA	<u>173,545</u>	<u>254,802</u>	<u>276,177</u>

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

Liquidity and Capital Resources

Overview

Our primary source of liquidity is cash generated from operating activities, supplemented as necessary on a short-term basis by borrowings against our senior secured revolving credit facility and accounts receivable securitization facility. We believe our current level of cash and short-term financing capabilities along with future cash flows from operations are sufficient to meet the needs of the business. Under ASC Subtopic 205-40, *Presentation of Financial Statements—Going Concern* (“ASC 205-40”), the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. The following conditions raised substantial doubt about our ability to continue as a going concern: history of net losses, net operating cash outflows, working capital deficits, Appraisal Action liability, and the accumulated deficit. As previously reported, the Company has undertaken plans to improve our available cash balances, liquidity and cash generated from operations, as further outlined below, and the Company believes these plans alleviate the substantial doubt about the entity’s ability to continue as a going concern for at least twelve months from the date that the accompanying financial statements included elsewhere in this Form 10-K were issued. Going concern matters are more fully discussed in Note 2, *Basis of Presentation and Summary of Significant Accounting Policies*.

At December 31, 2020, cash and cash equivalents totaled \$70.3 million and we had no unutilized availability under our senior secured revolving credit facility.

We currently expect to spend approximately \$20.0 to \$25.0 million on total capital expenditures over the next twelve months. We will continue to evaluate additional capital expenditure needs that may arise due to changes in the business model due to COVID-19 and remote working. We believe that our operating cash flow and available borrowings under our credit facility will be sufficient to fund our operations for at least the next twelve months.

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

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

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

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

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

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

On March 26, 2020, the Delaware Court of Chancery entered a judgment against one of our subsidiaries in the amount of \$57.7 million inclusive of costs and interest arising out of the petition for appraisal pursuant to 8 Del. C. § 262 in the Delaware Court of Chancery, captioned Manichaeon Capital, LLC, et al. v. SourceHOV Holdings, Inc., C.A. No. 2017 0673 JRS (pursuant to which former stockholders of SourceHOV sought, among other things, a determination of the fair value of their 10,304 SourceHOV shares at the time of the Novitex Business Combination) (the “Appraisal Action”), which judgment will continue to accrue interest, until paid, at the legal rate, compounded quarterly. SourceHOV appealed the judgment to the Supreme Court of the State of Delaware on June 30, 2020. On January 22, 2021, the Delaware Supreme Court affirmed the judgment of the Delaware Court of Chancery in favor of the appraisal petitioners. As of December 31, 2020, the Company has accrued a liability of \$60.7 million for the Appraisal Action based on management’s best estimate of SourceHOV’s total payment obligation including accrued interest as of such date. To date, SourceHOV has not paid the judgment in the Appraisal Action, and the petitioners have not been successful in their attempts to collect on the judgment against SourceHOV.

The petitioners have filed additional actions seeking to enforce their award against SourceHOV, including an action alleging unjust enrichment and seeking restitution and to pierce the corporate veil and seek alter ego liability against Exela Technologies, Inc. and over 50 alleged subsidiaries and/or affiliates. The appraisal petitioners have filed additional actions to recognize the judgment against SourceHOV, an action alleging unjust enrichment and seeking restitution and to pierce the corporate veil and seek alter ego liability against Exela Technologies, Inc. and over 50 alleged subsidiaries and/or affiliates in an attempt to collect the award in the Appraisal Action from entities other than SourceHOV, and an action against SourceHOV and certain of its directors and officers alleging creditor derivative claims relating to the Company’s securitization facilities. In early February 2021, petitioners also filed a motion for a preliminary injunction in the derivative action in which they seek a court order freezing certain property and prohibiting certain transfers and payments by Exela subsidiaries other than SourceHOV, including preventing them from paying their creditors unless the payments are made equally among Exela’s other creditors and toward the Appraisal Action liability. If the petitioners are successful in their efforts to accelerate payment of the entire judgment, such action could have a material adverse effect on our liquidity and/or cause certain of our secured lenders to take action adverse to us.

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

On May 18, 2020, the Company amended the Prior Credit Agreement to, among other things, extend the time for delivery of its audited financial statements for the year ended December 31, 2019 and its financial statements for the quarter ended March 31, 2020. Pursuant to the amendment, the Company also amended the Prior Credit Agreement to, among other things: restrict the borrower and its subsidiaries’ ability to designate or invest in unrestricted subsidiaries; incur certain debt; create certain liens; make certain investments; pay certain dividends or other distributions on account of its equity interests; make certain asset sales or other dispositions (or utilize the proceeds of certain asset sales to

reinvest in the business); or enter into certain affiliate transactions pursuant to the negative covenants under the Credit Agreement. Further, pursuant to the amendment, the borrower under the Credit Agreement is also required to maintain a minimum Liquidity (as defined in the Credit Agreement) of \$35.0 million. On May 21, 2020, the Company also amended the A/R Facility to, among other things, extend the time for delivery of its audited financial statements for the year ended December 31, 2019 and its financial statements for the quarter ended March 31, 2020. Upon delivery of such financial statements, the Company became in compliance with the Credit Agreement, the indenture for its outstanding Notes and the A/R Facility with respect to the financial statement delivery requirements set forth therein.

On July 22, 2020 the Company completed the sale of its physical records storage and logistics business for a purchase price of \$12.3 million which can be used to acquire, maintain, develop, construct, improve, upgrade or repair assets useful in our business or to make certain investments and acquisitions as permitted by the Credit Agreement.

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

Cash Flows

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

	Year Ended December 31,		
	2020	2019	2018
Cash flows (used in) provided by operating activities	\$ (29,781)	\$ (63,851)	\$ 23,600
Cash flows (used in) provided by investing activities	21,438	(25,182)	(58,752)
Cash flows (used in) provided by financing activities	63,362	59,139	(2,605)
Subtotal	55,019	(29,894)	(37,757)
Effect of exchange rates on cash	1,191	139	122
Net increase/(decrease) in cash	<u>56,210</u>	<u>(29,755)</u>	<u>(37,635)</u>

Analysis of Cash Flow Changes between the years ended December 31, 2020, December 31, 2019, and December 31, 2018

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

Net cash used in operating activities was \$63.9 million for the year ended December 31, 2019, compared to \$23.6 million cash provided by operating activities for the year ended December 31, 2018. The decrease of \$87.5 million in cash flow from operating activities was primarily driven by increase in operating loss by \$49.2 million including \$35.2 million lower Gross profit and \$14.0 million higher selling, general and administrative expenses in 2019 as compared to 2018. “Gross profit” is defined as revenue less cost of revenue (exclusive of depreciation and amortization). The rest of the decline was driven mainly by working capital items including \$13.7 million pay down of accounts payables and \$13.6 million pay down of related party payables as compared to 2018.

Investing Activities— Net cash provided by investing activities was \$21.4 million for the year ended December 31, 2020, compared to cash used in investing activities of \$25.2 million for the year ended December 31, 2019. The increase of \$46.6 million in cash used in investing activities for the year ended December 31, 2020 was primarily due to \$50.1 million total cash proceeds received from asset sales, lower additions to Property, plant and equipment and

development of internal software offset by partial settlement of the liabilities related to the healthcare acquisition announced early in the first quarter of 2019.

Net cash used in investing activities was \$25.2 million for the year ended December 31, 2019, compared to cash used in investing activities of \$58.8 million for the year ended December 31, 2018. The decrease of \$33.6 million in cash used in investing activities was primarily due to a decrease in cash spent on acquisitions compared to previous year (in 2018 Company made three acquisitions in Europe and acquired certain healthcare assets) as well as lower capital expenditures to add Property, Plant & Equipment.

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

Net cash provided by financing activities was \$59.1 million for the year ended December 31, 2019, compared to cash used by financing activities of \$2.6 million for the year ended December 31, 2018. The increase of approximately \$61.7 million in cash provided by financing activities was primarily due to \$65 million of revolver draw during 2019.

Indebtedness

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

Senior Credit Facilities

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

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

The Repricing Term Loans bear interest at a rate per annum of, at the Company’s option, either (a) a LIBOR rate determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, subject to a 1.0% floor, or (b) a base rate determined by reference to the highest of

(i) the federal funds rate plus 0.5%, (ii) the prime rate and (iii) the one-month adjusted LIBOR plus 1.0%, in each case plus an applicable margin of 6.5% for LIBOR loans and 5.5% for base rate loans. The interest rates applicable to the Repricing Term Loans are 100 basis points lower than the interest rates applicable to the existing senior secured term loans that were incurred on July 12, 2017 pursuant to the Credit Agreement. The Repricing Term Loans will mature on July 12, 2023, the same maturity date as the existing senior secured term loans. As of December 31, 2020, the interest rate applicable for the first lien senior secured term loan was 8.3%.

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

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

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

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

Letters of Credit

As of December 31, 2020 and 2019, we had outstanding irrevocable letters of credit totaling approximately \$19.5 million and \$20.6 million, respectively, under the senior secured revolving facility.

Senior Secured Notes

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

Securitization Facilities

On January 10, 2020, certain subsidiaries of the Company entered into the \$160.0 million A/R Facility with a five year term. In the A/R Facility, (i) Exela Receivables 1, LLC (the “A/R Borrower”), a wholly-owned indirect subsidiary of the Company, entered into a Loan and Security Agreement (the “A/R Loan Agreement”), dated as of

January 10, 2020, with TPG Specialty Lending, Inc., as administrative agent (the “A/R Administrative Agent”), PNC Bank National Association, as LC Bank (the “A/R LC Bank”), the lenders (each, an “A/R Lender” and collectively the “A/R Lenders”) and the Company, as initial servicer, pursuant to which the A/R Lenders made loans (the “A/R Loan”) to the A/R Borrower used to purchase certain receivables and related assets from its sole member, Exela Receivables Holdco, LLC (the “A/R Parent SPE”), a wholly-owned indirect subsidiary of the Company, (ii) sixteen other indirect, wholly-owned U.S. subsidiaries of the Company (collectively, the “A/R Originators”) sold or contributed to the A/R Parent SPE certain receivables and related assets in consideration for a combination of cash, equity in the A/R Parent SPE and/or letters of credit issued by the A/R LC Bank to the A/R Originators; and (iii) the A/R Parent SPE sold or contributed to the Borrower certain receivables and related assets in consideration for a combination of cash, equity in the A/R Borrower and/or letters of credit issued by the LC Bank to the beneficiaries elected by A/R Parent SPE.

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

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

Each loan under the A/R Facility originally bore interest on the unpaid principal amount as follows: (1) if a Base Rate Loan, at 3.75% plus a rate equal to the greater of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50%, (c) the Adjusted LIBOR Rate (calculated based upon an Interest Period of one month and determined on a daily basis) plus 1.00%, and (d) 4.50% per annum and (2) if a LIBOR Rate Loan, 4.75% plus a floating LIBOR Rate with a 1.00% LIBOR floor. In connection with the above described amendments to the A/R Facility, the applicable margin of the Base Rate Loans was increased to 5.75% and the LIBOR Rate Loans was increased to 6.75%. As of December 31, 2020, there were no borrowings outstanding under the A/R Facility.

On December 17, 2020, the Company repaid in full the loans outstanding under the A/R Facility. The aggregate outstanding principal amount of loans under the A/R Facility as of such date was approximately \$83.0 million. The early termination of the A/R Facility triggered an early termination fee of \$0.8 million and required repayment of approximately \$0.5 million in respect of principal, accrued interest and fees. All obligations under the A/R Facility (other than contingent indemnification obligations that expressly survive termination) terminated upon repayment. The A/R Facility was replaced by the Securitization Facility as described below.

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

The Securitization Facility provided for an initial funding of approximately \$92.0 million supported by the receivables portion of the borrowing base and, subject to contribution, a further funding of approximately \$53.0 million supported by inventory and intellectual property. On December 17, 2020 the Company made the initial borrowing of approximately \$92.0 million under the Securitization Facility and used a portion of the proceeds to repay the A/R Facility and used the remaining proceeds for general corporate purposes.

The initial documentation for the Securitization Facility includes (i) a Loan and Security Agreement (the “Securitization Loan Agreement”), dated as of December 10, 2020, by and among Exela Receivables 3, LLC (the “Securitization Borrower”), a wholly-owned indirect subsidiary of the Company, the lenders (each, a “Securitization Lender” and collectively the “Securitization Lenders”), Alter Domus (US), LLC, as administrative agent (the “Securitization Administrative Agent”) and the Company, as initial servicer, pursuant to which the Securitization Lenders will make loans to the Securitization Borrower to be used to purchase receivables and related assets from the Securitization Parent SPE (as defined below), (ii) a First Tier Receivables Purchase and Sale Agreement (the, dated as of December 17, 2020, by and among Exela Receivables 3 Holdco, LLC (the “Securitization Parent SPE”), a wholly-owned indirect subsidiary of the Company, and certain other indirect, wholly-owned subsidiaries of the Company listed therein (collectively, the “Securitization Originators”), and the Company, as initial servicer, pursuant to which each Securitization Originator has sold or contributed and will sell or contribute to the Securitization Parent SPE certain receivables and related assets in consideration for a combination of cash and equity in the Securitization Parent SPE, (iii) a Second Tier Receivables Purchase and Sale Agreement, dated as of December 17, 2020, by and among, the Securitization Borrower, the Securitization Parent SPE and the Company, as initial servicer, pursuant to which Securitization Parent SPE has sold or contributed and will sell or contribute to the Securitization Borrower certain receivables and related assets in consideration for a combination of cash and equity in the Securitization Borrower, (iv) the Sub-Servicing Agreement, dated as of December 17, 2020, by and among the Company and each Securitization Originator, (v) the Pledge and Guaranty, dated as of the December 10, 2020, between the Securitization Parent SPE and the Administrative Agent, and (vi) the Performance Guaranty, dated as of December 17, 2020, between the Company, as performance guarantor, and the Securitization Administrative Agent (and together with all other certificates, instruments, UCC financing statements, reports, notices, agreements and documents executed or delivered in connection with the Securitization Loan Agreement, the “Securitization Agreements”).

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

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

Potential Future Transactions

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

Critical Accounting Policies and Estimates

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

Goodwill and other intangible assets: Goodwill and other intangible assets are initially recorded at their fair values. Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net assets acquired. Our goodwill at December 31, 2020 and 2019 was \$359.8 million. Goodwill and other intangible assets not subject to amortization are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Intangible assets with finite useful lives are amortized either on a straight-line basis over the asset's estimated useful life or on a basis that reflects the pattern in which the economic benefits of the intangible assets are realized.

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

We conduct our annual goodwill impairment tests on October 1st of each year, or more frequently if indicators of impairment exist. When performing the annual impairment test, we have the option of performing a qualitative or quantitative assessment to determine if an impairment has occurred. If a qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we would be required to perform a quantitative impairment test for goodwill. A quantitative test requires comparison of fair value of the reporting unit to its carrying value, including goodwill. We use a combination of the Guideline Public Company Method of the Market Approach and the Discounted Cash Flow Method of the Income Approach to determine the reporting unit fair value. For the Guideline Public Company Method, our annual impairment test utilizes valuation multiples of publicly traded peer companies. For the Discounted Cash Flow Method, our annual impairment test utilizes discounted cash flow projections using market participant weighted average cost of capital calculation. If the fair value of goodwill at the reporting unit level is less than its carrying value, an impairment loss is recorded for the amount by which a reporting unit's carrying amount exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit.

We conducted our annual goodwill impairment test for year 2020 on October 1, 2020 and concluded that there was no impairment in our goodwill and other intangible assets during the year. During the third quarter of 2019, the Company concluded that a triggering event for an interim impairment analysis had occurred as discussed above. As part of the interim impairment assessment performed on September 30, 2019, it was determined that the increase in the discount rate applied in the valuation was required to reflect current market dynamics and company-specific risk. This higher discount rate, in conjunction with revised long-term projections, resulted in lower than previously projected discounted long-term future cash flows for the reporting units which reduced the estimated fair value to below carrying

value. As a result of the interim impairment assessment in the third quarter, the Company recorded an impairment charge of \$87.9 million and \$8.3 million to goodwill at ITPS and LLPS reporting units, respectively. The Company did not perform a separate annual impairment test as of October 1, 2019 as the impairment test performed during the quarter-ended September 30, 2019 was one day from the annual impairment test date. Additionally, later during the fourth quarter of 2019, the Company conducted its annual budgeting process along with an update to its long-range plan. Following the completion of that process, the Company made an evaluation based on factors such as changes in the Company's growth rate and recent trends in the Company's market capitalization, concluding that a second triggering event for an impairment analysis had occurred. As a result, we performed another quantitative impairment test as of December 31, 2019, resulting in an additional goodwill impairment charge of \$229.7 million and \$22.7 million to goodwill at ITPS and LLPS reporting units, respectively. Therefore, as a result of these two impairment assessments in the third and fourth quarters of 2019, a total impairment charge of \$348.6 was recorded to goodwill for the year ended December 31, 2019.

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

In the process of reconciling the fair values of the Company's reporting units to its overall market capitalization, the Company used a combination of both quantitative and qualitative considerations, arriving at the implied control premium of 41.4%. The implied control premium was computed using the Company's closing stock price as of October 1, 2020.

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

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

The Tax Cuts and Jobs Act ("TCJA") was signed by the President of the United States and enacted into law on December 22, 2017. The TCJA significantly changes U.S. tax law by reducing the U.S. corporate income tax rate to 21% from 35%, adopting a territorial tax regime, creating new taxes on certain foreign sourced earnings and imposing a one-time transition tax on the undistributed earnings of certain non-U.S. subsidiaries.

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

Deferred income taxes are recognized on the tax consequences of temporary differences by applying enacted statutory tax rates applicable in future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities, as determined under tax laws and rates. A valuation allowance is provided when it is more likely than not that all or some portion of the deferred tax assets will not be realized. Due to numerous ownership changes, we are subject to limitations on existing net operating losses under Section 382 of the Internal Revenue Code (the “Code”). In the event we determine that we would be able to realize deferred tax assets that have valuation allowances established, an adjustment to the net deferred tax assets would be recognized as a component of income tax expense through continuing operations.

We engage in transactions (such as acquisitions) in which the tax consequences may be subject to uncertainty and examination by the varying taxing authorities. Significant judgment is required by us in assessing and estimating the tax consequences of these transactions. While our tax returns are prepared and based on our interpretation of tax laws and regulations, in the normal course of business the tax returns are subject to examination by the various taxing authorities. Such examinations may result in future assessments of additional tax, interest and penalties. For purposes of our income tax provision, a tax benefit is not recognized if the tax position is not more likely than not to be sustained based solely on its technical merits. Considerable judgment is involved in determining which tax positions are more likely than not to be sustained.

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

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

Recently Adopted and Recently Issued Accounting Pronouncements

See Note 2 to the consolidated financial statements.

Internal Controls and Procedures

As a publicly traded company, we are required to comply with the SEC’s rules implementing Section 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. For management’s assessment of internal control over financial reporting required by Item 308(a) of Regulation S-K for the year ended December 31, 2020 see Part II—Item 9A – Controls and Procedures for management’s report on the effectiveness of internal controls.

Off Balance Sheet Arrangements

At December 31, 2020 we had no material off balance sheet arrangements, except letters of credit described above under Liquidity and Capital Resources. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

The HGM Group and other former SourceHOV equity holders formed Ex-Sigma and its wholly-owned subsidiary, Ex-Sigma 2, to hold the Exela shares to be issued to SourceHOV as merger consideration upon the closing of the Novitex Business Combination and to invest in Exela immediately prior to the closing. Ex-Sigma 2 secured additional PIPE financing in the form of a \$55.8 million loan (the “Margin Loan”) that was used to purchase additional common and preferred shares from the Company to help meet the minimum cash requirements needed to close the Novitex Business Combination. As a result of these transactions, the Company issued 28,304,167 shares of Common

Stock to Ex-Sigma 2 at the closing, which represented approximately 54.9% ownership in the Company at that time and were pledged as collateral for the Margin Loan.

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

The Company was not the primary beneficiary because the Company did not have the power to direct the activities that most significantly impacted the economic performance of Ex-Sigma. Accordingly, the Company did not consolidate the financial statements of Ex-Sigma and did not have any assets or liabilities related to Ex-Sigma and the Company did not have an investment in Ex-Sigma. The Company reaffirmed its assessment as of December 31, 2020.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Risk

At December 31, 2020, we had \$1,538.0 million of debt outstanding, with a weighted average interest rate of 9.6%. Interest is calculated under the terms of our credit agreement based on the greatest of certain specified base rates plus an applicable margin that varies based on certain factors. Assuming no change in the amount outstanding, the impact on interest expense of a 1% increase or decrease in the assumed weighted average interest rate would be approximately \$15.4 million per year. In order to mitigate interest rate fluctuations with respect to term loan borrowings under the Credit Agreement, in November 2017, we entered into a three year one-month LIBOR interest rate swap contract with a notional amount of \$347.8 million, which at the time was the remaining principal balance of the term loan. The swap contract swaps out the floating rate interest risk related to the LIBOR with a fixed interest rate of 1.9275% effective January 12, 2018.

The interest rate swap, which is used to manage our exposure to interest rate movements and other identified risks, was not designated as a hedge. As such, changes in the fair value of the derivative are recorded directly to other expense (income), net. Other expense (income), net includes a gain of \$0.4 million and a loss of \$4.3 million related to changes in the fair value of the interest rate swap for the years ended December 31, 2020 and 2019, respectively.

Foreign Currency Risk

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

Market Risk

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements are included herein:

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Consolidated Balance Sheets as of December 31, 2020 and 2019.....	69
Consolidated Statements of Operations for the years ended December 31, 2020, 2019, and 2018	70
Consolidated Statements of Comprehensive Loss for the years ended December 31, 2020, 2019, and 2018	71
Consolidated Statements of Stockholders' Deficit for the years ended December 31, 2020, 2019, and 2018.....	72
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Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Exela Technologies, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive loss, stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Change in Accounting Principle

As discussed in Notes 2 and 7 to the consolidated financial statements, the Company has change its method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standards Codification Topic 842, Leases.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

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

Evaluation of Goodwill for potential impairment

As discussed in Notes 2 and 9 to the consolidated financial statements, goodwill is tested for impairment at the reporting unit level at least annually, or more frequently if indicators of impairment exist.

Goodwill is impaired if the carrying value exceeds the fair value of the reporting unit. Fair value of a reporting unit is estimated by management using the discounted cash flow method and the guideline public company method. To validate the reasonableness of the assumptions used in the two valuation methods, management performs a market capitalization reconciliation by comparing the determined fair value of all reporting units to the Company's market capitalization as of the date of the analysis. As of December 31, 2020, the Company's goodwill balance was \$360 million.

We identified the evaluation of the goodwill impairment as a critical audit matter. There was significant auditor judgment required to evaluate key assumptions related to the discounted cash flow method including the revenue forecasts, operating margins, and discount rates used in the discounted cash flow method. Additionally, significant auditor judgment was required to evaluate the control premium used in the market capitalization reconciliation.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design of certain internal controls related to the critical audit matter. This included controls related to the Company's goodwill impairment review process, including controls over the forecasted revenue growth rates, operating margins, and discount rates, as well as management's review of the control premium used in the market capitalization reconciliation. We evaluated the revenue forecasts and operating margins by comparing them to the historical performance of the respective reporting units, consistency with third party market and industry data or other third party analyses. We also evaluated the consistency of the forecasted cash flows with evidence obtained in other areas of the audit. We also compared the Company's historical forecasted revenue, operating margin, and working capital forecasts to their actual results to assess the Company's ability to accurately forecast. We tested the Company's reconciliation of the fair value of the reporting units to the market capitalization of the Company. We involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the discount rates by comparing the Company's inputs to publicly available data and assessing the resulting discount rates
- performed sensitivity analyses over the forecasted cash flows and discount rates to assess the impact of changes on the Company's fair value estimates for the reporting units
- evaluating the control premium used in the market capitalization reconciliation by comparing the Company's control premium to publicly available data for comparable company market transactions.

Going Concern

As discuss in Note 2 to the consolidated financial statements, management identified there were conditions that raised substantial doubt about the Company's ability to continue as a going concern for a period of one year from the date the financial statements were issued. The conditions that resulted in the substantial doubt being raised included a history of net losses, net operating cash outflows, a working capital deficit, significant interest payments, the Appraisal Action liability incurred, a requirement through its First Lien Credit Agreement to maintain a minimum liquidity of \$35 million, and an accumulated deficit. However, based on management's operating plan and resulting available liquidity, management believes the Company's liquidity is sufficient to fund operations and satisfy their financial obligations as they become due for at least one year from the financial statement issuance date. Therefore, the Company concluded these plans alleviate the substantial doubt that was raised about the Company's ability to continue as a going concern for at least twelve months from the date that the financial statements were issued.

We identified the evaluation of going concern as a critical audit matter. There was significant auditor judgment required in evaluating the Company's forecasted cash flows, and resulting available liquidity, throughout the measurement period. Specifically, this included revenue and operating margin forecasts, and working capital requirements.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design of certain internal controls related to the critical audit matter. This included controls related to the preparation of forecasted cash flows, including revenue and operating margin forecasts and working capital requirements. We evaluated the forecasted cash flows by comparing them to historical performance, consistency with third party market and industry data or other third-party analyses. We also evaluated the consistency of the cash flow forecasts utilized in evaluating goodwill for impairment. We also compared the Company's historical forecasted revenue, operating margin, and working capital to their actual results to assess the Company's ability to accurately forecast. We also assessed the probability and timing of forecasted cash outflows related to the settlement of current liabilities included in management's assessment.

/s/ KPMG LLP

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

Detroit, Michigan
March 22, 2021

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

	December 31,	
	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 68,221	\$ 6,198
Restricted cash	2,088	7,901
Accounts receivable, net of allowance for doubtful accounts of \$5,647 and \$4,975, respectively	206,868	261,400
Related party receivables and prepaid expenses	711	716
Inventories, net	14,314	19,047
Prepaid expenses and other current assets	31,091	23,663
Total current assets	323,293	318,925
Property, plant and equipment, net of accumulated depreciation of \$193,760 and \$176,995, respectively	87,851	113,637
Operating lease right-of-use assets, net	68,861	93,627
Goodwill	359,781	359,771
Intangible assets, net	292,664	342,443
Deferred income tax assets	6,606	12,032
Other noncurrent assets	18,723	17,889
Total assets	\$ 1,157,779	\$ 1,258,324
Liabilities and Stockholders' Equity (Deficit)		
Liabilities		
Current liabilities		
Accounts payable	\$ 76,027	\$ 86,167
Related party payables	97	1,740
Income tax payable	2,466	352
Accrued liabilities	126,399	121,553
Accrued compensation and benefits	63,467	48,574
Accrued interest	48,769	48,769
Customer deposits	21,277	27,765
Deferred revenue	16,377	16,282
Obligation for claim payment	29,328	39,156
Current portion of finance lease liabilities	12,231	13,788
Current portion of operating lease liabilities	18,349	25,345
Current portion of long-term debts	39,952	36,490
Total current liabilities	454,739	465,981
Long-term debt, net of current maturities	1,498,004	1,398,385
Finance lease liabilities, net of current portion	13,287	20,272
Pension liabilities, net	35,515	25,681
Deferred income tax liabilities	9,569	7,996
Long-term income tax liabilities	2,759	2,806
Operating lease liabilities, net of current portion	56,814	73,282
Other long-term liabilities	13,624	6,962
Total liabilities	2,084,311	2,001,365
Commitments and Contingencies (Note 14)		
Stockholders' equity (deficit)		
Common stock, par value of \$0.0001 per share; 1,600,000,000 shares authorized; 51,693,931 shares issued and 49,242,225 shares outstanding at December 31, 2020 and 51,212,945 shares issued and 50,283,896 shares outstanding at December 31, 2019	15	15
Preferred stock, par value of \$0.0001 per share; 20,000,000 shares authorized; 3,290,050 shares issued and outstanding at December 31, 2020 and 4,294,233 shares issued and outstanding at December 31, 2019	1	1
Additional paid in capital	446,739	445,452
Less: Common Stock held in treasury, at cost; 2,451,706 shares at December 31, 2020 and 929,049 shares at December 31, 2019	(10,949)	(10,949)
Equity-based compensation	52,183	49,336
Accumulated deficit	(1,390,038)	(1,211,508)
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	(7,419)	(7,329)
Unrealized pension actuarial losses, net of tax	(17,064)	(8,059)
Total accumulated other comprehensive loss	(24,483)	(15,388)
Total stockholders' deficit	(926,532)	(743,041)
Total liabilities and stockholders' deficit	\$ 1,157,779	\$ 1,258,324

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

Exela Technologies, Inc. and Subsidiaries
Consolidated Statements of Operations
For the years ended December 31, 2020, 2019 and 2018
(in thousands of United States dollars except share and per share amounts)

	Years ended December 31,		
	2020	2019	2018
Revenue	\$ 1,292,562	\$ 1,562,337	\$ 1,586,222
Cost of revenue (exclusive of depreciation and amortization)	1,023,544	1,224,735	1,213,403
Selling, general and administrative expenses (exclusive of depreciation and amortization)	186,104	198,864	184,908
Depreciation and amortization	93,953	100,903	138,077
Impairment of goodwill and other intangible assets	—	349,557	48,127
Related party expense	5,381	9,501	12,403
Operating loss	(16,420)	(321,223)	(10,696)
Other expense (income), net:			
Interest expense, net	173,878	163,449	155,991
Debt modification and extinguishment costs	9,589	1,404	1,067
Sundry expense (income), net	(153)	969	(3,271)
Other expense (income), net	(34,788)	14,429	(3,030)
Net loss before income taxes	(164,946)	(501,474)	(161,453)
Income tax expense	(13,584)	(7,642)	(8,353)
Net loss	\$ (178,530)	\$ (509,116)	\$ (169,806)
Cumulative dividends for Series A Preferred Stock	(1,309)	(3,309)	(3,655)
Net loss attributable to common stockholders	\$ (179,839)	\$ (512,425)	\$ (173,461)
Loss per share:			
Basic and diluted	\$ (3.66)	\$ (10.55)	\$ (3.52)

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

Exela Technologies, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2020, 2019 and 2018
(in thousands of United States dollars)

	Years ended December 31,		
	2020	2019	2018
Net loss	\$ (178,530)	\$ (509,116)	\$ (169,806)
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(90)	(906)	(6,204)
Unrealized pension actuarial gains (losses), net of tax	(9,005)	1,242	1,753
Total other comprehensive loss, net of tax	\$ (187,625)	\$ (508,780)	\$ (174,257)

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

Exela Technologies, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Deficit
December 31, 2018

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

	Common Stock		Preferred Stock		Treasury Stock		Additional Paid in Capital		Equity-Based Compensation		Foreign Currency Translation Adjustment		Accumulated Other Comprehensive Loss Unrealized		Total Stockholders' Deficit	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Balances at January 1, 2018	50,176,384	\$ 15	6,194,233	\$ 1	16,433	\$ (249)	—	\$ 445,452	\$ 34,085	\$ (219)	\$ (11,054)	—	—	—	—	—
Implementation of ASU 2014-09 (Note 2)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net loss January 1 to December 31, 2018	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity-based compensation	—	—	—	—	—	—	—	—	6,562	—	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(6,204)	—	—	—	—	—	—
Net realized pension actuarial gains, net of tax	—	—	—	—	—	—	—	—	—	—	—	—	1,753	—	—	—
RSU's exercised	42,307	—	—	—	—	—	—	—	256	—	—	—	—	—	—	—
Stock option expense	—	—	—	—	—	—	—	—	828	—	—	—	—	—	—	—
Preferred shares converted to common	662,256	—	(1,625,000)	—	—	—	—	—	—	—	—	—	—	—	—	—
Shares repurchased	(833,295)	—	—	—	833,295	(10,093)	—	—	—	—	—	—	—	—	—	—
Balances at December 31, 2018	50,047,652	\$ 15	4,569,233	\$ 1	849,728	\$ (10,342)	\$ 445,452	\$ 41,731	\$ (6,423)	\$ (9,301)	\$ (702,392)	\$ (241,259)	\$ (51,796)	\$ (12,759)	\$ (169,806)	\$ (6,204)

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

Exela Technologies, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Deficit
December 31, 2019

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

	Common Stock		Preferred Stock		Treasury Stock		Additional Paid in Capital	Equity-Based Compensation	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Loss		Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				Unrealized	Pension Actuarial Losses, net of tax	
Balances at January 1, 2019	50,047,652	\$ 15	4,569,233	\$ 1	849,728	\$ (10,342)	\$ 445,452	\$ 41,731	\$ (6,423)	\$ (9,301)	\$ (702,392)	\$ (241,259)
Net loss January 1 to December 31, 2019	—	—	—	—	—	—	—	—	—	—	(509,116)	(509,116)
Equity-based compensation	—	—	—	—	—	—	—	7,828	—	—	—	7,828
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(906)	—	—	(906)
Net realized pension actuarial gains, net of tax	—	—	—	—	—	—	—	—	—	—	—	—
RSUs vested	203,494	—	—	—	—	—	—	—	—	1,242	—	1,242
Withholding of employee taxes on vested RSUs	—	—	—	—	—	—	—	—	—	—	—	—
Shares repurchased	(79,321)	—	—	—	79,321	(607)	—	(223)	—	—	—	(223)
Preferred shares converted to common	112,071	—	(275,000)	—	—	—	—	—	—	—	—	(607)
Balances at December 31, 2019	50,283,896	\$ 15	4,294,233	\$ 1	929,049	\$ (10,949)	\$ 445,452	\$ 49,336	\$ (7,329)	\$ (8,059)	\$ (1,211,508)	\$ (743,041)

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

Exela Technologies, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Deficit
December 31, 2020

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

	Common Stock		Preferred Stock		Treasury Stock		Additional Paid in Capital		Equity-Based Compensation		Foreign Currency Translation Adjustment		Accumulated Other Comprehensive Loss		Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Paid in Capital	Compensation	Adjustment	net of tax	Unrealized	Pension Actuarial Losses,	Accumulated Deficit		
Balances at January 1, 2020	50,283,896	\$ 15	4,294,233	\$ 1	929,049	\$ (10,949)	\$ 445,452	\$ 49,336	\$ (7,329)	\$ (8,059)	\$ (1,211,508)	\$ (743,041)			
Net loss January 1 to December 31, 2020	—	—	—	—	—	—	—	—	—	—	—	—	(178,530)		
Equity-based compensation	—	—	—	—	—	—	—	2,846	—	—	—	—	2,846		
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(90)	—	—	—	(90)		
Net realized pension actuarial gains, net of tax	—	—	—	—	—	—	—	—	—	(9,005)	—	—	(9,005)		
Shares returned in connection with the Appraisal Action following repayment of Margin Loan	(1,523,578)	—	—	—	1,523,578	—	—	—	—	—	—	—	—		
Preferred shares converted to common shares	409,238	—	(1,004,183)	—	—	—	—	—	—	—	—	—	—		
Settlement gain on related party payable to Ex-Sigma 2	—	—	—	—	—	—	1,287	—	—	—	—	—	1,287		
RSUs vested	71,747	—	—	—	—	—	—	—	—	—	—	—	—		
Adjustment to number of shares withheld in lieu of tax obligation of RSU holders in the year 2018	921	—	—	—	(921)	—	—	—	—	—	—	—	—		
Balances at December 31, 2020	49,242,225	\$ 15	3,290,050	\$ 1	2,451,706	\$ (10,949)	\$ 446,739	\$ 52,183	\$ (7,419)	\$ (17,064)	\$ (1,390,038)	\$ (926,532)			

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

Exela Technologies, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2020, 2019 and 2018
(in thousands of United States dollars unless otherwise stated)

	Years ended December 31,		
	2020	2019	2018
Cash flows from operating activities			
Net loss	\$ (178,530)	\$ (509,116)	\$ (169,806)
Adjustments to reconcile net loss			
Depreciation and amortization	93,953	100,903	138,077
Original issue discount and debt issuance cost amortization	15,117	11,777	10,913
Debt modification and extinguishment costs	8,296	1,049	103
Impairment of goodwill and other intangible assets	—	349,557	48,127
Provision for doubtful accounts	422	4,304	2,767
Deferred income tax provision	7,940	1,093	3,220
Share-based compensation expense	2,846	7,827	7,647
Unrealized foreign currency losses	(414)	(511)	(1,180)
Loss (gain) on sale of assets	(43,338)	556	2,687
Fair value adjustment for interest rate swap	(375)	4,337	(2,540)
Change in operating assets and liabilities, net of effect from acquisitions			
Accounts receivable	54,538	4,410	(19,319)
Prepaid expenses and other assets	(1,379)	(4,825)	(2,820)
Accounts payable and accrued liabilities	12,015	(19,588)	8,815
Related party payables	(353)	(14,339)	918
Additions to outsource contract costs	(519)	(1,285)	(4,009)
Net cash provided by (used in) operating activities	(29,781)	(63,851)	23,600
Cash flows from investing activities			
Purchase of property, plant and equipment	(11,663)	(14,360)	(20,072)
Additions to internally developed software	(3,825)	(6,182)	(7,438)
Cash paid for acquisition, net of cash received	(12,500)	(5,000)	(34,810)
Cash paid for earnouts	(700)	—	—
Proceeds from sale of assets	50,126	360	3,568
Net cash provided by (used in) investing activities	21,438	(25,182)	(58,752)
Cash flows from financing activities			
Repurchases of Common Stock	—	(3,480)	(7,221)
Cash paid for equity issuance costs	—	—	(7,500)
Borrowings under factoring arrangement and Securitization Facilities	297,673	68,283	—
Principal repayment on borrowings under factoring arrangement and Securitization Facilities	(203,841)	(64,976)	—
Cash paid for withholding taxes on vested RSUs	(7)	(223)	—
Lease terminations	(337)	(318)	(592)
Cash paid for debt issuance costs	(16,205)	(7)	(130)
Principal payments on finance lease obligations	(12,758)	(20,465)	(16,068)
Borrowings from senior secured revolving facility	29,750	206,500	30,000
Repayments on senior secured revolving facility	(14,200)	(141,500)	(30,000)
Proceeds from senior secured term loans	—	29,850	30,000
Borrowings from other loans	29,260	39,153	11,557
Principal repayments on senior secured term loans and other loans	(45,973)	(53,678)	(12,651)
Net cash provided by (used in) financing activities	63,362	59,139	(2,605)
Effect of exchange rates on cash	1,191	139	122
Net decrease in cash and cash equivalents	56,210	(29,755)	(37,635)
Cash, restricted cash, and cash equivalents			
Beginning of period	14,099	43,854	81,489
End of period	<u>\$ 70,309</u>	<u>\$ 14,099</u>	<u>\$ 43,854</u>
Supplemental cash flow data:			
Income tax payments, net of refunds received	\$ 2,695	\$ 7,882	\$ 7,827
Interest paid	152,678	144,456	146,076
Noncash investing and financing activities:			
Assets acquired through right-of-use arrangements	4,372	10,732	14,920
Leasehold improvements funded by lessor	—	—	1,565
Settlement gain on related party payable to Ex-Sigma 2	1,287	—	—
Accrued capital expenditures	2,124	1,402	2,820

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

1. Description of the Business

Organization

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

The Company was originally incorporated in Delaware on July 15, 2014 as a special purpose acquisition company under the name Quinpario Acquisition Corp 2 (“Quinpario”) for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination involving Quinpario and one or more businesses or entities. On July 12, 2017 (the “Closing”), the Company consummated its business combination with SourceHOV Holdings, Inc. (“SourceHOV”) and Novitex Holdings, Inc. (“Novitex”) pursuant to the Business Combination Agreement, dated February 21, 2017, among the Company, Quinpario Merger Sub I, Inc., Quinpario Merger Sub II, Inc., SourceHOV, Novitex, HOVS LLC, HandsOn Fund 4 I, LLC and Novitex Parent, L.P., as amended (the “Novitex Business Combination”). In connection with the Closing, the Company changed its name from Quinpario Acquisition Corp 2 to Exela Technologies, Inc. Unless the context otherwise requires, the “Company” refers to the combined company and its subsidiaries following the Novitex Business Combination, “Quinpario” refers to the Company prior to the closing of the Novitex Business Combination, “SourceHOV” refers to SourceHOV prior to the Novitex Business Combination or SourceHOV on a standalone basis and “Novitex” refers to Novitex prior to the Novitex Business Combination.

2. Basis of Presentation and Summary of Significant Accounting Policies

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

Basis of Presentation

The accompanying consolidated financial statements and related notes to the consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) and in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”).

Principles of Consolidation

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

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

Company’s variable interest in Ex-Sigma: The HGM Group and other former SourceHOV equity holders formed Ex-Sigma LLC (the “Ex-Sigma”) and its wholly-owned subsidiary, Ex-Sigma 2 LLC (the “Ex-Sigma 2”), to

hold the Exela shares to be issued to SourceHOV as merger consideration upon the closing of the Novitex Business Combination and to invest in Exela immediately prior to the closing. Ex-Sigma 2 secured additional PIPE financing in the form of a \$55.8 million loan (the “Margin Loan”) that was used to purchase additional common and preferred shares from the Company to help meet the minimum cash requirements needed to close the Novitex Business Combination. As a result of these transactions, the Company issued 28,304,167 shares of Common Stock to Ex-Sigma 2 at the closing, which represented approximately 54.9% ownership in the Company at that time and were pledged as collateral for the Margin Loan.

The Company determined that Ex-Sigma was a variable interest entity and that the Company had a variable interest in Ex-Sigma through an expense reimbursement arrangement related to the Margin Loan and contained in the Consent, Waiver and Amendment dated June 15, 2017 by and among the Company, Quinpario Merger Sub I, Inc., Quinpario Merger Sub II, Inc., Novitex, Novitex Parent, L.P., Ex-Sigma, HOVS LLC and HandsOnFund 4 I, LLC, amending the Novitex Business Combination Agreement (the “Consent, Waiver and Amendment”). The Consent, Waiver and Amendment provided among other things for the Company to reimburse Ex-Sigma for costs and fees related to the maintenance of the Margin Loan, other than payments of principal, interest and original issue discount.

The Company was not the primary beneficiary because the Company did not have the power to direct the activities that most significantly impacted the economic performance of Ex-Sigma. Accordingly, the Company did not consolidate the financial statements of Ex-Sigma and did not have any assets or liabilities related to Ex-Sigma and the Company did not have an investment in Ex-Sigma. The Company reaffirmed its assessment as of December 31, 2020.

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

Use of Estimates in Preparation of the Financial Statements

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

Reverse Stock Split

On January 25, 2021, we effected a one-for-three reverse split (the “Reverse Stock Split”) of our issued and outstanding shares of common stock, par value \$0.0001 per share (“Common Stock”). As a result of the Reverse Split every three (3) shares of Common Stock issued and outstanding were automatically combined into one (1) share of issued and outstanding Common Stock, without any change in the par value per share. All information related to Common Stock, stock options, restricted stock units, warrants and earnings per share have been retroactively adjusted to give effect to the Reverse Stock Split for all periods presented.

Giving effect to the Reverse Split the Company’s issued and outstanding stock decreased from 147,511,430 to 49,242,225 and 150,851,689 to 50,283,896 at December 31, 2020 and 2019, respectively.

Going Concern

Under ASC Subtopic 205-40, *Presentation of Financial Statements—Going Concern* (“ASC 205-40”), the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its obligations as they become due within one year after the date that the financial statements are issued. As

required under ASC 205-40, management's evaluation should initially not take into consideration the potential mitigating effects of management's plans that have not been fully implemented as of the date the financial statements are issued. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

Substantial Doubt Raised

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

- history of net losses of \$178.5 million and \$509.1 million for the years ended December 31, 2020 and 2019, respectively. This is after considering a gain of \$35.5 million on the sale of SourceHOV Tax, LLC and a gain of \$8.7 million on the sale of our physical record storage and logistics business each recognized during the year ended December 31, 2020, and including goodwill and other intangible asset impairment of \$349.6 million, for the year ended December 31, 2019;
- net operating cash outflow of \$29.8 million and \$63.9 million in 2020 and 2019, respectively;
- working capital deficits of \$131.4 million as of December 31, 2020 and \$147.1 million as of December 31, 2019;
- significant cash payments for interest on our long-term debt of \$152.7 million in 2020 and a similar amount expected in 2021;
- a liability incurred of \$60.7 million for the Appraisal Action (as described further in Note 14);
- a requirement that the Company maintain a minimum of \$35.0 million in liquidity, at all times, to not be in default of the First Lien Credit Agreement, dated as of July 12, 2017, as amended and restated as of July 13, 2018 and as further amended and restated as of April 16, 2019 (the "Prior Credit Agreement" and as further amended and restated as of May 18, 2020, the "Credit Agreement"); and
- an adverse impact on the results of operations, financial condition and liquidity related to effect of COVID-19 pandemic.

Furthermore, under the terms of each of the Prior Credit Agreement, and the Indenture and First Supplemental Indenture (collectively, the "Indenture"), dated July 12, 2017, the Company was required to deliver to its lenders and bondholders the December 31, 2019 audited financial statements by April 14, 2020, which the Company failed to do. Such failure was an event of default under the Prior Credit Agreement if not cured within 30 days of receiving a notice of default. The Company received such notice on April 15, 2020. Additionally, under the terms of the A/R Facility (as described in Note 5), the Company was required to furnish to each lender the December 31, 2019 audited financial statements by May 11, 2020, which the Company failed to do.

On May 18, 2020, the Company amended the Prior Credit Agreement to, among other things, extend the time for delivery of its audited financial statements for the year ended December 31, 2019 and its financial statements for the quarter ended March 31, 2020. On May 21, 2020, the Company also amended the A/R Facility to, among other things, extend the time for delivery of its audited financial statements for the year ended December 31, 2019 and its financial statements for the quarter ended March 31, 2020. The Company satisfied its delivery requirements with respect to its audited financial statements for December 31, 2019 on June 9, 2020 and its quarterly financial statement for the quarter ended March 31, 2020 on June 29, 2020.

During the second quarter of 2020, both the Prior Credit Agreement and the A/R Facility were amended, as discussed further below in Consideration of Management's Plans.

Consideration of Management's Plans

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

As of March 18, 2021, the Company had \$54.1 million of liquidity, comprised of available cash of \$34.4 million and availability under borrowing facilities of \$19.7 million. This excludes an add back for certain fees, costs and expenses incurred by the Company relating to the Credit Agreement and the receivables financings of approximately \$20.1 million which is otherwise permitted under the definition of minimum liquidity in the Credit Agreement.

The Company has undertaken the following plans and actions, since substantial doubt about our ability to continue as a going concern was initially raised in the December 31, 2019 financial statements, to improve our available cash balances, liquidity and cash generated flows from operations, over the twelve month period from the date the financial statements are issued, as follows:

- On January 10, 2020, certain subsidiaries of the Company entered into a \$160.0 million accounts receivables financing facility with a five-year term (as amended, the “A/R Facility”). The Company used the proceeds of the initial borrowings to repay outstanding revolving borrowings under the Company’s senior credit facility and to provide additional liquidity and funding for the ongoing business needs of the Company and its subsidiaries. No amounts are outstanding under this facility.
- On March 16, 2020, the Company and its indirect wholly owned subsidiaries, Merco Holdings, LLC and SourceHOV Tax, LLC entered into a Membership Interest Purchase Agreement with Gainline Source Intermediate Holdings LLC at which time Gainline Source Intermediate Holdings LLC acquired all of the outstanding membership interests of SourceHov Tax for \$40.0 million, which was adjusted downwards by \$2.0 million in accordance with the purchase agreement, which can be used to acquire, maintain, develop, construct, improve, upgrade or repair assets useful in our business or to make certain investments and acquisitions as permitted by the Credit Agreement.
- On March 23, 2020, in response to the potential impact of the COVID-19 pandemic, the Company implemented a freeze on increases to base salaries and wages unless contractually mandated. Additionally, in connection with the incentive program administered by the Company for hourly, non-exempt employees, a new maximum was put in place to limit the amount of incentives that could be earned in any given two (2) week pay period.
- On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The refundable payroll tax credits and deferment of employer side social security payments provisions of the CARES Act will benefit the Company’s liquidity by \$27.9 million. The Company is required to remit previously deferred employer side social security payments in two equal installments, due December 31, 2021 and December 31, 2022, respectively.
- On May 18, 2020, the Company amended the Prior Credit Agreement, which requires the Company to maintain a minimum liquidity of \$35.0 million. However, the definition of minimum liquidity in the Credit Agreement allows the Company to add back certain fees, costs and expenses incurred by the Company relating to the Credit Agreement and the receivables financings of approximately \$19.2 million.
- On July 22, 2020 the Company completed the sale of its physical records storage and logistics business for a purchase price of \$12.3 million, which can be used to acquire, maintain, develop, construct, improve, upgrade or repair assets useful in our business or to make certain investments and acquisitions as permitted by the Credit Agreement.
- On December 17, 2020, certain subsidiaries of the Company closed on a \$145.0 million securitization facility (the “Securitization Facility”) with a five year term. Borrowings under the Securitization Facility are subject to an improved borrowing base definition that consists of receivables and, subject to contribution, further supported by inventory and intellectual property, in each case, subject to certain eligibility criteria, concentration limits and reserves. On December 17, 2020 the Company made the initial borrowing of

approximately \$92.0 million under the Securitization Facility and used a portion of the proceeds to repay the A/R Facility, which terminated on such date.

- In December 2020, the Company decided to close one of its production facilities. It also limited discretionary bonus payments to certain corporate and production personnel. In January 2021, the Company completed a furlough program mostly impacting corporate positions. These initiatives are expected to result in costs saving of \$32.5 million through March 31, 2022.
- On March 15, 2021, the Company completed a private placement of common stock and warrants. The net proceeds to the Company were \$25.2 million.

Substantial Doubt Alleviated

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

Future Plans and Other Considerations

The Securitization Facility provides for an initial funding of approximately \$92.0 million supported by the receivables portion of the borrowing base and, subject to contribution, a further funding of approximately \$53.0 million supported by inventory and intellectual property.

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

Additionally, as discussed in Note 14, the petitioners in the Appraisal Action have filed additional actions to recognize the judgment against SourceHOV, which is a subsidiary without assets to satisfy the judgement. The Company does not expect these actions to be resolved and a settlement of liability recorded for the Appraisal Action to be made within twelve months from the date the financial statements were issued.

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

Impact of COVID-19

Our global operations continue to expose us to risks associated with the coronavirus pandemic ("COVID-19"), which continues to result in challenging operating environments and has affected almost all of the countries and territories in which we operate. Authorities across the world have implemented measures like travel bans, quarantines, curfews, restrictions on public gatherings, shelter in place orders, business shutdowns and closures to control the spread of COVID-19. These measures, alongside the virus itself, have impacted, and we expect will continue to impact, us, our customers, suppliers and other third parties with whom we do business, as well as the global economy, demand for our

services and spending across many sectors, as a whole. While some jurisdictions have now started to implement plans for reopening, there are others which had to return to restrictions due to increased spread of COVID-19.

The Company is dependent on its workforce to deliver its solutions and services. While we have developed and implemented health and safety protocols, business continuity plans and crisis management protocols in an effort to try to mitigate the negative impact of COVID-19, restrictions such as shutdowns, social distancing and stay-at-home orders in various jurisdictions have impacted and will continue to impact the Company's ability to deploy its workforce effectively. A part of our workforce has now started to operate from offices and delivery centers, but many are still operating in a remote work environment.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report and the extent to which COVID-19 will ultimately impact the Company's business depends upon various dynamic factors which are difficult to be predicted reliably. Management continues to actively monitor the global situation and its impact on the Company's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the continuous evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to fully estimate adverse effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.

Segment Reporting

The Company consists of the following three segments:

1. *Information & Transaction Processing Solutions ("ITPS")*. ITPS provides industry-specific solutions for banking and financial services, including lending solutions for mortgages and auto loans, and banking solutions for clearing, anti-money laundering, sanctions, and interbank cross-border settlement; property and casualty insurance solutions for origination, enrollments, claims processing, and benefits administration communications; public sector solutions for income tax processing, benefits administration, and record management; multi-industry solutions for payment processing and reconciliation, integrated receivables and payables management, document logistics and location services, records management and electronic storage of data, documents; and software, hardware, professional services and maintenance related to information and transaction processing automation, among others.
2. *Healthcare Solutions ("HS")*. HS offerings include revenue cycle solutions, integrated accounts payable and accounts receivable, and information management for both the healthcare payer and provider markets. Payer service offerings include claims processing, claims adjudication and auditing services, enrollment processing and policy management, and scheduling and prescription management. Provider service offerings include medical coding and insurance claim generation, underpayment audit and recovery, and medical records management.
3. *Legal and Loss Prevention Services ("LLPS")*. LLPS solutions include processing of legal claims for class action and mass action settlement administrations, involving project management support, notification and outreach to claimants, collection, analysis and distribution of settlement funds. Additionally, LLPS provides data and analytical services in the context of litigation consulting, economic and statistical analysis, expert witness services, and revenue recovery services for delinquent accounts receivable.

Cash and Cash Equivalents

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

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

any certificates of deposit or fixed deposits that are classified as short-term investments or non-current assets appear in the investing section of the consolidated statements of cash flows.

Obligation for Claim Payment

As part of the Company's legal claims processing service, the Company holds cash for various settlement funds once the fund is in the wind down stage and claims have been paid. The cash is used to pay tax obligations and other liabilities of the settlement funds. The Company has recorded a liability for the settlement funds received, which is included in Obligation for claim payment in the consolidated balance sheets, of \$29.3 million and \$39.1 million at December 31, 2020 and 2019, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

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

Inventories

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

Property, Plant and Equipment

Property, plant, and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method (which approximates the use of the assets) over the estimated useful lives of the assets. When these assets are sold or otherwise disposed of, the asset and related depreciation is relieved, and any gain or loss is included in the consolidated statements of operations for the period of sale or disposal. Leasehold improvements are amortized over the lease term or the useful life of the asset, whichever is shorter. Repair and maintenance costs are expensed as incurred.

Intangible Assets

Customer Relationships

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

Trade Names

The Company has determined that its trade name intangible assets are indefinite-lived assets and therefore are not subject to amortization. Trade names are tested for impairment as per the Company's policy for impairment of indefinite-lived assets.

Trademarks

The Company has determined that its trademark intangible assets resulting from acquisitions are definite-lived assets and therefore are subject to amortization. The Company amortizes such trademarks on a straight-line basis over the estimated useful life, which is typically one year. As of December 31, 2020 these trademarks were fully amortized.

Developed Technology

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

Capitalized Software Costs

The Company capitalizes certain costs incurred to develop software products to be sold, leased or otherwise marketed after establishing technological feasibility in accordance with ASC section 985-20, *Software—Costs of Software to Be Sold, Leased, or Marketed*, and the Company capitalizes costs to develop or purchase internal-use software in accordance with ASC section 350-40, *Intangibles—Goodwill and Other—Internal-Use Software*. Significant estimates and assumptions include determining the appropriate period over which to amortize the capitalized costs based on estimated useful lives and estimating the marketability of the commercial software products and related future revenues. The Company amortizes capitalized software costs on a straight-line basis over the estimated useful life, which is typically 3 to 5 years.

Outsourced Contract Costs

Costs of outsourcing contracts, including costs incurred for bid and proposal activities, are generally expensed as incurred. However, certain costs incurred upon initiation of an outsourcing contract are deferred and expensed on a straight-line basis over the estimated contract term. These costs represent incremental external costs or certain specific internal costs that are directly related to the contract acquisition or fulfillment activities and can be separated into two principal categories: contract commissions and set-up/fulfillment costs. Contract fulfillment costs are capitalized only if they are directly attributable to a specifically anticipated future contract; represent the enhancement of resources that will be used in satisfying a future performance obligation (the services under the anticipated contract); and are expected to be recovered.

Non-compete Agreements

The Company acquired certain non-compete agreements in connection with the Novitex Business Combination. These were related to four Novitex executives that were terminated following the acquisition. As of December 31, 2020 these agreements were fully amortized.

Assembled Workforce

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

Impairment of Indefinite-Lived Assets

The Company conducts its annual indefinite-lived assets impairment tests on October 1st of each year for its indefinite-lived assets, or more frequently if indicators of impairment exist. When performing the impairment test, the Company has the option of performing a qualitative or quantitative assessment to determine if an impairment has occurred. A quantitative assessment requires comparison of fair value of the asset to its carrying value. If carrying value of the indefinite-lived assets exceeds fair value, the Company recognizes an impairment loss by an amount which is

equal to the excess of carrying value over fair value. The Company utilizes the Income Approach, specifically the Relief-from-Royalty method, which has the basic tenet that a user of that intangible asset would have to make a stream of payments to the owner of the asset in return for the rights to use that asset. *Refer to Note 9- Intangible Assets and Goodwill* for additional discussion of impairment of trade names.

Impairment of Long-Lived Assets

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

The Company did not record any material impairment related to its property, plant, and equipment, customer relationships, trademarks, developed technology, capitalized software cost, assembled workforce or outsourced contract costs for the years ended December 31, 2020, 2019, and 2018.

Goodwill

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

The Company conducts its annual goodwill impairment tests on October 1st of each year, or more frequently if indicators of impairment exist. When performing the annual impairment test, the Company has the option of performing a qualitative or quantitative assessment to determine if an impairment has occurred. If a qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company would be required to perform a quantitative impairment analysis for goodwill. The quantitative analysis requires a comparison of fair value of the reporting unit to its carrying value, including goodwill. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The Company uses a combination of the Guideline Public Company Method of the Market Approach and the Discounted Cash Flow Method of the Income Approach to determine the reporting unit fair value. *Refer to Note 9- Intangible Assets and Goodwill* for additional discussion of impairment of goodwill.

Derivative Instruments and Hedging Activities

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

The Company's objective in using interest rate derivatives is to manage its exposure to variable interest rates related to its term loan under the Credit Agreement. In order to accomplish this objective, in November 2017, the

Company entered into a three year, one-month LIBOR interest rate contract with a notional amount of \$347.8 million. The contract will mitigate the variable interest rate risk related to the LIBOR with a fixed interest rate paid semi-annually starting January 12, 2018.

The following table summarizes the Company's interest rate swap positions as of December 31, 2020:

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

The interest rate swap, which is used to manage the Company's exposure to interest rate movements and other identified risks, was not designated as a hedge. As such, the change in the fair value of the derivative is recorded directly in other income (expense), net. Other income (expense), net includes a gain of \$0.4 million and a loss of \$4.3 million related to the change in fair value of the interest rate swap for the years ended December 31, 2020 and 2019, respectively. Fair value of interest rate swap is recorded in the accrued liabilities on the consolidated balance sheet.

Benefit Plan Accruals

The Company has defined benefit plans in the U.K and Germany, under which participants earn a retirement benefit based upon a formula set forth in the respective plans. The Company records annual amounts relating to its pension plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, and compensation increases. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so.

Leases

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

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

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

Stock-Based Compensation

The Company accounts for all equity-classified awards under stock-based compensation plans at their "fair value." This fair value is measured at the fair value of the awards at the grant date and recognized as compensation expense on a straight-line basis over the vesting period. The fair value of the awards on the grant date is determined using the stock price on the respective grant date in the case of restricted stock units and using an option pricing model

in the case of stock options. The expense resulting from share-based payments is recorded in Selling, general and administrative expense in the accompanying consolidated statements of operations.

Revenue Recognition

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

Nature of Services

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

Disaggregation of Revenues

The following tables disaggregate revenue from contracts by geographic region and by segment for the years ended December 31, 2020, 2019, and 2018:

	Years Ended December 31,											
	2020				2019				2018			
	ITPS	HS	LLPS	Total	ITPS	HS	LLPS	Total	ITPS	HS	LLPS	Total
U.S.A.	\$ 769,487	\$ 219,047	\$ 68,472	\$ 1,057,006	\$ 958,625	\$ 256,721	\$ 71,332	\$ 1,286,678	\$ 1,034,941	\$ 228,015	\$ 84,560	\$ 1,347,516
EMEA	213,418	—	—	213,418	248,466	—	—	248,466	211,314	—	—	211,314
Other	22,138	—	—	22,138	27,193	—	—	27,193	27,392	—	—	27,392
Total	<u>\$ 1,005,043</u>	<u>\$ 219,047</u>	<u>\$ 68,472</u>	<u>\$ 1,292,562</u>	<u>\$ 1,234,284</u>	<u>\$ 256,721</u>	<u>\$ 71,332</u>	<u>\$ 1,562,337</u>	<u>\$ 1,273,647</u>	<u>\$ 228,015</u>	<u>\$ 84,560</u>	<u>\$ 1,586,222</u>

Contract Balances

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

	December 31, 2020	December 31, 2019
Accounts receivable, net	\$ 206,868	\$ 261,400
Deferred revenues	16,919	16,621
Customer deposits	21,277	27,765
Costs to obtain and fulfill a contract	3,295	4,977

Accounts receivable, net includes \$23.2 million and \$34.1 million as of December 31, 2020 and 2019, respectively, representing amounts not billed to customers. We have accrued the unbilled receivables for work performed in accordance with the terms of contracts with customers.

Deferred revenues relate to payments received in advance of performance under a contract. A significant portion of this balance relates to maintenance contracts or other service contracts where we received payments for upfront conversions or implementation activities which do not transfer a service to the customer but rather are used in

fulfilling the related performance obligations that transfer over time. The advance consideration received from customers is deferred over the contract term. We recognized revenue of \$14.4 million during the year ended December 31, 2020 that had been deferred as of December 31, 2019.

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 \$2.4 million and \$2.9 million of amortization for these costs in 2020 and 2019, 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 give rise to variable consideration, including volume discounts, contract penalties, and other similar items that generally decrease the transaction price. We estimate these amounts based on the expected amount to be provided to customers and reduce revenues recognized. We do not anticipate significant changes to our estimates of variable consideration.

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

Transaction Price Allocated to the Remaining Performance Obligations

In accordance with optional exemptions available under ASC 606, we did not disclose the value of unsatisfied performance obligations for (a) contracts with an original expected length of one year or less, and (b) contracts for which variable consideration relates entirely to an unsatisfied performance obligation, which comprise the majority of our contracts. We have certain non-cancellable contracts where we receive a fixed monthly fee in exchange for a series of

distinct services that are substantially the same and have the same pattern of transfer over time, with the corresponding remaining performance obligations as of December 31, 2020 in each of the future periods below:

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

2021	\$ 54,229
2022	35,692
2023	29,022
2024	26,849
2025	27,144
2026 and thereafter	—
Total	\$ 172,936

Research and Development

Research and development costs are expensed as incurred. Research and development costs expensed for the years ended December 31, 2020, 2019, and 2018 were \$1.1 million, \$1.7 million, and \$2.0 million, respectively.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2020, 2019, and 2018, were \$0.7 million, \$1.1 million, and \$0.9 million, respectively.

Income Taxes

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

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

The Company engages in transactions (i.e. acquisitions) in which the tax consequences may be subject to uncertainty and examination by the varying taxing authorities. Therefore, judgment is required by the Company in assessing and estimating the tax consequences of these transactions. While the Company’s tax returns are prepared and based on the Company’s interpretation of tax laws and regulations, in the normal course of business the tax returns are subject to examination by the various taxing authorities. Such examinations may result in future assessments of additional tax, interest and penalties. For purposes of the Company’s income tax provision, a tax benefit is not recognized if the tax position is not more likely than not to be sustained based solely on its technical merits. Considerable judgment is involved in determining which tax positions are more likely than not to be sustained. *Refer to Note 12 - Income Taxes* for further information.

Loss Contingencies

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

Operations

A portion of the Company's labor and operations is situated outside of the United States in India and other locations. The carrying value of long-lived assets that are situated outside of the United States is approximately \$31.2 million and \$33.7 million as of December 31, 2020 and 2019, respectively.

Foreign Currency Translation

The functional currency for the Company's production operations located in India, Philippines, China, and Mexico is the United States dollar. Included in other expense as Sundry expense (income), net in the consolidated statements of operations are net exchange gain of \$0.4 million, \$0.5 million and \$1.2 million for the years ended December 31, 2020, 2019 and 2018, respectively.

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

Beneficial Conversion Feature

The Company's Series A Perpetual Convertible Preferred Stock, par value \$0.0001 per share (the "Series A Preferred Stock") contains a beneficial conversion feature, which arises when a debt or equity security is issued with an embedded conversion option that is beneficial to the investor or in the money at inception because the conversion option has an effective strike price that is less than the market price of the underlying stock at the commitment date. The Company recognized the beneficial conversion feature by allocating the intrinsic value of the conversion option, which is the number of shares of Common Stock available upon conversion multiplied by the difference between the effective conversion price per share and the fair value of Common Stock per share on the commitment date, to additional paid-in capital, resulting in a discount on the Series A Preferred Stock. As a result of the occurrence of events meeting the definition of a "Fundamental Change" as defined in the Certificate of Designations, Preferences, Rights and Limitations of Series A Perpetual Convertible Preferred Stock of the Company during the period, the Company recognized the entire dividend equivalent of \$16.4 million as of December 31, 2017. There was no dividend equivalent recognized in 2018, 2019 and 2020.

Net Loss per Share

Earnings per share ("EPS") is computed by dividing net loss available to holders of the Company's Common Stock by the weighted average number of shares of Common Stock outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to the potential dilution that could occur if securities or other contracts to issue Common Stock were exercised or converted into Common Stock, using the more dilutive of the two-class method and if-converted method in periods of earnings. The two class method is an earnings allocation method

that determines earnings per share (when there are earnings) for Common Stock and participating securities. The if-converted method assumes all convertible securities are converted into Common Stock. Diluted EPS excludes all dilutive potential shares of Common Stock if their effect is anti-dilutive.

As the Company experienced net losses for the periods presented, the impact of the Company’s Series A Convertible Preferred Stock (“Series A Preferred Stock”) was calculated using the if-converted method. As of December 31, 2020, the outstanding shares of the Company’s Series A Preferred Stock, if converted would have resulted in an additional 1,404,621 shares of Common Stock outstanding, however, they were not included in the computation of diluted loss per share as their effects were anti-dilutive.

The Company was originally incorporated as a special purpose acquisition company under the name Quinpario Acquisition Corp 2 (“Quinpario”), which changed its name to Exela Technologies, Inc. in July 2017. The Company has not included the effect of 35,000,000 warrants sold in the Quinpario Initial Public Offering (“IPO”) or the effect of the aggregate number of shares issuable pursuant to outstanding restricted stock units and options of 1,662,155, 1,749,002 and 1,487,866, respectively in the calculation of diluted loss per share for the years ended December 31, 2020, 2019 and 2018 as their effects were anti-dilutive (i.e. reduces the net loss per share).

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

	Year Ended December 31,		
	2020	2019	2018
Net loss attributable to common stockholders (A)	\$ (179,839)	\$ (512,425)	\$ (173,461)
Weighted average common shares outstanding - basic and diluted (B) . .	49,144,429	48,572,979	49,257,696
Loss Per Share:			
Basic and diluted (A/B)	\$ (3.66)	\$ (10.55)	\$ (3.52)

The weighted average common shares outstanding - basic and diluted, in the table above, exclude in each case the 1,523,578 shares returned to the Company in the first quarter of 2020 in connection with the Appraisal Action (as defined and described further in Note 14 below) which became treasury stock, but which were included in the number of shares of Common Stock outstanding as of December 31, 2019 and 2018.

Business Combinations

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

Fair Value Measurements

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

In addition to defining fair value, ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is

reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

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

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

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

Refer to Note 15 — Fair Value Measurement for further discussion.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents and trade receivables. The Company maintains its cash and cash equivalents and certain other financial instruments with highly rated financial institutions and limits the amount of credit exposure with any one financial institution. From time to time, the Company assesses the credit worthiness of its customers. Credit risk on trade receivables is minimized because of the large number of entities comprising the Company's client base and their dispersion across many industries and geographic areas. The Company generally has not experienced any material losses related to receivables from any individual customer or groups of customers. The Company does not require collateral. Due to these factors, no additional credit risk beyond amounts provided for collection losses is believed by management to be probable in the Company's accounts receivable, net. The Company does not have any significant customers that account for 10% or more of the total consolidated revenues.

Recently Adopted Accounting Pronouncements

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

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

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

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

Effective January 1, 2020, the Company adopted ASU no. 2018-14, "*Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*". The standard revises the annual disclosure requirements by removing disclosures no longer considered cost beneficial, clarifying specific requirements of disclosures and adding certain disclosures identified as relevant. ASU 2018-14 is effective for fiscal years ending after December 15, 2020. The standard should be applied on a retrospective basis to all periods presented. The standard did not have an impact on the Company's results of operations, financial condition and cash flows.

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

Effective January 1, 2019, the Company adopted ASU no. 2016-02, *Leases (ASC 842)*. This ASU increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The Company adopted this guidance effective January 1, 2019, under the modified retrospective transition method provided by ASU 2018-11 with the following practical expedients below:

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

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

Effective January 1, 2018, the Company adopted Accounting Standards Update ("ASU") no. 2014-09, Revenue from Contracts with Customers (ASC 606). Under ASU 2014-09, revenue is recognized based on a five-step model. The core principle of the model is that revenue will be recognized when the transfer of promised goods or services to customers is made in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted this standard using the modified retrospective approach applied to those contracts that were not completed as of January 1, 2018. The results for the reporting period beginning after January 1, 2018 are presented in accordance with the new standard, although historical information has not been restated and continues to be reported under the accounting standards and policies in effect for those periods. The adoption of ASC 606 had a material impact on the Company's financial position, results of operations and cash flows as of or for the period ended December 31, 2019, primarily due to the change in contract costs capitalization criteria. However, we expect the impact of the adoption of the new standard will be immaterial to our results of operations on an ongoing basis. The cumulative effect of accounting change recognized was \$12.8 million recorded as an increase to beginning balance of accumulated deficit.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU no. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, to replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company will be required to use a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. This ASU along with related additional clarificatory guidance in the ASU No. 2019-05, “*Financial Instruments—Credit Losses (Topic 326)*” and ASU No. 2019-11, “*Codification Improvements to Topic 326, Financial Instruments—Credit Losses*”, are effective for the Company for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Adoption of the standard will be applied using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the effective date. The Company is currently in the early stages of evaluating the impact that adopting this standard will have on the consolidated financial statements.

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

In August 2020, the FASB issued ASU no. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*. The ASU eliminates two models in ASC 470-20 for convertible instruments that require separate accounting for embedded conversion features namely cash conversion model and beneficial conversion feature model. The guidance also requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of share settlement for instruments that may be settled in cash or shares. The ASU is effective for the Company for fiscal years beginning after December 15, 2021, including interim periods therein. Early adoption is permitted. The Company is currently in the early stages of evaluating the impact that adopting this standard will have on the consolidated financial statements.

3. Sale of Non-Core Assets

On March 16, 2020, the Company and its indirect wholly owned subsidiaries, Merco Holdings, LLC and SourceHOV Tax, LLC entered into a Membership Interest Purchase Agreement with Gainline Source Intermediate Holdings LLC at which time Gainline Source Intermediate Holdings LLC acquired all of the outstanding membership interests of SourceHov Tax, LLC for \$40.0 million subject to adjustment as set forth in the purchase agreement. The Company recognized a gain of \$35.5 million on the sale of SourceHOV Tax, LLC during the first quarter of 2020, which takes into account approximately \$2.0 million downwards adjustments to the purchase price in accordance with the purchase agreement. The gain on sale of SourceHOV Tax, LLC is included in Other expense (income), net in the consolidated statements of operations for the year ended December 31, 2020.

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

4. Inventories

Inventories, net consist of the following:

	December 31,	
	2020	2019
Work in process	\$ 961	\$ 1,903
Finished goods	12,312	14,914
Supplies and parts	5,473	6,491
Less: Allowance for obsolescence	(4,432)	(4,261)
	<u>14,314</u>	<u>19,047</u>

5. Accounts Receivable

Accounts receivable, net consist of the following:

	December 31,	
	2020	2019
Billed receivables	\$ 179,696	\$ 222,168
Unbilled receivables	23,210	34,135
Other	9,609	10,072
Less: Allowance for doubtful accounts	(5,647)	(4,975)
	<u>\$ 206,868</u>	<u>\$ 261,400</u>

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

6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	December 31,	
	2020	2019
Prepays	\$ 30,459	\$ 23,243
Deposits	632	420
	<u>\$ 31,091</u>	<u>\$ 23,663</u>

7. Leases

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

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

	<u>December 31, December 31,</u> <u>2020 2019</u>	
<i>Balance sheet location:</i>		
Operating Lease		
Operating lease right-of-use assets, net	\$ 68,861	\$ 93,627
Current portion of operating lease liabilities	18,349	25,345
Operating lease liabilities, net of current portion	56,814	73,282
Finance Lease		
Finance lease right-of-use assets, net (included in property, plant and equipment, net)	17,164	30,835
Current portion of finance lease liabilities	12,231	13,788
Finance lease liabilities, net of current portion	13,287	20,272

Supplemental balance sheet information related to leases is as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Weighted-average remaining lease term		
Operating leases	4.8 Years	4.8 Years
Finance leases	3.7 Years	3.2 Years
Weighted-average discount rate		
Operating leases	11.9%	10.5%
Finance leases	10.7%	9.1%

The interest on financing lease liabilities was \$2.6 million and \$3.3 million for the year ended December 31, 2020 and 2019, respectively. The amortization expense on finance lease right-of-use assets was \$12.8 million and \$15.1 million for the year ended December 31, 2020 and 2019, respectively.

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

	<u>Finance</u> <u>Leases</u>	<u>Operating</u> <u>Leases</u>
2021	\$ 14,339	\$ 25,733
2022	6,569	21,800
2023	3,700	15,944
2024	3,276	12,412
2025	2,061	8,648
2026 and thereafter	—	15,297
Total lease payments	<u>29,945</u>	<u>99,834</u>
Less: Imputed interest	<u>(4,427)</u>	<u>(24,671)</u>
Present value of lease liabilities	<u>\$ 25,518</u>	<u>\$ 75,163</u>

Consolidated rental expense for all operating leases was \$69.1 million, \$77.3 million, and \$83.8 million for the years ended December 31, 2020, 2019, and 2018, respectively.

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 34,193	\$ 50,398
Financing cash flows from finance leases	12,925	20,860
Right-of-use lease assets obtained in the exchange for lease liabilities:		
Operating leases	23,644	19,127
Finance leases	4,372	10,731

8. Property, Plant and Equipment, Net

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

	Estimated Useful Lives (in Years)	December 31,	
		2020	2019
Land	N/A	\$ 6,903	\$ 6,884
Buildings and improvements	7 – 40	20,688	20,288
Leasehold improvements	Shorter of life of improvement or lease term	39,797	47,036
Vehicles	5 – 7	337	531
Machinery and equipment	5 – 15	22,991	28,489
Computer equipment and software	3 – 8	99,434	92,500
Furniture and fixtures	5 – 15	8,599	9,440
Finance lease right-of-use assets	Shorter of life of the asset or lease term	82,862	85,464
		<u>281,611</u>	<u>290,632</u>
Less: Accumulated depreciation and amortization		(193,760)	(176,995)
Property, plant and equipment, net		<u>\$ 87,851</u>	<u>\$ 113,637</u>

Depreciation expense related to property, plant and equipment was \$39.2 million, \$41.4 million, and \$43.1 million for the years ended December 31, 2020, 2019, and 2018, respectively.

9. Intangible Assets and Goodwill

Intangibles

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

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

	Weighted Average Remaining Useful Life (in Years)	December 31, 2019		
		Gross Carrying Amount (a)	Accumulated Amortization	Intangible Asset, net
Customer relationships	10.9	\$ 508,074	\$ (237,313)	\$ 270,761
Developed technology	4.3	89,053	(87,109)	1,944
Trade names (b)	Indefinite-lived	8,400	(3,100)	5,300
Outsource contract costs	3.3	16,726	(11,749)	4,977
Internally developed software	4.2	43,261	(12,129)	31,132
Trademarks	1	23,378	(23,370)	8
Assembled workforce	3	4,473	(1,118)	3,355
Purchased software	14	26,749	(1,783)	24,966
Intangibles, net		<u>\$ 720,114</u>	<u>\$ (377,671)</u>	<u>\$ 342,443</u>

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

(b) The carrying amount of trade names for 2020 and 2019 is net of accumulated impairment losses of \$44.1 million, of which \$1.0 million was recognized in 2019. Carrying amount of \$5.3 million as at December 31, 2020 represents indefinite-lived intangible asset.

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

During the third quarter of 2019, the Company made an evaluation based on factors such as changes in the Company's growth rate and recent trends in the Company's market capitalization, and concluded that a triggering event for an interim impairment analysis had occurred. As part of the assessment, it was determined that the increase in the discount rate applied in the valuation was required to reflect current market dynamics and company-specific risk. This higher discount rate, in conjunction with revised long-term projections, resulted in lower than previously projected long-term future cash flows for the reporting units which reduced the estimated fair value to below carrying value. As a result of the interim impairment assessment in the third quarter, the Company recorded an impairment charge to goodwill and trade names of \$96.2 million and \$1.0 million, respectively. The Company did not update its analysis for purposes of the annual impairment test as of October 1, 2019 as the measurement date of the impairment test performed during the quarter-ended September 30, 2019 was one day from the annual impairment test date.

Additionally, later during the fourth quarter of 2019, the Company conducted its annual budgeting process along with an update to its long-range plan. Following the completion of that process, the Company made an evaluation based on factors such as changes in the Company's growth rate and recent trends in the Company's market capitalization, concluding that a second triggering event for an impairment analysis had occurred. Revised long-term projections coupled with a decline in the market capitalization, resulted in lower than previously projected long-term future cash flows for the reporting units which reduced the estimated fair value to below carrying value. Accordingly, we performed another quantitative impairment test as of December 31, 2019, resulting in an additional impairment charge of \$252.4 million to goodwill. Therefore, as a result of these two interim impairment assessments in the third and fourth quarters of 2019, impairment charges totaling \$348.6 million and \$1.0 million were recorded to goodwill and trade names, respectively, for the year ended December 31, 2019. Accumulated impairment losses on goodwill were \$560.9 million as at December 31, 2020 and 2019.

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

Aggregate amortization expense related to intangibles was \$54.7 million, \$59.3 million, and \$94.9 million for the years ended December 31, 2020, 2019, and 2018, respectively.

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

	Estimated Amortization Expense
2021	\$ 51,120
2022	46,627
2023	38,108
2024	30,528
2025	23,106
Thereafter	98,237
	<u>\$ 287,726</u>

Goodwill

Goodwill by reporting segment consists of the following:

	Balances as at January 1, 2019 (a)	Additions	Impairments	Currency Translation Adjustments	Balances as at December 31, 2019 (a)
ITPS	\$ 571,575	\$ —	\$ (317,525)	\$ 70	\$ 254,120
HS	86,786	—	—	—	86,786
LLPS	49,897	—	(31,032)	—	18,865
Total	<u>\$ 708,258</u>	<u>\$ —</u>	<u>\$ (348,557)</u>	<u>\$ 70</u>	<u>\$ 359,771</u>

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

- (a) The goodwill amount for all periods presented is net of accumulated impairment amount as at December 31, 2018. Accumulated impairment is \$212.3 million relating to LLPS as at December 31, 2018 and \$317.5 million and \$243.4 relating to ITPS and LLPS, respectively, as at December 31, 2020. ITPS and HS reporting segments had negative equity and LLPS reporting segment had positive equity as at October 1, 2020, the date of the annual impairment test.

10. Accrued Liabilities and Other Long-Term Liabilities

Accrued liabilities consist of the following:

	December 31,	
	2020	2019
Accrued taxes (exclusive of income taxes)	\$ 12,953	\$ 9,608
Accrued lease exit obligations	270	1,127
Accrued professional and legal fees	33,897	33,421
Accrued appraisal action liability	60,654	56,412
Accrued legal reserve for pending litigation	15,146	5,669
Accrued transaction costs	2,739	2,250
Other accruals	740	13,066
	<u>\$ 126,399</u>	<u>\$ 121,553</u>

Other Long-term liabilities consist of the following:

	December 31,	
	2020	2019
Deferred revenue	\$ 542	\$ 339
Accrued rent	449	669
Accrued lease exit obligations	195	136
Accrued compensation expense	1,897	2,075
Cares Act payroll tax deferrals	7,183	—
Other	3,358	3,743
	<u>\$ 13,624</u>	<u>\$ 6,962</u>

11. Long-Term Debt and Credit Facilities

Senior Secured Notes

On July 12, 2017, the Company issued \$1.0 billion in aggregate principal amount of 10.0% First Priority Senior Secured Notes due 2023 (the “Notes”). The Notes are guaranteed by certain subsidiaries of the Company. The Notes bear interest at a rate of 10.0% per year. The Company pays interest on the Notes on January 15 and July 15 of each year, commencing on January 15, 2018. The Notes will mature on July 15, 2023. As of December 31, 2020, the Company was in compliance with all covenants required under the Notes.

Senior Credit Facilities

On July 12, 2017, the Company entered into a First Lien Credit Agreement with Royal Bank of Canada, Credit Suisse AG, Cayman Islands Branch, Natixis, New York Branch and KKR Corporate Lending LLC providing Exela Intermediate LLC, a wholly owned subsidiary of the Company, upon the terms and subject to the conditions set forth in the Credit Agreement, (i) a \$350.0 million senior secured term loan maturing July 12, 2023 with an original issue discount (“OID”) of \$7.0 million, and (ii) a \$100.0 million senior secured revolving facility maturing July 12, 2022. As of December 31, 2020 and December 31, 2019, the Company had outstanding irrevocable letters of credit totaling approximately \$19.5 million and \$20.6 million, respectively, under the senior secured revolving facility.

The Credit Agreement provided for the following interest rates for borrowings under the senior secured term facility and senior secured revolving facility: at the Company’s option, either (1) an adjusted LIBOR, subject to a 1.0% floor in the case of term loans, or (2) a base rate, in each case plus an applicable margin. The initial applicable margin for the senior secured term facility was 7.5% with respect to LIBOR borrowings and 6.5% with respect to base rate borrowings. The initial applicable margin for the senior secured revolving facility was 7.0% with respect to LIBOR borrowings and 6.0% with respect to base rate borrowings. The applicable margin for borrowings under the senior secured revolving facility is subject to step-downs based on leverage ratios. The senior secured term loan is subject to

amortization payments, commencing on the last day of the first full fiscal quarter of the Company following the closing date, of 0.6% of the aggregate principal amount for each of the first eight payments and 1.3% of the aggregate principal amount for payments thereafter, with any balance due at maturity.

Term Loan Repricing

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

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

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

2018 Incremental Term Loans

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

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

Other than as described above, the terms, conditions and covenants applicable to the Repricing Term Loans and the Incremental Term Loans are consistent with the terms, conditions and covenants that were applicable to the existing senior secured loans under the Credit Agreement. The Repricing and issuance of the Incremental Term Loans resulted in a partial debt extinguishment, for which Exela recognized \$1.1 million in debt extinguishment costs in the year ended December 31, 2018.

2019 Incremental Term Loan

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

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

Other than as described above, the terms, conditions and covenants applicable to the 2019 Incremental Term Loans are consistent with the terms, conditions and covenants that are applicable to the Repricing Term Loans and 2018 Incremental Term Loans under the Credit Agreement. The Repricing and issuance of the 2018 and 2019 Incremental Term Loans resulted in a partial debt extinguishment, for which Exela recognized \$1.4 million in debt extinguishment costs during the year ended December 31, 2019.

Third Amendment

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

Securitization Facilities

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

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

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

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

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

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

The Securitization Facility provided for an initial funding of approximately \$92.0 million supported by the receivables portion of the borrowing base and, subject to contribution, a further funding of approximately \$53.0 million supported by inventory and intellectual property. On December 17, 2020 the Company made the initial borrowing of approximately \$92.0 million under the Securitization Facility and used a portion of the proceeds to repay the A/R Facility and used the remaining proceeds for general corporate purposes.

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

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

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

The Securitization Borrower and Securitization Parent SPE were formed in December 2020, and are identified as VIEs and consolidated into the Company’s financial statements following VIE consolidation model under ASC 810. The Securitization Borrower and Securitization Parent SPE are bankruptcy remote entities and as such their assets are not available to creditors of the Company or any of its subsidiaries. Each loan under the Securitization Facility bears interest on the unpaid principal amount as follows: (i) if a Base Rate Loan, at a rate per annum equal to (x) the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50% and (c) the Adjusted LIBOR Rate (as defined in the Securitization Loan Agreement) plus 1.00%, plus (y) 8.75%; or (ii) if a LIBOR Rate Loan, at the Adjusted LIBOR Rate plus 9.75%. As of December 31, 2020, there were borrowings of \$91.9 million outstanding under the Securitization Facility. As of December 31, 2020, the Company was in compliance with all covenants required under the Securitization Facility.

Long-Term Debt Outstanding

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

	December 31,	
	2020	2019
Other (a).....	\$ 37,653	30,232
First lien credit agreement (b)	343,597	360,583
Senior secured notes (c)	984,216	979,060
Secured borrowings under Securitization Facility	91,947	—
Revolver.....	80,543	65,000
Total debt.....	<u>1,537,956</u>	<u>1,434,875</u>
Less: Current portion of long-term debt	<u>(39,952)</u>	<u>(36,490)</u>
Long-term debt, net of current maturities	<u>\$ 1,498,004</u>	<u>\$ 1,398,385</u>

- (a) Other debt represents outstanding loan balances associated with various hardware, software purchases, maintenance and leasehold improvements along with loans and receivables factoring arrangement entered into by subsidiaries of the Company.
- (b) Net of unamortized original issue discount and debt issuance costs of \$4.8 million and \$17.1 million as of December 31, 2020 and \$6.5 million and \$18.9 million as of December 31, 2019.

- (c) Net of unamortized original issue discount and debt issuance costs of \$11.3 million and \$4.5 million as of December 31, 2020 and \$14.9 million and \$6.0 million as of December 31, 2019.

As of December 31, 2020, maturities of long-term debt are as follows:

	<u>Maturity</u>
2021	\$ 39,952
2022	115,000
2023	1,325,741
2024	2,923
2025	91,947
Thereafter	—
Total long-term debt	<u>1,575,563</u>
Less: Unamortized discount and debt issuance costs	<u>(37,607)</u>
	<u>\$ 1,537,956</u>

12. Income Taxes

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

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

	<u>Year Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
United States	\$ (158,187)	\$ (511,165)	\$ (180,245)
Foreign	(6,760)	9,691	18,792
	<u>\$ (164,947)</u>	<u>\$ (501,474)</u>	<u>\$ (161,453)</u>

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

	<u>Year Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Federal			
Current	\$ —	\$ (1,308)	\$ 1,308
Deferred	480	(3,879)	(2,006)
State			
Current	1,325	2,255	390
Deferred	1,542	(807)	2,339
Foreign			
Current	4,318	5,770	3,435
Deferred	5,919	5,611	2,887
Income Tax Expense	<u>\$ 13,584</u>	<u>\$ 7,642</u>	<u>\$ 8,353</u>

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

	Year Ended December 31,		
	2020	2019	2018
Tax at statutory rate	\$ (34,639)	\$ (105,310)	\$ (33,905)
Add (deduct)			
State income taxes	(5,234)	(7,666)	(6,557)
Foreign income taxes	(516)	4,390	1,228
Nondeductible goodwill impairment	—	61,699	9,002
Permanent differences	218	1,275	2,542
Litigation settlement	71	3,310	608
Changes in valuation allowance	53,115	30,064	19,433
Unremitted earnings	(275)	1,604	4,735
GILTI Inclusion	(4,996)	3,772	2,289
Expiration of tax attributes	4,944	10,807	8,353
Other	896	3,697	625
Income Tax Expense	<u>\$ 13,584</u>	<u>\$ 7,642</u>	<u>\$ 8,353</u>

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

The TCJA subjects a U.S. shareholder to tax on Global Intangible Low-taxed Income (“GILTI”) earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for GILTI, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company has elected the accounting policy to recognize the tax expense related to GILTI in the year the tax is incurred as a period expense. At December 31, 2020, the Company has no GILTI inclusion related to current-year operations.

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

Beginning in 2018, the TCJA also subjects a U.S. shareholder of a controlled foreign corporation to current tax on certain payments from corporations subject to U.S. tax to related foreign persons, also referred to as base erosion and anti-abuse tax (“BEAT”). The BEAT provisions in the Tax Reform Act eliminate the deduction of certain base-erosion payments made to related foreign corporations and impose a minimum tax if greater than regular tax. The Company has recorded zero tax expense related to BEAT for the year ended December 31, 2020 and 2019.

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

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

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Deferred income tax liabilities:		
Book over tax basis of intangible assets and fixed assets.	\$ (65,724)	\$ (77,088)
Unremitted foreign earnings.	(6,063)	(6,339)
Operating lease and finance lease right-of-use assets.	(11,597)	(16,981)
Other, net.	<u>\$ (2,604)</u>	<u>\$ (2,571)</u>
Total deferred income tax liabilities	(85,988)	(102,979)
Deferred income tax assets:		
Allowance for doubtful accounts and receivable adjustments.	\$ 1,704	\$ 1,498
Inventory	1,677	903
Accrued liabilities	15,345	11,608
Net operating loss and tax credit carryforwards	171,148	158,265
Tax deductible goodwill.	6,171	8,066
Disallowed interest deduction	74,672	56,873
Operating lease and finance lease liabilities	13,004	18,127
Other, net.	<u>19,334</u>	<u>15,480</u>
Total deferred income tax assets	\$ 303,055	\$ 270,820
Valuation allowance	<u>(220,030)</u>	<u>(163,805)</u>
Total net deferred income tax assets (liabilities)	<u>\$ (2,963)</u>	<u>\$ 4,036</u>

Gross deferred tax assets are reduced by valuation allowances to the extent the Company determines it is not more-likely-than-not that the deferred tax assets are expected to be realized. At December 31, 2020, the Company recognized \$220.0 million of valuation allowances against gross deferred tax assets primarily related to net operating loss and tax credit carryforwards. Of this amount, approximately \$60.5 million and \$4.5 million of the total valuation allowance relates to U.S. federal and state limitations, respectively, on the utilization of net operating loss carryforwards due to numerous changes in ownership. Approximately \$64.7 million and \$9.1 million of the total valuation allowance relates to U.S. federal disallowed interest deductions and state disallowed interest deductions, respectively, pursuant to the TCJA. The remaining \$81.3 million of the valuation allowance relates to non-limited U.S. and non-U.S. net operating losses, capital losses, and tax credits that are not expected to be realizable.

The net change during the year in the total valuation allowance was an increase of \$56.2 million primarily related to the increase of net regular deferred tax assets and the increase of deferred tax assets related to disallowed interest deduction.

Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), limits the amount of U.S. tax attributes (net operating losses and tax credit carryforwards) following a change in ownership. The Company has determined that for the purpose of these provisions an ownership change occurred under Section 382 on April 3, 2014 and October 31, 2014 for BancTec, Inc. and its subsidiaries and RC4Capital, LLC and its subsidiaries (collectively, the "Pangea Group") and on October 31, 2014 for the historic SourceHOV group (the "2014 Reorganization"). The Section 382 limitations significantly limit the pre-acquisition Pangea Group net operating losses. Accordingly, upon the October 31, 2014 change in control, most of the historic Pangea Group federal net operating losses were limited and a valuation

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

Included in deferred tax assets are federal, foreign and state net operating loss carryforwards, federal capital loss carryforwards, federal general business credit carryforwards and state tax credit carryforwards due to expire beginning in 2021 through 2040. As of December 31, 2020, the Company has federal and state income tax net operating loss (NOL) carryforwards of \$601.0 million and \$413.1 million, which will expire at various dates from 2021 through 2040. Such NOL carryforwards expire as follows:

	<u>Federal NOL</u>	<u>State and Local NOL</u>
2021 – 2025	\$ 80,880	\$ 72,038
2026 – 2030	145,219	91,726
2031 – 2040	374,913	249,373
	<u>\$ 601,012</u>	<u>\$ 413,137</u>

As of December 31, 2020, the Company has foreign net operating loss carryforwards of \$55.7 million, \$1.2 million of which were generated by Exela Poland, \$0.3 million were generated in Hungary and Serbia, \$1.7 million is generated in Netherland, \$0.9 million is generated in Finland, and will expire in 2024, 2026, 2027 and 2031 respectively. The rest of the foreign net operating losses will be carried forward indefinitely.

Since the 2014 Reorganization did not result in a new tax basis of assets and liabilities for the Company, some of the goodwill continues to be deductible over the remaining amortization period for tax purposes. At December 31, 2020, approximately \$31.4 million of the Company goodwill is tax deductible, \$19.2 million of which is carried over from the 2014 Reorganization. Additionally, the Company has tax deductible goodwill of \$12.2 million in connection with the TransCentra acquisition. These amounts were related to the tax basis carried over from the seller in those acquisitions.

The Company adopted the provision of accounting for uncertainty in income taxes in ASC Topic 740. ASC 740 clarifies the accounting for uncertain tax positions in the Company's financial statements and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on tax returns. The total amount of unrecognized tax benefits, exclusive of interest and penalties, is \$1.8 million, \$4.3 million and \$1.5 million at December 31, 2020, 2019 and 2018, respectively. Included in the balance of unrecognized tax benefits as of December 31, 2020, 2019 and 2018 is \$0.7 million each, of tax benefits that, if recognized would benefit the effective tax rate. Total accrued interest and penalties recorded on the Consolidated Balance Sheet were \$2.1 million, \$2.1 million and \$2.3 million at December 31, 2020, 2019 and 2018, respectively. The total amount of interest and penalties recognized in the Consolidated Statement of Operations at December 31, 2020, 2019, 2018 was \$(0.0) million, \$(0.2) million and \$(0.4) million, respectively. For the year ending December 31, 2020, the Company has released \$2.6 million in uncertain tax positions associated with Sec. 163(j) limitation permitted tax depreciation, which is based on the final Sec. 163j regulation that now allows the capitalized inventory under Sec. 263A as part of tax depreciation.

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

	<u>Year Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Unrecognized tax benefits—January 1	\$ 4,314	\$ 1,476	\$ 1,047
Gross decreases—tax positions in prior period	(21)	1,378	301
Gross decreases—tax positions in prior period	(2,608)	(10)	—
Gross increases—tax positions in current period	151	1,470	128
Unrecognized tax benefits—December 31	<u>\$ 1,836</u>	<u>\$ 4,314</u>	<u>\$ 1,476</u>

The Company files income tax returns in the U.S. and various state and foreign jurisdictions. The statute of limitations for U.S. purposes is open for tax years ending on or after December 31, 2016. However, NOLs generated in years prior to 2016 and utilized in future periods may be subject to examination by U.S. tax authorities. State jurisdictions that remain subject to examination are not considered significant. The Company has significant foreign operations in India and EMEA. The Company may be subject to examination by the India tax authorities for tax periods ending on or after March 31, 2014.

At December 31, 2020, the Company has not changed its prior indefinite reinvestment assertion on undistributed earnings related to certain foreign subsidiaries. Accordingly, no deferred taxes have been provided for withholding taxes or other taxes that would result upon repatriation of approximately \$106.3 million of undistributed foreign earnings from these foreign subsidiaries as those earnings continue to be permanently reinvested. However, the Company does not indefinitely reinvest earnings in Canada, China, India, Mexico and Philippines. The Company recorded \$6.0 million and \$6.3 million of foreign withholding taxes on the undistributed earnings of these jurisdictions at December 31, 2020 and 2019, respectively. The Company recorded \$0.3 million deferred benefit, \$1.6 million deferred expense, and \$4.7 million deferred expense in the Consolidated Statement of Operations at December 31, 2020, 2019 and 2018, respectively. The foreign withholding taxes deferred benefit recorded in the current year is primarily attributable to the remeasurement of the cumulative withholding taxes on certain India undistributed earnings as a result of the change in the withholding rate on distributions, offset by a deferred expense due to the current year undistributed earnings.

13. Employee Benefit Plans

German Pension Plan

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

U.K. Pension Plan

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

The expected rate of return assumptions for plan assets relate solely to the UK plan and are based mainly on historical performance achieved over a long period of time (15 to 20 years) encompassing many business and economic cycles. The Company assumed a weighted average expected long-term rate on plan assets of 3.47%.

Norway Pension Plan

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

Asterion Pension Plan

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

With respect to all of the plans as discussed, no new employees are registered under these plans and the employees who are already eligible to receive benefits under these plans are no longer employed by the Company.

Funded Status

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

	Year ended December,	
	2020	2019
Change in Benefit Obligation:		
Benefit obligation at beginning of period	\$ 100,961	\$ 90,051
Service cost	69	80
Interest cost	1,984	2,448
Actuarial loss (gain)	18,861	9,168
Plan amendments	(10)	(835)
Benefits paid	(4,745)	(3,082)
Foreign-exchange rate changes	4,891	3,131
Benefit obligation at end of year	<u>\$ 122,011</u>	<u>\$ 100,961</u>
Change in Plan Assets:		
Fair value of plan assets at beginning of period	\$ 75,875	\$ 62,952
Actual return on plan assets	10,755	10,906
Employer contributions	2,052	2,557
Benefits paid	(4,651)	(2,995)
Foreign-exchange rate changes	3,184	2,455
Fair value of plan assets at end of year	<u>87,215</u>	<u>75,875</u>
Funded status at end of year	<u>\$ (34,796)</u>	<u>\$ (25,086)</u>
Net amount recognized in the Consolidated Balance Sheets:		
Pension liability, net (a)	\$ (35,515)	\$ (25,681)
Amounts recognized in accumulated other comprehensive loss, net of tax consist of:		
Net actuarial loss	(17,064)	(8,059)
Net amount recognized in accumulated other comprehensive loss, net of tax	<u>\$ (17,064)</u>	<u>\$ (8,059)</u>
Plans with underfunded or non-funded accumulated benefit obligation:		
Aggregate projected benefit obligation	\$ 122,010	\$ 100,961
Aggregate accumulated benefit obligation	\$ 122,010	\$ 100,961
Aggregate fair value of plan assets	\$ 87,215	\$ 75,875

- (a) Consolidated balance of \$35.5 million as of December 31, 2020 includes pension liabilities of \$29.7 million, \$2.7 million, \$2.4 million and less than \$0.1 million under U.K., Asterion, German and Norway pension plans, respectively, and minimum regulatory benefit for a Philippines legal entity of \$0.6 million. Consolidated balance of \$25.7 million as of December 31, 2019 includes pension liabilities of \$20.6 million, \$2.4 million, \$2.1 million and less than \$0.1 million under U.K., Asterion, German and Norway pension plans, respectively, and minimum regulatory benefit for a Philippines legal entity of \$0.5 million.

Tax Effect on Accumulated Other Comprehensive Loss

As of December 31, 2020 and 2019, the Company recorded actuarial losses of \$17.1 million and \$8.1 million, respectively, which is net of a deferred tax benefit of \$2.0 million for each period.

Pension and Postretirement Expense

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

	Year ended December 31,		
	2020	2019	2018
Service cost	\$ 74	\$ 80	\$ 82
Interest cost	1,984	2,448	2,350
Expected return on plan assets	(2,530)	(2,460)	(2,841)
Amortization:			
Amortization of prior service cost	150	(169)	9
Amortization of net loss	1,739	1,768	1,755
Settlement loss	552	—	—
Net periodic benefit cost	<u>\$ 1,969</u>	<u>\$ 1,667</u>	<u>\$ 1,355</u>

Valuation

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

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

	December 31,							
	2020	2019	2020	2019	2020	2019	2020	2019
	UK		Germany		Norway		Asterion	
Weighted-average assumptions used to determine benefit obligations:								
Discount rate	1.40 %	2.10 %	0.75 %	1.00 %	1.70 %	2.30 %	0.79 %	1.10
Rate of compensation increase	N/A	N/A	N/A	N/A	2.25 %	2.25 %	N/A %	2.50
Weighted-average assumptions used to determine net periodic benefit cost:								
Discount rate	2.10 %	2.80 %	0.75 %	1.00 %	1.70 %	2.30 %	0.79 %	1.10
Expected asset return	3.47 %	3.87 %	N/A %	N/A %	2.70 %	3.80 %	0.79 %	1.10
Rate of compensation increase	N/A	N/A	N/A	N/A	2.25 %	2.25 %	N/A %	2.50

The Germany plan is an unfunded plan and therefore has no plan assets. The expected rate of return assumptions for plan assets are based mainly on historical performance achieved over a long period of time (10 to 20 years) encompassing many business and economic cycles. Adjustments, upward and downward, may be made to those historical returns to reflect future capital market expectations; these expectations are typically derived from expert advice from the investment community and surveys of peer company assumptions.

The Company assumed a weighted average expected long-term rate of return on plan assets for the overall scheme of 3.45%. The Company's long-term expected rate of return on cash is determined by reference to UK government 10 year bond yields at the balance sheet dates. The long-term expected return on bonds is determined by reference to corporate bond yields at the balance sheet date. The long-term expected rate of return on equities and diversified growth funds is based on the rate of return on UK long dated government bonds with an allowance for out-performance. The long-term expected rate of return on the liability driven investments holdings is determined by reference to UK government 20 year bond yields at the balance sheet date.

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

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

Plan Assets

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

The Company's investment policy related to the defined benefit plan is to continue to maintain investments in government gilts and highly rated bonds as a means to reduce the overall risk of assets held in the fund. No specific targeted allocation percentages have been set by category, but are set at the direction and discretion of the plan trustees. The weighted average allocation of plan assets by asset category is as follows:

	December 31,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
U.K. and other international equities	31.4 %	29.9 %	27.1 %
U.K. government and corporate bonds	2.7	12.5	12.7
Diversified growth fund	21.0	41.3	38.9
Liability driven investments	40.6	16.3	21.3
Multi-asset credit fund	4.3	—	—
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

The following tables set forth, by category and within the fair value hierarchy, the fair value of the Company's pension assets at December 31, 2020 and 2019:

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Asset Category:				
Cash	\$ 430	\$ 430	\$ —	\$ —
Equity funds:				
U.K.	16,201	—	16,201	—
Other international	10,802	—	10,802	—
Fixed income securities:				
Corporate bonds / U.K. Gilts	2,353	—	2,353	—
Other investments:				
Diversified growth fund	18,313	—	18,313	—
Liability driven investments	35,403	—	35,403	—
Multi-asset credit fund	3,713	—	3,713	—
Total fair value	<u>\$ 87,215</u>	<u>\$ 430</u>	<u>\$ 86,785</u>	<u>\$ —</u>
	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Asset Category:				
Cash	\$ 837	\$ 837	\$ —	\$ —
Equity funds:				
U.K.	13,121	—	13,121	—
Other international	8,747	—	8,747	—
Fixed income securities:				
Corporate bonds / U.K. Gilts	9,446	—	9,446	—
Other investments:				
Diversified growth fund	31,345	—	31,345	—
Liability driven investments	12,379	—	12,379	—
Total fair value	<u>\$ 75,875</u>	<u>\$ 837</u>	<u>\$ 75,038</u>	<u>\$ —</u>

The plan assets are categorized as follows, as applicable:

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

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

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

Employer Contributions

The Company's funding is based on governmental requirements and differs from those methods used to recognize pension expense. The Company made contributions of \$2.1 million and \$2.6 million to its pension plans during the years ended December 31, 2020 and 2019, respectively. The Company has fully funded the pension plans for 2020 based on current plan provisions. The Company expects to contribute \$3.1 million to the pension plans during 2021, based on current plan provisions.

Estimated Future Benefit Payments

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

Year ended December 31,	Estimated Benefit Payments
2021	\$ 1,817
2022	2,161
2023	2,078
2024	2,966
2025	2,995
2026 - 2030	17,878
Total	<u>\$ 29,895</u>

14. Commitments and Contingencies

Litigation

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

Appraisal Demand

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

SourceHOV appealed the judgment in the Appraisal Action on June 30, 2020. On January 22, 2021, the Delaware Supreme Court affirmed the judgment of the Delaware Court of Chancery in favor of the petitioners. To date, SourceHOV has not paid the judgment in the Appraisal Action, and the petitioners have not been successful in their attempts to collect on the judgment against SourceHOV.

The appraisal petitioners have filed additional actions to recognize the judgment against SourceHOV, an action alleging unjust enrichment and seeking restitution and to pierce the corporate veil and seek alter ego liability against Exela Technologies, Inc. and over 50 alleged subsidiaries and/or affiliates in an attempt to collect the award in the Appraisal Action from entities other than SourceHOV, and an action against SourceHOV and certain of its directors and officers alleging creditor derivative claims relating to the Company's securitization facilities. In early February 2021,

petitioners also filed a motion for a preliminary injunction in the derivative action in which they seek a court order freezing certain property and prohibiting certain transfers and payments by Exela subsidiaries other than SourceHOV, including preventing them from paying their creditors unless the payments are made equally among Exela's other creditors and toward the Appraisal Action liability. Although the Company believes that it has valid defenses to these ancillary proceedings and has moved to dismiss them, there can be no assurance that the Company will be successful.

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

As of December 31, 2020, the Company has an accrued liability of \$60.7 million for the Appraisal Action based on the judgment received on January 30, 2020 plus accrued interest, which is management's best estimate of the total payment.

Adverse Arbitration Order

In April 2020, one of the Company's Nordic subsidiaries commenced an arbitration in Finland against a customer alleging breach of contract and other damages in connection with an outsourcing services agreement and transition services agreement executed in 2017. In September 2020, the customer submitted counterclaims against the Company in an aggregate amount over EUR 10.0 million. Following an expedited arbitration, in late November 2020, the arbitrator awarded the customer approximately \$13.0 million in the aggregate for the counterclaimed damages and costs. The Company filed an application to annul the award in late January 2021 with the relevant court asserting, among other bases, that the arbitrator violated due process and procedural rules by disallowing the Company's witness and expert testimony and maintaining the expedited format following the assertion of significant counterclaims which would ordinarily have required the application of normal rather than expedited rules. In mid-February 2021, the court ordered an interim stay and prohibition of enforcement of the arbitration award. At this time, it is not practicable to render an opinion about whether an unfavorable outcome is probable or remote with respect to the appeal; however, the Company believes it has meritorious claims and defenses and is vigorously asserting them. However, at the same time principals from the Company and the customer's owner groups are engaged in substantive settlement discussions seeking a commercial solution, which are in an advanced stage, but have not yet come to a resolution. The Company recorded an accrual in the amount of \$9.6 million as of December 31, 2020 for this matter.

Contract-Related Contingencies

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

15. Fair Value Measurement

Assets and Liabilities Measured at Fair Value

The carrying amount of assets and liabilities, including cash and cash equivalents, accounts receivable and accounts payable approximated their fair value as of December 31, 2020, and December 31, 2019, due to the relative short maturity of these instruments. Management estimates the fair values of the secured term loan and secured notes at approximately 34.8% and 30.8% respectively, of the respective principal balance outstanding as of December 31, 2020. The fair value is substantially less than the carrying value for the long-term debt. Other debt represents the Company's outstanding loan balances associated with various hardware and software purchases along with loans entered into by subsidiaries of the Company and as such, the cost incurred would approximate fair value. Property and equipment, intangible assets, capital lease obligations, and goodwill are not required to be re-measured to fair value on a recurring

basis. These assets are evaluated for impairment if certain triggering events occur. If such evaluation indicates that impairment exists, the respective asset is written down to its fair value.

The Company determined the fair value of its long-term debt using Level 2 inputs including the recent issue of the debt, the Company's credit rating, and the current risk-free rate. The Company's contingent liabilities related to prior acquisitions are re-measured each period and represent a Level 3 measurement as it is based on the settlement amount based on the settlement agreement terms less amount already paid.

The Company determined the fair value of the interest rate swap using Level 2 inputs. The Company uses closing prices as provided by a third party institution. (Refer to Note 2 - Basis of Presentation and Summary of Significant Accounting Policies).

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

<u>As of December 31, 2020</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Fair Value Measurements</u>		
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Recurring assets and liabilities:					
Long-term debt	\$ 1,498,004	\$ 604,775	\$ —	\$ 604,775	\$ —
Interest rate swap liability	125	125	—	125	—
Acquisition contingent liability	300	300	—	—	300
Nonrecurring assets and liabilities:					
Goodwill	359,781	359,781	—	—	359,781
<u>As of December 31, 2019</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Fair Value Measurements</u>		
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Recurring assets and liabilities:					
Long-term debt	\$ 1,398,385	\$ 632,796	\$ —	\$ 632,796	\$ —
Interest rate swap asset	501	501	—	501	—
Acquisition contingent liability	721	721	—	—	721
Nonrecurring assets and liabilities:					
Goodwill	359,771	359,771	—	—	359,771

The significant unobservable inputs used in the fair value of the Company's acquisition contingent liabilities are the discount rate, growth assumptions, and revenue thresholds. Significant increases (decreases) in the discount rate would have resulted in a lower (higher) fair value measurement. Significant increases (decreases) in the forecasted financial information would have resulted in a higher (lower) fair value measurement. For all significant unobservable inputs used in the fair value measurement of the Level 3 liabilities, a change in one of the inputs would not necessarily result in a directionally similar change in the other based on the current level of billings.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Balance as of January 1,	\$ 721	\$ 721
Earn-out Adjustment	279	—
Payments/Reductions	(700)	—
Balance as of December 31,	<u>\$ 300</u>	<u>\$ 721</u>

During 2019, goodwill impairment charge totaling \$348.6 million was recognized. See Note 9.

16. Stock-Based Compensation

At Closing, SourceHOV had 24,535 restricted stock units (“RSUs”) outstanding under its 2013 Long Term Incentive Plan (“2013 Plan”). Simultaneous with the Closing, the 2013 Plan, as well as all vested and unvested RSUs under the 2013 Plan, were assumed by Ex-Sigma (the sole equityholder of Ex-Sigma 2), an entity formed by the former SourceHOV equity holders. In accordance with U.S. GAAP, the Company incurred compensation expenses related to the 9,880 unvested RSUs as of July 12, 2017 on a straight-line basis until fully vested, because the recipients of the RSUs were employees of the Company. All unvested RSUs under the 2013 Plan were vested by April 2019. As of December 31, 2020, there were no outstanding obligations under the 2013 Plan.

Exela 2018 Stock Incentive Plan

On January 17, 2018, Exela’s 2018 Stock Incentive Plan (the “2018 Plan”) became effective. The 2018 Plan provides for the grant of incentive and nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights, performance awards, and other stock-based compensation to eligible participants. The Company is authorized to issue up to 2,774,588 shares of Common Stock under the 2018 Plan.

Restricted Stock Unit Grants

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

A summary of RSU activity under the 2018 Plan for the year 2020 is summarized in the following table:

	Number of Shares	Weighted Average Grant Date Fair Value	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding Balance as of December 31, 2019	103,102	\$ 5.97	1.19	\$ 616
Granted.	—	—		
Forfeited.	—	—		
Vested.	(76,647)	7.55		
Outstanding Balance as of December 31, 2020	26,455	\$ 3.78	0.91	\$ 50

Out of the RSUs that vested in 2020, 3,433 were net-share settled such that the Company withheld shares with value equivalent to the employee’s minimum statutory obligation for applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities. The total shares withheld were 1,567 shares and were based on the value of the RSUs on their vesting date as determined by the Company’s closing stock price. Total payment for the employee’s tax obligations to taxing authorities was less than \$0.1 million and is reflected as a financing activity within the Consolidated Statements of Cash flows.

Options

Under the 2018 Plan, stock options are granted at a price per share not less than 100% of the fair market value per share of the underlying stock at the grant date. The vesting period for each option award is established on the grant date, and the options generally expire 10 years from the grant date. Options granted under the 2018 Plan generally

require no less than a two or four year ratable vesting period. Stock option activity for the year 2020 is summarized in the following table:

	<u>Outstanding</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Weighted Average Exercise Price</u>	<u>Average Remaining Vesting Period (Years)</u>	<u>Aggregate Intrinsic Value (2)</u>
Outstanding Balance as of December 31, 2019.	1,645,900	\$ 5.91	\$ 12.42	2.27	\$ —
Granted	70,000	0.75			
Exercised	—	—			
Forfeited	(80,200)	6.19			
Expired	—	—			
Outstanding Balance as of December 31, 2020 (1) . .	<u>1,635,700</u>	<u>\$ 5.67</u>	<u>\$ 11.89</u>	<u>1.42</u>	<u>\$ —</u>

(1) 379,480 of the outstanding options are exercisable as of December 31, 2020.

(2) Exercise prices of all of the outstanding options as of December 31, 2020 were higher than the market price of the shares of the Company. Therefore, aggregate intrinsic value was zero.

As of December 31, 2020, there was approximately \$2.8 million of total unrecognized compensation expense related to non-vested awards for the 2018 Plan, which will be recognized over the respective service period. Stock-based compensation expense is recorded within Selling, general, and administrative expenses. The Company incurred total compensation expense of \$2.8 million, \$7.8 million, and \$7.6 million related to the 2013 Plan and 2018 Plan awards for the years ended December 31, 2020, 2019, and 2018.

17. Stockholders' Equity

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

Common Stock

The Company is authorized to issue 1,600,000,000 shares of Common Stock. Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock or as provided for in the Director Nomination Agreements, the holders of our Common Stock possess all voting power for the election of our board of directors and all other matters requiring stockholder action and will at all times vote together as one class on all matters submitted to a vote of Exela stockholders. Holders of our Common Stock are entitled to one vote per share on matters to be voted on by stockholders. Holders of our Common Stock will be entitled to receive such dividends and other distributions, if any, as may be declared from time to time by the board of directors in its discretion out of funds legally available therefor and shall share equally on a per share basis in such dividends and distributions. The holders of the Common Stock have no conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the Common Stock. During fiscal 2020, 1,004,183 shares of Series A Preferred Stock were converted into 409,238 shares of Common Stock. As of December 31, 2020 and December 31, 2019, there were 49,242,225 and 50,283,896 shares outstanding, respectively (the outstanding shares of Common Stock as of December 31, 2019 includes the 1,523,578 shares returned to the Company in the first quarter of 2020 in connection with the Appraisal Action which became treasury stock).

Preferred Stock

The Company is authorized to issue 20,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the board of directors. At December 31, 2020 and December 31, 2019, the Company had 3,290,050 shares and 4,294,233 shares of Series A Preferred Stock outstanding, respectively. The par value of the Series A Preferred Stock is \$0.0001 per share. Each share of Series A Preferred Stock is convertible at the holder's option, at any time into the number of shares of Common Stock determined as of the date of conversion using a certain conversion formula that takes into account the amount of Liquidation Preference per share as adjusted for accrued but unpaid dividends, as described below. As of December 31, 2020, after taking into account the effect of the Reverse Stock Split, each outstanding shares of Series A Preferred Stock was

convertible into 0.4269 shares of Common Stock using this conversion formula. Accordingly, as of December 31, 2020, 1,404,621 shares of Common Stock were issuable upon conversion of the remaining 3,290,050 shares of Series A Preferred Stock.

Holders of the Series A Preferred Stock are entitled to receive cumulative dividends at a rate per annum of 10% of the dollar amount of per share liquidation preference (plus accumulated but unpaid dividends, the "Liquidation Preference") per share of Series A Preferred Stock, paid or accrued quarterly in arrears. From the issue date through December 31, 2020 the amount of all accrued but unpaid dividends on the Series A Preferred Stock have been added to the Liquidation Preference. The Company shall add the amount of all accrued but unpaid dividends on each quarterly dividend payment date to the Liquidation Preference, except to the extent the Company elects to make all or any portion of such payment in cash on or prior to the applicable dividend payment date, in which case, the amount of the accrued but unpaid dividends that is added to the Liquidation Preference shall be reduced on a dollar-for-dollar basis by the amount of any such cash payment. The Company is not required to make any payment or allowance for unpaid dividends, whether or not in arrears, on converted shares of Series A Preferred Stock or for dividends on the shares of Common Stock issued upon conversion of such shares. The dividend accumulation for the years ended December 31, 2020 and 2019 was \$1.3 million and \$3.3 million, respectively as reflected on the Consolidated Statement of Operations. As of December 31, 2020, the total accumulated but unpaid dividends on the Series A Preferred Stock since inception on July 12, 2017 was \$10.8 million. The per share average of cumulative preferred dividends is \$3.3.

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

Treasury Stock

On November 8, 2017, the Company's board of directors authorized a share buyback program (the "Share Buyback Program"), pursuant to which the Company was permitted to purchase up to 1,666,667 shares of Common Stock. The Share Buyback Program has expired. As of December 31, 2020, 929,049 shares had been repurchased under the Share Buyback Program and they are held in treasury stock. The Company records treasury stock using the cost method.

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

Warrants

At December 31, 2020, there were a total of 34,986,302 warrants outstanding. As part of its IPO, Quinpario had issued 35,000,000 units comprising one share of Common Stock and one warrant of which 34,986,302 have been separated from the original unit and 13,698 warrants remain an unseparated part of the originally issued units (the Common Stock included in these originally issued units (adjusted to reflect the Reverse Split) have been accounted for in the number of shares of Common Stock outstanding referred to above). The warrants traded on the OTC Pink under the symbol "XELAW" as of December 31, 2020.

Each warrant entitles the holder to purchase one-sixth of one share of Common Stock at a price of \$5.75 per one-sixth share (\$34.50 per whole share). Warrants may be exercised only for a whole number of shares of Common Stock. No fractional shares will be issued upon exercise of the warrants. Each warrant is currently exercisable and will expire July 12, 2022 (five years after the completion of the Novitex Business Combination), or earlier upon redemption.

The Company may call the warrants for redemption at a price of \$0.01 per warrant upon a minimum of 30 days' prior written notice of redemption, if, and only if, the last sales price of the shares of Common Stock equals or exceeds \$72.00 per share for any 20 trading days within a 30 trading day period (the "30-day trading period") ending three business days before the Company sends the notice of redemption, and if, and only if, there is a current registration

statement in effect with respect to the shares of Common Stock underlying such warrants commencing five business days prior to the 30-day trading period and continuing each day thereafter until the date of redemption.

18. Related-Party Transactions

Relationship with HandsOn Global Management

The Company incurred reimbursable travel expenses to HOVS LLC and HandsOn Fund 4 I, LLC (collectively, “HGM”) of \$0.1 million, \$0.6 million and less than \$0.1 million for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, and following a distribution of all the shares held by Ex-Sigma 2, HGM may be deemed to beneficially own approximately 50% of the Company’s Common Stock, including shares controlled, pursuant to voting agreements.

Pursuant to a master agreement dated January 1, 2015 between Rule 14, LLC and a subsidiary of the Company, the Company incurs marketing fees to Rule 14, LLC, a portfolio company of HGM. Similarly, the Company is party to ten master agreements with entities affiliated with HGM’s managed funds, each of which were entered into during 2015 and 2016. Each master agreement provides the Company with use of certain technology and includes a reseller arrangement pursuant to which the Company is entitled to sell these services to third parties. Any revenue earned by the Company in such third-party sale is shared 75%/25% with each of HGM’s venture affiliates in favor of the Company. The brands Zuma, Athena, Peri, BancMate, Spring, Jet, Teletype, CourtQ and Rewardio are part of the HGM managed funds. The Company has the license to use and resell such brands, as described therein. The Company incurred fees relating to these agreements of \$1.9 million, \$1.0 million, and \$0.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Certain operating companies lease their operating facilities from HOV RE, LLC and HOV Services Limited, which are affiliates under common control with HGM. The rental expense for these operating leases was \$0.2 million, \$0.4 million, and \$0.7 million for the years ended December 31, 2020, 2019, and 2018, respectively. In addition, HOV Services, Ltd. provides the Company data capture and technology services. The expense recognized for these services was approximately \$1.4 million, \$1.5 million, and \$1.6 million for the years ended December 31, 2020, 2019, and 2018, respectively. These expenses are included in cost of revenue in the consolidated statements of operations.

Certain premium payments, secondary offering fees and legal expenses were reimbursed to Ex-Sigma 2 pursuant to the terms of the Consent, Waiver and Amendment dated June 15, 2017, by and among the Company, Quinpario Merger Sub I, Inc., Quinpario Merger Sub II, Inc., SourceHOV, Novitex, Novitex Parent, L.P., Ex Sigma LLC, HOVS LLC and HandsOn Fund 4 I, LLC, amending the Novitex Business Combination agreement (the “Consent, Waiver and Amendment”). These expenses are included in related party expense in the consolidated statements of operations. The Company recorded related party expenses of \$1.7 million and \$5.2 million during the years ended December 31, 2019 and 2018, respectively, related to the Company’s obligation to reimburse Ex-Sigma 2 for premium payments on the Margin Loan. The Company recorded related party expenses of \$2.1 million and \$2.4 million for the years ended December 31, 2019 and 2018, respectively, for reimbursable expenses related to secondary offerings of shares by Ex-Sigma 2, the proceeds of which were used to repay the Margin Loan. The reimbursement payments were made in the second half of 2019. The Company recorded related party expenses of \$0.3 million, \$0.6 million and \$0.4 million for the years ended December 31, 2020, 2019 and 2018, respectively, for reimbursable legal expenses of Ex-Sigma 2.

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

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

Consulting Agreement

The Company receives services from Oakana Holdings, Inc. The Company and Oakana Holdings, Inc. are related through a family relationship between certain shareholders and the president of Oakana Holdings, Inc. The expense recognized for these services was approximately \$0.2 million, \$0.2 million and \$0.2 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Relationship with Apollo Global Management, LLC

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

On November 18, 2014, one of the Company's subsidiaries entered into a master services agreement with an indirect wholly owned subsidiary of Apollo. Pursuant to this master services agreement, the Company provides printer supplies and maintenance services, including toner maintenance, training, quarterly business review and printer procurement. The Company recognized revenue of \$0.1 million, \$0.6 million and \$0.6 million under this agreement for the years ended December 31, 2020, 2019 and 2018, respectively, in our consolidated statements of operations.

In April 2016, one of the Company's subsidiaries entered into a master services agreement with Presidio Networked Solutions Group, LLC ("Presidio Group"), a wholly owned subsidiary of Presidio, Inc., a portion of which is owned by affiliates of Apollo. Pursuant to this master services agreement, Presidio Group provides the Company with employees, subcontractors, and/or goods and services. For the years ended December 31, 2020, 2019 and 2018 there were related party expenses of \$0.2 million, \$1.0 million and \$0.7 million, respectively, for this service.

On January 18, 2017, one of the Company's subsidiaries entered into a master purchase and professional services agreement with Caesars Enterprise Services, LLC ("Caesars"). Caesars is controlled by investment funds affiliated with Apollo. Pursuant to this master purchase and professional services agreement, the Company provides managed print services to Caesars, including general equipment operation, supply management, support services and technical support. The Company recognized revenue of \$0.9 million, \$4.4 million and \$4.1 million for years ended December 31, 2020, 2019 and 2018.

On May 5, 2017, one of the Company's subsidiaries entered into a master services agreement with ADT LLC. ADT LLC is controlled by investment funds affiliated with Apollo. Pursuant to this master services agreement, the Company provides ADT LLC with mailroom and onsite mail delivery services at an ADT LLC office location and managed print services, including supply management, equipment maintenance and technical support services. The Company recognized revenue of \$0.3 million, \$1.2 million and \$0.6 million in our consolidated statements of

operations from ADT LLC under this master services agreement for the years ended December 31, 2020, 2019 and 2018.

On July 20, 2017, one of the Company’s subsidiaries entered into a master services agreement with Diamond Resorts Centralized Services Company. Diamond Resorts Centralized Services Company is controlled by investment funds affiliated with Apollo. Pursuant to this master services agreement, the Company provides commercial print and promotional product procurement services to Diamond Resorts Centralized Services Company, including sourcing, inventory management and fulfillment services. The Company recognized revenue of \$0.9 million, \$5.4 million and \$5.7 million for the year ended December 31, 2020, 2019 and 2018 and cost of revenue of less than \$0.1 million for each of the years ended December 31, 2020, 2019 and 2018 from Diamond Resorts Centralized Services Company under this master services agreement.

Payable and Receivable/Prepayment Balances with Affiliates

Payable and receivable/prepayment balances with affiliates as of December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020		December 31, 2019	
	Receivables and Prepaid Expenses	Payables	Receivables and Prepaid Expenses	Payables
HOV Services, Ltd	\$ 711	\$ —	\$ 601	\$ —
Rule 14	—	44	—	250
HGM.	—	52	115	—
Apollo affiliated company	—	—	—	202
Oakana	—	1	—	1
Ex-Sigma 2.	—	—	—	1,287
	<u>\$ 711</u>	<u>\$ 97</u>	<u>\$ 716</u>	<u>\$ 1,740</u>

19. Segment and Geographic Area Information

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

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

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

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

The chief operating decision maker reviews segment profit to evaluate operating segment performance and determine how to allocate resources to operating segments. “Segment profit” is defined as revenue less cost of revenue (exclusive of depreciation and amortization). The Company does not allocate Selling, general, and administrative expenses, depreciation and amortization, interest expense and sundry, net. The Company manages assets on a total

company basis, not by operating segment, and therefore asset information and capital expenditures by operating segments are not presented. A reconciliation of segment profit to net loss before income taxes is presented below.

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

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

	Year ended December 31, 2018			
	ITPS	HS	LLPS	Total
Revenue	\$1,273,647	\$ 228,015	\$ 84,560	\$1,586,222
Cost of revenue (exclusive of depreciation and amortization)	<u>1,010,320</u>	<u>151,877</u>	<u>51,206</u>	<u>1,213,403</u>
Segment profit	263,327	76,138	33,354	372,819
Selling, general and administrative expenses (exclusive of depreciation and amortization)				184,908
Depreciation and amortization				138,077
Impairment of goodwill and other intangible assets				48,127
Related party expense				12,403
Interest expense, net				155,991
Debt modification and extinguishment costs				1,067
Sundry income, net				(3,271)
Other income, net				(3,030)
Net loss before income taxes				<u>\$ (161,453)</u>

The following table presents revenues by principal geographic area where the Company's customers are located for the years ended December 31, 2020, 2019, and 2018.

	Years ended December 31,		
	2020	2019	2018
United States	\$ 1,057,006	\$ 1,286,678	\$ 1,347,516
EMEA	213,418	248,466	211,314
Other	22,138	27,193	27,392
Total Consolidated Revenue	<u>\$ 1,292,562</u>	<u>\$ 1,562,337</u>	<u>\$ 1,586,222</u>

20. Selected Quarterly Financial Results (Unaudited)

The following tables show a summary of the Company's quarterly financial information for each of the four quarters of 2020 and 2019 (dollars in thousands, except per share data):

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

	<u>Q1 2019</u>	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>
Revenue:				
ITPS	\$ 325,172	\$ 309,840	\$ 292,607	\$ 306,665
HS	61,343	63,440	62,132	69,806
LLPS	17,842	17,569	18,806	17,115
Total Revenue	<u>404,357</u>	<u>390,849</u>	<u>373,545</u>	<u>393,586</u>
Cost of revenue:				
ITPS	259,272	249,589	241,867	250,927
HS	40,341	43,353	42,717	53,634
LLPS	10,988	10,889	10,861	10,297
Cost of revenue (exclusive of depreciation and amortization)	<u>310,601</u>	<u>303,831</u>	<u>295,445</u>	<u>314,858</u>
Selling, general and administrative expenses (exclusive of depreciation and amortization)	49,677	51,162	48,347	49,678
Depreciation and amortization	26,624	24,779	25,079	24,421
Impairment of goodwill and other intangible assets	—	—	97,158	252,399
Related party expense	998	5,331	1,430	1,742
Operating income (loss)	<u>16,457</u>	<u>5,746</u>	<u>(93,914)</u>	<u>(249,512)</u>
Other expense (income), net:				
Interest expense, net	39,701	39,959	40,573	43,216
Debt modification and extinguishment costs	—	1,404	—	—
Sundry expense (income), net	2,715	(1,311)	165	(600)
Other expense, net	1,493	2,527	406	10,003
Net loss before income taxes	<u>(27,452)</u>	<u>(36,833)</u>	<u>(135,058)</u>	<u>(302,131)</u>
Income tax (expense) benefit	(4,720)	(4,738)	3,769	(1,953)
Net loss	<u>(32,172)</u>	<u>(41,571)</u>	<u>(131,289)</u>	<u>(304,084)</u>
Cumulative dividends for Series A Preferred Stock	(914)	(914)	(884)	(597)
Net loss attributable to common stockholders	<u>\$ (33,086)</u>	<u>\$ (42,485)</u>	<u>\$ (132,173)</u>	<u>\$ (304,681)</u>
Weighted average outstanding common shares (Refer to Net Loss per Share discussion in Note 2)	48,524,074	48,488,731	48,545,583	48,720,451
Earnings per share:			—	
Basic and diluted	\$ (0.68)	\$ (0.88)	\$ (2.72)	\$ (6.27)

21. Subsequent Events

Reverse Stock Split

On January 25, 2021, the Company filed a Certificate of Amendment of the Company's Second Amended and Restated Certificate of Incorporation, as amended (the "Certificate of Amendment"), with the Secretary of State of Delaware, to effect a one share-for-three shares reverse stock split of the Company's Common Stock. The reverse stock split, had no effect on the par value of the Common Stock and did not reduce the number of authorized shares. It also did not affect the number of Series A Preferred Stock outstanding; however, it did reduce the conversion factor of the Company's Series A Convertible Preferred Stock. The reason for the reverse stock split was to maintain the Company's listing on The Nasdaq Capital Market, which pursuant to Nasdaq Listing Rule 5550(a)(2)(the "Rule") requires that if the closing bid price of the Common Stock is below \$1.00 for 30 consecutive trading days, then the closing bid price must be \$1.00 or more for 10 consecutive trading days during a grace period to regain compliance with the Rule.

Private Placement of Common Stock and Warrants

On March 15, 2021, the Company entered into a securities purchase agreement with institutional investors for the purchase and sale of 9,731,819 shares of Common Stock at a price of \$2.75 per share and warrants to purchase 9,731,819 shares of Common Stock at an exercise price of \$4.00 per share. The warrants will be exercisable beginning on the calendar date following the six month anniversary of the closing and will expire five years from the date when first exercisable. The gross proceeds to Exela from this offering were approximately \$26.8 million before deducting placement agent fees and other estimated offering expenses. The offering closed on March 18, 2021.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2020. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based upon that evaluation, as discussed below, our CEO and CFO have concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures were not effective because of the material weaknesses in internal control over financial reporting described below.

Notwithstanding such material weaknesses in internal control over financial reporting, our management, including our CEO and CFO, has concluded that our consolidated balance sheets as of and for the years ended December 31, 2020 and 2019 and the consolidated statements of operations, comprehensive loss, stockholders’ deficit, and cash flows for each of the years in the three-year period ended December 31, 2020, present fairly, in all material respects, our financial position, results of our operations and our cash flows for the periods presented in this Annual Report, in conformity with U.S. GAAP.

Management’s Report on Internal Control over Financial Reporting

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

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

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control- Integrated Framework (2013) (the “COSO 2013 Framework”). Based on its assessment, our management,

including our CEO and CFO, has concluded that our internal control over financial reporting was not effective as of December 31, 2020 due to material weaknesses in our internal control over financial reporting described below.

The Company did not design, implement and operate effective process-level control activities related to order-to-cash (including revenue, customer deposits and accounts receivable), leases, journal entries and preparation of the consolidated financial statements, as well as accounting for significant unusual transactions.

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

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

The deficiencies in the control environment also created deficiencies in the Company's risk assessment process, information and communication and monitoring activities as follows:

- Financial reporting objectives were not clearly specified to enable the identification and assessment of risks, including complying with applicable accounting standards;
- The risk assessment process failed to identify and assess risks of misstatement, including fraud risks, to ensure controls were designed and implemented to respond to those risks;
- Relevant and quality information to support the functioning of internal controls was not consistently generated or used by the Company to support the operation of internal controls;
- Changes that could impact the system of internal controls were not identified and assessed;
- The Company did not sufficiently select, develop and perform ongoing evaluations to determine the components of internal control are present and functioning;
- Internal communication of information necessary to support the functioning of internal control was not sufficient;
- Communication with external parties on matters affecting the functioning of internal control was not complete; and
- The evaluation and communication of internal control deficiencies, including monitoring corrective actions, were not performed in a timely manner.

Because there is a reasonable possibility that material misstatement of the consolidated financial statements will not be prevented or detected on a timely basis, we concluded the deficiencies represent material weaknesses in our internal control over financial reporting and our internal control over financial reporting was not effective as of December 31, 2020.

Remediation Plan

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

- Further develop the detailed remediation plan, with appropriate executive sponsorship and with the assistance of third-party specialists, to specifically address the material weaknesses related to the control environment, risk assessment, information and communication, and monitoring activities.
- Establish adequate reporting structure to ensure appropriate authority guidelines are in place and are effective.
- Continue to hire, train, and retain individuals with appropriate skills and experience, assign responsibilities and hold individuals accountable for their roles related to internal control over financial reporting.

- Design and implement a comprehensive and continuous risk assessment process to identify and assess risks of material misstatement (including fraud risks) and ensure that the impacted financial reporting processes and related internal controls are properly designed and in place to respond to those risks in our financial reporting.
- Enhance the design of existing control activities and implement additional process-level control activities and ensure they are operating effectively.
- Design and implement additional information and communications controls to ensure use of and obtaining relevant and quality information to allow operation of effective control activities, including internal and external communication.
- Design and implement additional monitoring controls to assess the consistent operation of controls and to remediate deficiencies.

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

Changes in Internal Controls over Financial Reporting

We made the following material changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) during the fiscal year ended December 31, 2020 to remediate previously reported material weaknesses in our internal control over financial reporting:

As previously disclosed in our Annual Report on Form 10-K for the period ended December 31, 2019, the Company had ineffectively designed, implemented, and operated processes/process controls related to:

- Procure-to-pay (including operating expenses, accounts payable, and accrued liabilities).
- Hire-to-pay (including compensation expense and accrued liabilities).
- Approval, authorization and disclosure of related party transactions.
- Goodwill
- Restricted cash
- Share based compensation
- General information technology controls (GITCs) over user and privileged access to information technology (IT) systems at multiple components in order to adequately restrict access to appropriate finance and IT personnel and enforce appropriate segregation of duties.

To remediate the material weakness, the following actions were taken by management in fiscal 2020:

- Increased the oversight of the Board of Directors over the remediation plan including the design, implementation and execution of internal controls.
- Implemented changes to the subledger to ERP reconciliation controls in which all key fields were included in the reconciliation and the reconciliation is performed by appropriate management in a timely manner.
- Implemented review controls over manual vouchers entered into ERP systems to ensure vouchers are independently prepared and approved in accordance with the Delegation of Authority.
- Implemented changes to the Delegation of Authority to align with the business approval structure and updated the approval routings in subledger system to ensure non-PO invoices are appropriately reviewed and approved.
- Implemented a review control which requires Payroll Department to validate that all hourly employees' time was approved on a bi-weekly basis and obtain documented approval for any unapproved time.
- Implemented a review of the manual data import from timekeeping system to payroll processing system at Exela Enterprise Solutions to ensure time upload from timekeeping system to payroll processing system is complete and accurate.
- The Company hired a Vice President of SOX Compliance in September 2020 and a Director of Financial Planning & Analysis in October 2020. The Company will continue to add appropriate technical resources as needed to assist in remediating deficiencies in internal control over financial reporting.

- Implemented controls to identify a complete population of related party transactions, submit them for timely approval to the audit committee and ensure they are properly disclosed in the consolidated financial statements
- Enhanced review controls over the accuracy of the annual goodwill impairment analysis.
- Improved review controls over the accuracy of the balance sheet presentation of restricted cash.
- Enhanced review controls over share based compensation during 2020.
- Implemented enhanced user access review exercise for operating systems and databases.
- Implemented enhanced segregation of duties control testing.

There were no other changes in our internal control over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Information about our executive officers is contained in the section titled “Executive Officers” in Part I of this Annual Report.

The other information required by this Item will be included in our Proxy Statement for the 2021 Annual General Meeting of Shareholders under the captions “Director Nominees,” “Continuing Members of the Board of Directors,” “Additional Information Concerning the Board of Directors of the Company,” “Committees of the Board of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance,” which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2020 and is incorporated by reference in this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be included in our Proxy Statement for the 2021 Annual General Meeting of Shareholders under the captions “Executive Compensation” and “Director Remuneration,” which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2020 and is incorporated by reference in this Annual Report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be included in our Proxy Statement for the 2021 Annual General Meeting of Shareholders under the caption “Security Ownership of Certain Beneficial Owners and Management” and “Securities Authorized for Issuance under Equity Compensation Plans,” which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2020 and is incorporated by reference in this Annual Report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be included in our Proxy Statement for the 2021 Annual General Meeting of Shareholders under the captions “Certain Relationships and Related Party Transactions” and “Director Independence,” which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2020 and is incorporated by reference in this Annual Report.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item will be included in our Proxy Statement for the 2021 Annual General Meeting of Shareholders under the caption “Independent Registered Public Accounting Firm Fees” which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2020 and is incorporated by reference in this Annual Report.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

a) (1) Financial Statements

Report of Independent Registered Public Accounting Firm	66
Consolidated Balance Sheets as of December 31, 2020 and 2019	69
Consolidated Statements of Operations for the years ended December 31, 2020, 2019, and 2018	70
Consolidated Statements of Comprehensive Loss for the years ended December 31, 2020, 2019, and 2018	71
Consolidated Statements of Stockholders' Deficit for the years ended December 31, 2020, 2019, and 2018	72
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019, and 2018	75
Notes to the Consolidated Financial Statements	76

(a)(3) Exhibits

Exhibit No.	Description	Filed or Furnished Herewith
2.1	Novitex Business Combination Agreement, dated as of February 21, 2017, by and among Quinpario Acquisition Corp. 2, Quinpario Merger Sub I, Inc., Quinpario Merger Sub II, Inc., Novitex Holdings, Inc., SourceHOV Holdings, Inc., Novitex Parent, L.P., HOVS LLC and HandsOn Fund 4 I, LLC (2)	
3.1	Restated Certificate of Incorporation, dated July 12, 2017(4)	
3.2	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Exela Technologies, Inc., effective January 25, 2021(14)	
3.3	Second Amended and Restated Bylaws, dated November 6, 2019 (9)	
3.4	Certificate of Designations, Preferences, Rights and Limitations of Series A Perpetual Convertible Preferred Stock(4)	
3.5	Waiver of Bylaws(5)	
4.1	Specimen Common Stock Certificate(1)	
4.2	Specimen Warrant Certificate(1)	
4.3	Form of Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant(1)	
4.4	Indenture, dated July 12, 2017, by and among Exela Intermediate LLC and Exela Finance Inc. as Issuers, the Subsidiary Guarantors set forth therein and Wilmington Trust, National Association, as Trustee(4)	
4.5	First Supplemental Indenture, dated July 12, 2017, by and among Exela Intermediate LLC and Exela Finance Inc., as Issuers, the Subsidiary Guarantors set forth therein and Wilmington Trust, National Association, as Trustee(4)	
4.6	Second Supplemental Indenture, dated May 20, 2020, by and among Exela Intermediate LLC and Exela Finance Inc., as Issuers, Merco Holdings, LLC as Subsidiary Guarantor and Wilmington Trust, National Association, as Trustee. (12)	
4.7	Description of Securities	
10.1	Modification Agreement, dated as of June 15, 2017(3)	

Exhibit No.	Description	Filed or Furnished Herewith
10.2	Amended & Restated Registration Rights Agreement, dated July 12, 2017, by and among the Company and the Holders(4)	
10.3	Exela Technologies, Inc. Director Nomination Agreement, dated July 12, 2017, by and among the Company, the HGM Group and Ex-Sigma 2 LLC(4)	
10.4	First Lien Credit Agreement, dated July 12, 2017, by and among Exela Intermediate Holdings LLC, Exela Intermediate LLC, the Lenders Party Thereto, Royal Bank of Canada, RBC Capital Markets, Credit Suisse Securities (USA) LLC, Natixis, New York Branch and KKR Capital Markets LLC(4)	
10.5	First Amendment to First Lien Credit Agreement, dated July 13, 2018, by and among Exela Intermediate Holdings LLC, Exela Intermediate LLC, the Lenders Party Thereto, Royal Bank of Canada, RBC Capital Markets, Credit Suisse Securities (USA) LLC, Natixis, New York Branch and KKR Capital Markets LLC(6)	
10.6	Second Amendment to First Lien Credit Agreement, dated as of April, 16, 2019, by and among Exela Intermediate Holdings LLC, Exela Intermediate, LLC, each Subsidiary Loan Party listed on the signature pages thereto, Royal Bank of Canada, as administrative agent, and each of the lenders party thereto.(7)	
10.7	Exela Technologies Inc. 2018 Stock Incentive Plan.(8)	
10.8	Form of Option Grant Notice and Agreement under the Exela Technologies Inc. 2018 Stock Incentive Plan.(8)	
10.9	Form of Restricted Stock Unit Grant and Agreement under the Exela Technologies Inc. 2018 Stock Incentive Plan.(8)	
10.10	Exela Technologies, Inc. Executive Officer Annual Bonus Plan.(9)	
10.11	Membership Interest Purchase Agreement, dated as of March 16, 2020, by and among SourceHOV Tax, LLC, Merco Holdings, LLC, Exela Technologies, Inc., and Gainline Source Intermediate Holdings LLC (10)	
10.12	Transition Agreement, dated as of May 15, 2020, by and between Exela Technologies, Inc. and James G. Reynolds.(12)	
10.13	Third Amendment to First Lien Credit Agreement and First Amendment to Collateral Agency and Security Agreement (First Lien), dated as of May 15, 2020, by and among Exela Intermediate Holdings LLC, Exela Intermediate LLC, each Subsidiary Loan Party thereto, the Lenders party thereto and Wilmington Savings Fund Society, FSB (11)	
10.14	Loan and Security Agreement, dated as of December 10, 2020, by and among the Borrower, the Company, as initial servicer, Alter Domus (US) LLC, as administrative agent and the lenders from time to time party thereto.(13)	
10.15	First Tier Receivables Purchase and Sale Agreement, dated as of December 17, 2020, by and among Parent SPE, and certain other indirect, wholly-owned subsidiaries of the Company listed therein, and the Company, as initial servicer. (13)	
10.16	Second Tier Receivables Purchase and Sale Agreement, dated as of December 17, 2020, by and among, the Borrower, the Parent SPE and the Company, as initial servicer, pursuant to which the Parent SPE has sold or contributed and will sell or contribute to the Borrower certain receivables and related assets in consideration for a combination of cash and equity in the Borrower SPE(13)	

Exhibit No.	Description	Filed or Furnished Herewith
10.17	Sub-Servicing Agreement, dated as of December 17, 2020, by and among the Company, as initial servicer, and BancTec, Inc., SourceHOV, LLC, Economic Research Services, Inc., Exela Enterprise Solutions, Inc., SourceHOV Healthcare, Inc., United Information Services, Inc., HOV Enterprise Services, Inc., HOV Services, Inc., HOV Services, LLC, J&B Software, Inc., Novitex Government Solutions, LLC, Regulus Group II LLC, Regulus Group LLC, Regulus Integrated Solutions LLC, SourceCorp BPS Inc., Sourcecorp Management, Inc., as sub-servicers. (13)	
10.18	Pledge and Guaranty Agreement, dated as of December 10, 2020, between Parent SPE and Alter Domus (US) LLC. (13)	
10.19	Performance Guaranty, dated as of December 17, 2020, between the Company, as performance guarantor, and Alter Domus (US) LLC, as the administrative agent. (13)	
21.1	Subsidiaries of Exela Technologies Inc.	Filed
23.1	Consent of KPMG LLP	Filed
31.1	Certification of the Principal Executive Officer required by Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002	Filed
31.2	Certification of the Principal Financial and Accounting Officer required by Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002	Filed
32.1	Certification of the Principal Executive Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002	Furnished
32.2	Certification of the Principal Financial and Accounting Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002	Furnished
101.INS	Inline XBRL Instance Document	Filed
101.SCH	Inline XBRL Taxonomy Extension Schema	Filed
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	Filed
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	Filed
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	Filed
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	Filed
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101)	

(1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-198988).

(2) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on February 22, 2017.

(3) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on June 21, 2017.

(4) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on July 18, 2017.

(5) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on December 21, 2017.

(6) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on July 17, 2018.

- (7) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on April 17, 2019.
- (8) Incorporated by reference to the Registrants' Quarterly Report on Form 10-Q, filed on May 10, 2019.
- (9) Incorporated by reference to the Registrants' Quarterly Report on Form 10-Q, filed on November 12, 2019.
- (10) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on March 17, 2020.
- (11) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on May 21, 2020.
- (12) Incorporated by reference to the Registrants' Quarterly Report on Form 10-Q, filed on August 10, 2020.
- (13) Incorporated by reference to the Registrants' Current Report on Form 8 K, filed on December 17, 2021.
- (14) Incorporated by reference to the Registrants' Current Report on Form 8 K, filed on January 25, 2021

SIGNATURES

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

Dated: By: /s/ RONALD COGBURN
March 22, 2021 Ronald Cogburn, *Chief Executive Officer*

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

Dated: By: /s/ RONALD COGBURN
March 22, 2021 Ronald Cogburn, *Chief Executive Officer*
(*Principal Executive Officer*) and Director

Dated: By: /s/ SHRIKANT SORTUR
March 22, 2021 Shrikant Sortur, *Chief Financial Officer*
(*Principal Financial Officer and Principal Accounting Officer*)

Dated: By: /s/ PAR CHADHA
March 22, 2021 Par Chadha, *Chairman of the Board of Directors*

Dated: By: /s/ MARTIN P. AKINS
March 22, 2021 Martin P. Akins, *Director*

Dated: By: /s/ MARC A. BEILINSON
March 22, 2021 Marc A. Beilinson, *Director*

Dated: By: /s/ J. COLEY CLARK
March 22, 2021 J. Coley Clark, *Director*

Dated: By: /s/ JOHN H. REXFORD
March 22, 2021 John H. Rexford, *Director*

Dated: By: /s/ JAMES G. REYNOLDS
March 22, 2021 James G. Reynolds, *Director*

Dated: By: /s/ WILLIAM L. TRANSIER
March 22, 2021 William L. Transier, *Director*

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SUBSIDIARIES OF REGISTRANT

Subsidiary Name	Jurisdiction of Formation
Arista SA	France
Asterion Belgium N.V.	Belgium
Asterion Denmark A/S	Denmark
Asterion DM Finland A.B.	Sweden
Asterion France S.A.S	France
Asterion International GmbH	Germany
Asterion Sweden A.B.	Sweden
BancTec (Canada), Inc.	Canada
BancTec (Puerto Rico), Inc.	Delaware
BancTec B.V.	Netherlands
BancTec Europe Limited	U.K.
BancTec Group LLC	Delaware
BancTec Holding N.V.	Netherlands
BancTec India Pvt. Ltd.	India
BancTec Intermediate Holding, Inc.	Delaware
BancTec (Philippines), Inc.	Philippines
Banctec TPS India Private Ltd.	India
BancTec Transaktionservice GmbH	Austria
BancTec, Inc.	Delaware
BillSmart Solutions, LLC	Delaware
BTC International Holdings, Inc.	Delaware
BTC Ventures, Inc.	Delaware
Charter Lason, Inc.	Delaware
CorpSource Holdings, LLC	Delaware
Dataforce Interact Holdings Ltd.	U.K.
Dataforce Interact Ltd.	U.K.
Deliverex, LLC	Delaware
DF Property Portfolio Ltd.	U.K.
DFG UK, LLC	Delaware
DFG2 Holdings, LLC	Delaware
DFG2, LLC	Delaware
DocuData Solutions, L.C.	Texas
Drescher Euro-Label Sp Z.o.o.	Poland
Drescher Full-Service Versand GmbH	Germany
Economic Research Services, Inc.	Florida
Exela Enterprise Solutions, Inc.	Delaware
Exela Finance, Inc.	Delaware
Exela Intermediate Holdings, LLC	Delaware
Exela Intermediate, LLC	Delaware
Exela RE LLC	Delaware
Exela Receivables 1, LLC	Delaware
Exela Receivables Holdco, LLC	Delaware
Exela Receivables 3, LLC	Delaware
Exela Receivables 3 Holdco, LLC	Delaware
Exela Technologies AB	Sweden
Exela Technologies AS	Norway
Exela Technologies BV	Netherlands
Exela Technologies RE BV	Netherlands

Subsidiary Name	Jurisdiction of Formation
Exela Technologies doo Belgrade	Serbia
Exela Technologies ECM Solutions GmbH	Germany
Exela Technologies GmbH	Germany
Exela Technologies Holding GmbH	Germany
Exela Technologies Ibercia S.A.	Spain
Exela Technologies Limited	U.K.
Exela Technologies S.A.	France
Exela Technologies s.p. z.o.o.	Poland
Exela Technologies Services SA	Belgium
Exela Technologies Services SAS	France
Exela Technologies, Inc.	Delaware
Fedaso France SAS	France
Fedaso SA	Morocco
FTS Parent Inc.	Delaware
Glo-X, Inc.	Oklahoma
HOV Enterprise Services, Inc.	New Jersey
HOV Global Services Ltd.	U.K.
HOV Services, (Beijing) Ltd.	China
HOV Services, (Nanchang) Ltd.	China
HOV Services, Inc.	Delaware
HOV Services, LLC	Nevada
HOVG, LLC	Nevada
Ibis Consulting, Inc.	Rhode Island
Imagenes Digitales S.A. de C.V.	Mexico
J & B Software, Inc.	Pennsylvania
Kinsella Media, LLC	Delaware
Lason International, Inc.	Delaware
LexiCode Healthcare, Inc.	Philippines
Managed Care Professionals, LLC	Delaware
Merco Holdings, LLC	Delaware
Meridian Consulting Group, LLC	Nevada
Novitex Acquisition, LLC	Delaware
Novitex Enterprise Solutions Canada, Inc.	Canada
Novitex Government Solutions, LLC	Delaware
Novitex Holdings, Inc.	Delaware
Novitex Intermediate, LLC	Delaware
O.T. Drescher AG	Switzerland
Orone Contract SARL	Morocco
Pangea Acquisitions, Inc.	Delaware
Plexus Europe Ltd.	U.K.
Promotora de Tecnolgia, S.A. de C.V.	Mexico
RC4 Capital, LLC	Delaware
Recognition de Mexico S.A. de C.V.	Mexico
Recognition Mexico Holding, Inc.	Delaware
Regulus America LLC	Delaware
Regulus Group II LLC	Delaware
Regulus Group LLC	Delaware
Regulus Holding Inc.	Delaware
Regulus Integrated Solutions LLC	Delaware

Subsidiary Name	Jurisdiction of Formation
Regulus West LLC	Delaware
Rust Consulting, Inc.	Minnesota
Rustic Canyon III, LLC	Delaware
S-Corp Philippines, Inc.	Phillippines
SDS Applications Limited	U.K.
SDS Trading Applications Limited	U.K.
Services Integration Group, L.P.	Delaware
SIG-G.P., L.L.C.	Delaware
SourceCorp BPS, Inc.	Delaware
Sourcecorp de Mexico S.A. de C.V.	Mexico
SourceCorp Legal, Inc.	Delaware
SourceCorp Management, Inc.	Texas
SOURCECORP, Inc.	Delaware
SourceHOV Canada	Nova Scotia
SourceHOV HealthCare, Inc.	South Carolina
SourceHOV Holdings, Inc.	Delaware
SourceHOV India Pvt. Ltd.	India
SourceHOV LLC	Delaware
TRAC Holdings, LLC	Delaware
TRAC, LLC	Nevada
TransCentra, Inc.	Delaware
United Information Services, Inc.	Iowa

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Exela Technologies, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-222973, 333-219494, and 333-219157) on Form S-3 and the registration statement (No. 333-222743) on Form S-8 of Exela Technologies, Inc. of our report dated March 22, 2021, with respect to the consolidated balance sheets of Exela Technologies, Inc. as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive loss, stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes, which report appears in the December 31, 2020 annual report on Form 10-K of Exela Technologies, Inc.

Our report dated March 22, 2021, on the consolidated financial statements, refers to a change in the method of accounting for leases.

/s/ KPMG LLP

Detroit, Michigan
March 22, 2021

CERTIFICATION

I, Ronald Cogburn, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2020 of Exela Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 22, 2021

/s/ Ronald Cogburn

Name: Ronald Cogburn

Title: Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Shrikant Sortur, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2020 of Exela Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 22, 2021

/s/ Shrikant Sortur

Name: Shrikant Sortur

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

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

In connection with the Annual Report of Exela Technologies, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ronald Cogburn, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: March 22, 2021

/s/ Ronald Cogburn

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

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

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

In connection with the Annual Report of Exela Technologies, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Shrikant Sortur, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: March 22, 2021

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

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

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

Form 10-K/A
(Amendment No. 1)

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

For the fiscal year ended December 31, 2020

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 specified in its charter)

Delaware
(State of or other Jurisdiction
Incorporation or Organization)
2701 E. Grauwlyer Rd.
Irving, TX
(Address of Principal Executive Offices)

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

75061
(Zip Code)

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

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

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

The aggregate market value of the Registrant's voting common equity held by non-affiliates of the Registrant, computed by reference to the price at which such voting common equity was last sold as of June 30, 2020, was approximately \$42,280,594 (based on a closing price of \$1.66).

As of April 29, 2021 the registrant had 59,192,012 shares of common stock outstanding.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (the “Amendment”) amends the Annual Report on Form 10-K of Exela Technologies, Inc. (the “Company”) for the fiscal year ended December 31, 2020, which was originally filed with the Securities and Exchange Commission (the “SEC”) on March 22, 2021 (the “Original Report”) to include the information omitted from the Original Report in reliance on General Instruction G(3) to Form 10-K (the “Part III Information”). This Amendment is being filed because the Company has determined to delay the filing of its definitive proxy statement for its 2021 annual meeting of stockholders (the “Definitive Proxy Statement”). The Company expects to hold its 2021 annual meeting during the second quarter of the year.

In addition, in accordance with Rules 12b-15 and 13a-14 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Company is amending Part IV, Item 15 to include currently dated certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 from the Company’s principal executive officer and principal financial officer. Because no financial statements have been included in this Amendment, and this Amendment does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 3, 4 and 5 of the certifications have been omitted. Similarly, because no financial statements have been included in this Amendment, certifications pursuant to Section 906 of Sarbanes-Oxley Act of 2002 have been omitted.

Except as described above, this Amendment does not amend, modify or update the information in, or exhibits to, the Original Report in any way, and we have not updated disclosures included therein to reflect any subsequent developments or events. This Amendment should be read in conjunction with the Original Report and with our other filings made with the SEC subsequent to the filing of the Original Report.

* * *

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors

The Company has three classes of directors serving staggered three-year terms, with Class A consisting of two directorships and each of Class B and Class C consisting of three directorships. The terms of the Class A, B and C directorships expire on the date of the annual meeting in 2021, 2022, and 2023, respectively.

Name	Age	Class	Positions and Offices Held With the Company
Ronald C. Cogburn	65	A	Director
J. Coley Clark	75	A	Director
James G. Reynolds	52	B	Director
John H. Rexford	64	B	Director
Marc A. Beilinson	62	B	Director
Par S. Chadha	66	C	Director
Martin P. Akins	54	C	Director
William L. Transier	66	C	Director

Class A Directors—Term Expiring in 2021

Ronald C. Cogburn

Age: 65

Director since July 2017

Class: Class A

Business Experience: Mr. Cogburn is our Chief Executive Officer and served as Chief Executive Officer of SourceHOV from 2013 until the closing of the business combination among Exela, SourceHOV Holdings, Inc. (“SourceHOV”), and Novitex Holdings, Inc. (“Novitex”) on July 12, 2017, which resulted in SourceHOV and Novitex becoming our wholly owned subsidiaries (the “Novitex Business Combination”). Mr. Cogburn has been part of companies that were predecessors to SourceHOV since 1993, bringing over 30 years of diversified experience in executive management, construction claims consulting, litigation support, program management, project management, cost estimating, damages assessment and general building construction. Mr. Cogburn has also been a principal of HandsOn Global Management (“HGM”) since 2003. Prior to his role as Chief Executive Officer of SourceHOV, Mr. Cogburn was SourceHOV’s President, KPO from March 2011 to July 2013. Prior to this role, Mr. Cogburn was the President of HOV Services, LLC from January 2005 to September 2007, providing executive leadership during the company’s growth to its IPO on the India Stock Exchange in September 2006. Mr. Cogburn has a BSCE in Structural Design/Construction Management from Texas A&M University and is a registered Professional Engineer. We believe that Mr. Cogburn’s significant diversified business experience in Exela’s industry makes him well qualified to serve as a director of Exela.

J. Coley Clark

Age: 75

Director since December 2019

Class: Class A

Business Experience: J. Coley Clark is the retired Chief Executive Officer and Chairman of the Board of BancTec, Inc., a global provider of document and payment processing solutions, and currently serves on the board of directors of Moneygram International, Inc. At BancTec, Inc., Mr. Clark was Co-Chairman of the Board from 2014 to December 2016, and Chairman of the Board and Chief Executive Officer from September 2004 to 2014. In 2004, Mr. Clark retired from Electronic Data Systems Corporation, or EDS, an outsourcing services company that was acquired by Hewlett-Packard in 2008, as Senior Vice President and head of the Financial and Transportation Industry Group. Mr. Clark joined EDS in 1971 in the Systems Engineering Development Program and progressed through a variety of technical, sales and management roles related to the financial and insurance industries. Prior to his time at EDS, Mr. Clark served three years in the U.S. Army, attaining the rank of Captain, and served as a company commander in Europe and Southeast Asia. Mr. Clark received a Bachelor of Arts in Sociology from the University of Texas. We believe that Mr. Clark’s significant diversified business experience in Exela’s industry makes him well qualified to serve as a director of Exela.

Class B Directors—Term Expiring in 2022

James G. Reynolds

Age: 52

Director since July 2017

Class: Class B

Business Experience: Mr. Reynolds was our Chief Financial Officer from the closing of the Novitex Business Combination until May 2020. Mr. Reynolds served as Co-Chairman of SourceHOV from 2014 until the closing of the Novitex Business Combination in 2017. Mr. Reynolds is also the Chief Operating Officer and a Partner at HGM, bringing over 25 years of industry experience to the team. Prior to HGM, Mr. Reynolds held numerous executive management or senior advisory positions at SourceHOV and its related subsidiaries and predecessor companies, including serving as Chief Financial Officer for HOV Services, LLC from 2007 to 2011 and Vice President and Corporate Controller for Lason from 2001 to 2006. Mr. Reynolds was a Senior Manager in the Business Advisory Services Practice at PricewaterhouseCoopers from 1990 to 2001. Mr. Reynolds is a C.P.A. and holds a B.S. in Accounting from Michigan State University. We believe that Mr. Reynolds's significant industry and management experience makes him well qualified to serve as a director of the Company.

John H. Rexford

Age: 64

Director since July 2017

Class: Class B

Business Experience: Mr. Rexford is the Managing Director of Ramona Park Consulting LLC, which he founded in 2016, and also serves as a director of Verra Mobility. Mr. Rexford has over 36 years of finance experience that includes serving as Global M&A Head from 2010 to 2015 at the Xerox Corporation and serving in various positions at Affiliated Computer Services, Inc. (which was acquired by the Xerox Corporation), including Chief Financial Officer from 2006 to 2007, Executive Vice President from 2001 to 2009 and Senior Vice President of Mergers and Acquisitions from 1996 to 2001. Mr. Rexford holds a B.S. and an MBA from Southern Methodist University. We believe that Mr. Rexford's prior experience gives him an understanding of the business models, structures and attributes of Exela, as well as the risks and operating environment of Exela, which make him well qualified to serve as a director of Exela.

Marc A. Beilinson

Age: 62

Director since April 2020

Class: Class B

Business Experience: Mr. Beilinson has served as a director of Athene Annuity, a global annuity company, since 2013. Since August 2011, Mr. Beilinson has been the Managing Director of Beilinson Advisory Group, a financial restructuring and hospitality advisory group that specializes in assisting distressed companies. Most recently, Mr. Beilinson served as Chief Restructuring Officer of Newbury Common Associates LLC (and certain affiliates) from December 2016 to June 2017. Mr. Beilinson previously served as Chief Restructuring Officer of Fisker Automotive from November 2013 to August 2014 and as Chief Restructuring Officer and Chief Executive Officer of Eagle Hospitality Properties Trust, Inc. from August 2011 to December 2014 and Innkeepers USA Trust from November 2008 to March 2012. Mr. Beilinson oversaw the Chapter 11 reorganization of Innkeepers USA, Fisker Automotive and Newbury Common Associates in his interim management roles as the Chief Restructuring Officer of those companies. Mr. Beilinson currently serves on the boards of directors of MFG Assurance Company Limited, Dura Automotive Systems, Sigue Corporation, Acosta, Inc., Kingfisher Midstream LLC and KB US, Inc., as well as the audit committee of MFG Assurance Company Limited. Mr. Beilinson has previously served on the boards of directors and audit committees of a number of public and privately held companies, including Westinghouse Electric, Caesars Acquisition Company, Wyndham International, Inc., Apollo Commercial Real Estate Finance, Inc., Innkeepers USA Trust, Gastar Inc., American Tire, UCI Holdings, Haggen, Agrokor and Monitronics. Mr. Beilinson graduated magna cum laude from UCLA. We believe Mr. Beilinson's extensive experience resulting from over 30 years of service to the boards of both public and private companies, and his extensive knowledge of legal and compliance issues, including the Sarbanes-Oxley Act of 2002, make him well qualified to serve as a director of Exela.

Class C Directors—Term Expiring in 2023

Par S. Chadha

Age: 66

Director since July 2017

Class: Class C

Business Experience: Mr. Chadha is the founder, Chief Executive Officer and Chief Investment Officer of HGM, a family office, formed in 2001, and was the principal stockholder of SourceHOV immediately prior to the July 12, 2017 closing of the Novitex Business Combination. Mr. Chadha also served as Chairman of SourceHOV from 2011 until the closing of the Novitex Business Combination and as Chairman of our Board of Directors from the closing of the Novitex Business Combination until March 27, 2020 when he became our Executive Chairman. On March 17, 2021, Mr. Chadha stepped down as Executive Chairman of Exela and returned to being Chairman. Mr. Chadha brings over 40 years of experience in building businesses in the Americas, Europe and Asia, including execution of mergers and acquisitions, integration of businesses and public offerings. Mr. Chadha is a co-founder of Rule 14, LLC, a leading AI company formed in 2011, and during his career, Mr. Chadha has founded or co-founded other technology companies in the fields of metro optical networks, systems-on-silicon and communications. Through HGM, Mr. Chadha previously participated in director and executive roles in joint ventures with major financial and investment institutions, including Apollo Global Management (“Apollo”), as well as other portfolio companies of HGM, and currently holds and manages investments in evolving financial technology, health technology and communications industries. Since 2005, Mr. Chadha has served as a Director of HOV Services Limited, a company listed on the National Stock Exchange of India, acting as its Chairman from 2009 to 2011. Mr. Chadha holds a B.S. degree in Electrical Engineering from the Punjab Engineering College, India, and completed graduate-level coursework in computer science at the Illinois Institute of Technology.

Mr. Chadha, along with his co-investors, holds 17 patents in “real time adaptive machines” and cognitive automation space.

We believe Mr. Chadha’s significant experience with our business and in the public information technology and business services industry and his experience with mergers and integration of businesses make him well qualified to serve as a director of Exela.

Martin P. Akins

Age: 54

Director since July 2019

Class: Class C

Business Experience: Mr. Akins most recently worked at publicly traded Express Scripts Holding Company, a Fortune 25 company and the largest independent pharmacy benefit management company in the United States. In December of 2018, Express Scripts Holding Company merged with Cigna. As Senior Vice President and General Counsel, at Express Scripts Holding Company he served as the chief legal advisor and was also a member of the Express Scripts senior executive team where he advised the CEO and outlined strategy to the Board of Directors. He was at Express Scripts Holding Company from 2001 through 2019, serving in various legal capacities including Vice President, Deputy General Counsel and Associate General Counsel. Prior to his time at Express Scripts, Mr. Akins was with the Polsinelli law firm. Mr. Akins began his legal career with the firm Thompson Coburn LLP. He received his Juris Doctorate from the University of Illinois College of Law.

We believe that Mr. Akins’s significant strategic, legal, regulatory and governance experience make him well qualified to serve as a director of Exela.

William L. Transier

Age: 66

Director since April 2020

Class: Class C

Business Experience: Mr. Transier is Chief Executive Officer of Transier Advisors, LLC, an independent advisory firm providing services to companies facing stressed operational situations, turnaround, restructuring or in need of interim executive leadership. He was co-founder of Endeavour International Corporation, an international oil and gas exploration and production company. He served as non-executive Chairman of Endeavour's Board of Directors from December 2014 until November 2015. He served from September 2006 until December 2014 as Chairman, Chief Executive Officer and President of Endeavour and as its Chairman and Co-Chief Executive Officer from its formation in February 2004 through September 2006. Mr. Transier served as Executive Vice President and Chief Financial Officer of Ocean Energy, Inc. from March 1999 to April 2003 and, prior to that, Mr. Transier served in various positions of increasing responsibility with Seagull Energy Corporation. Before his tenure with Seagull, Mr. Transier served in various roles including partner in the audit department and head of the Global Energy practice of KPMG LLP from June 1986 to April 1996. In October 2019, Mr. Transier was elected to the Board of Directors of Battalion Oil Corporation (which changed its name from Halcón Resources Corporation) and as Chairman of the Board and of its audit committee. In March 2019, Mr. Transier was elected to the Board of Directors of Teekay Offshore GP L.L.C. (the general partner of Teekay Offshore Partners L.P.) and as chairman of its audit committee. Teekay was taken private in January 2020 and changed its name to Altera Infrastructure L.P. Since October 2018, Mr. Transier has served as a member of the Board of Directors of Sears Holding Corporation, including the Board's Restructuring Committee and Restructuring Subcommittee. From August 2018 to February 2019, Mr. Transier served as a member of the Board of Directors of Gastar Exploration, Inc. From May 2016 to July 2017, Mr. Transier was a member of the Board of Directors of CHC Group Ltd. From August 2014 to July 2017, Mr. Transier was a member of the Board of Directors of Paragon Offshore plc. On April 27, 2021, Mr. Transier was honored as a 2021 Outstanding Director by the Dallas Business Journal. Mr. Transier graduated from the University of Texas with a B.B.A. in accounting, has an M.B.A. from Regis University and has a Master of Arts in Theological Studies from Dallas Baptist University.

We believe that Mr. Transier's extensive audit, accounting and financial reporting experience and extensive professional background provide valuable contributions to the Company's board and make him well qualified to serve as a director of Exela.

Audit Committee

Our board of directors has established an Audit Committee in accordance with Section 3(a)(58)(A) of the Exchange Act consisting of Messrs. Beilinson, Clark, and Transier (Chairman). Messrs. Beilinson, Clark, and Transier are each independent within the meaning of Section 5605(a)(2) of the NASDAQ Marketplace Rules and meet the additional test for independence for audit committee members imposed by the SEC, regulation and Section 5605(c)(2)(A) of the NASDAQ Marketplace Rules. Our board of directors has determined that Mr. Transier qualifies as a financial expert.

Executive Officers

The information set forth under the heading "Executive Officers" in the Company's Form 10-K for year ended December 31, 2020 amended by this Amendment No. 1 is incorporated by reference.

Code of Ethics

We make available our code of ethics entitled "Global Code of Ethics and Business Conduct" free of charge through our website. We intend to post on our website all disclosures that are required by law or Nasdaq listing standards concerning any amendments to, or waivers from, any provision of our code of ethics.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who own more than 10% of our Common Stock to file reports with the SEC. Based on a review of the copies of reports furnished to us, Exela believes that, during 2020, HGM, Mr. Par S. Chadha, Mr. Ronald C. Cogburn, Mr. Shrikant Sortur, Mr. Suresh Yannamani, Mr. Srinivasan Murali, Mr. James G. Reynolds, and Mr. Mark D. Fairchild were delinquent in their Section 16(a) reporting obligations based upon their indirect interests in Ex-Sigma 2, LLC ("Ex-Sigma") as described below. In addition, Mr. William L. Transier and Mr. Marc A. Beilinson were late in their Section 16(a) reporting obligations in connection with their appointment to the Board on April 14, 2020.

On February 21, 2020, Ex-Sigma distributed shares of our Common Stock to certain beneficial owners of Ex-Sigma, including certain directors and officers of the Company. HGM at all relevant times reported beneficial ownership of all of the shares of Exela held by Ex-Sigma, and all shares of Exela that were previously distributed to those certain directors and officers were reported as beneficially owned by such persons within four business days of the distribution date. None of the distributed shares were purchased or sold on the open market prior to the delinquent reports, which were ultimately made on February 27, 2020.

On April 14, 2020, Exela elected Marc A. Beilinson and William L. Transier to fill the previously vacant Class B and Class C directorships on the Board. Form 3s were filed late due to administrative error by Exela. Each of Messrs. Beilinson and Transier held no securities of Exela at the time of their respective appointments as directors, and did not engage in any transactions in Exela's securities between the date that the reports were required to be filed and the date such reports were ultimately made. The reports were ultimately made on December 31, 2020.

Item 11. Executive Compensation

This section discusses the material components of the executive compensation program for Exela's executive officers who are named in the "Summary Compensation Table" below. As a "smaller reporting company" as defined in Rule 12b-2 of the Exchange Act, Exela is not required to include a Compensation Discussion and Analysis and has elected to comply with the scaled disclosure requirements applicable to smaller reporting companies. Exela's named executive officers for the fiscal year ended December 31, 2020 were as follows:

- Ronald C. Cogburn, our Chief Executive Officer;
- Shrikant Sortur, our Chief Financial Officer;
- Suresh Yannamani, our President; and
- James G. Reynolds, former Chief Financial Officer who resigned effective May 15, 2020.

Mr. Reynolds served as an executive officer during the year ended December 31, 2020, and his total compensation would have made Mr. Reynolds one of the three most highly compensated executives for the year ended December 31, 2020 had he remained employed through the close of the financial year.

Summary Compensation Table

The following table sets forth compensation information for our named executive officers for services performed for the Company and its subsidiaries for the fiscal years ended December 31, 2020 and December 31, 2019.

Name and principal position (1)	Year	Salary (\$)	Bonus (\$) (2)	Stock Awards (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Ronald C. Cogburn <i>Chief Executive Officer</i>	2020	411,750	325,000	—	—	—	736,750
	2019	325,000	—	—	98,181	845,407	1,268,588
Shrikant Sortur <i>Chief Financial Officer</i>	2020	380,077	660,000	—	—	—	1,040,077
Suresh Yannamani <i>President</i>	2020	395,500	325,000	—	—	—	720,500
	2019	325,000	—	—	98,181	535,524	958,705
James Reynolds <i>Former Chief Financial Officer, Board Member</i>	2020	131,250	325,000	—	—	2,398,291 (3)	2,854,541

(1) On May 15, 2020, the Company appointed Shrikant Sortur as its new Chief Financial Officer, to succeed James Reynolds, who stepped down as an executive, officer and employee of the Company and its subsidiaries, effective as of May 15, 2020. Mr. Reynolds has remained a nonemployee member of the Board. Neither of Messrs. Sortur nor Reynolds was a named executive officer in the prior year and, therefore, in accordance with SEC regulations, only compensation information for the fiscal year in which each executive became a named executive officer is included in the Summary Compensation Table.

(2) During 2020, the Compensation Committee approved certain special bonuses to the named executive officers. These bonuses were granted in lieu of 2019 year-end bonuses and in recognition of the work expected of these officers during 2020. In addition, Mr. Sortur received a bonus for his work on the accounts receivable financing facility that closed during the first quarter of 2020.

- (3) The amounts reported in this column reflect the amounts paid to Mr. Reynolds by the Company pursuant to the transition agreement entered into with Mr. Reynolds in connection with his departure. Under the transition agreement, Mr. Reynolds was paid severance equal to \$1,700,000, paid in three equal installments of \$566,666.66 on each of May 18, 2020, August 15, 2020 and May 15, 2021 and the Company also paid Mr. Reynolds \$404,194 as a bonus in respect of a transaction he had a material role in arranging for the Company. For a description of the transition agreement and payments made under such agreement, please see “— Narrative to Summary Compensation Table – *Transition Agreement with Jim Reynolds*” below. The amount also includes \$294,097 earned by Mr. Reynolds as compensation as a non-employee director on our Board following his resignation. For a description of our non-employee director compensation policy, please see “—Director Remuneration” below.

Narrative to Summary Compensation Table

No Executive Employment Agreements

We have not entered into employment agreements with Messrs. Cogburn, Sortur or Yannamani. For a discussion of the severance pay and other benefits to be provided to our named executive officers in connection with a termination of employment and/or a change in control, please see “— *Potential Payments Upon Termination or Change In Control*” below.

Short-Term Incentives

The Company has adopted the Executive Officer Annual Bonus Plan. The plan first became effective November 6, 2019 and provides for potential awards of up to 100% of a participant’s base salary based on attainment of performance goals tied to Company performance and payable in the calendar year following the year in which performance is measured. With respect to our 2020 fiscal year, none of our named executive officers received such a performance-based bonus under the Annual Bonus Plan.

In February 2020, the Compensation Committee approved certain special bonuses to the named executive officers. Each of Messrs. Cogburn, Reynolds and Yanamanni received bonuses of \$325,000 while Mr. Sortur received a bonus of \$300,000. These bonuses were granted in lieu of 2019 year-end bonuses, which were not payable under the Annual Bonus Plan, and in recognition of the work expected of these officers during 2020. In addition, Mr. Sortur received a \$360,000 bonus for his work on the accounts receivable financing facility that closed during the first quarter of 2020.

Stock Plans, Health and Welfare Plans, and Retirement Plans

2018 Stock Incentive Plan

On December 19, 2017, our Board of Directors adopted our 2018 Stock Incentive Plan, or the 2018 Plan, which was subsequently approved on December 20, 2017 by the written consent of the holders of a majority of the shares of our Common Stock, and became effective on January 17, 2018. The 2018 Plan is administered by the Compensation Committee of our Board of Directors. Under the 2018 Plan, the Company was originally authorized to grant an aggregate of 2,774,588 shares of our Common Stock to eligible participants in the form of stock options, restricted stock awards, restricted stock units, stock appreciation rights, performance awards and other awards that may be settled in or based on our Common Stock. Our Board determined not to grant any stock-based awards to our executive officers in 2020.

Health and Welfare Plans

Our named executive officers are eligible to participate in our employee benefits plans, including our medical, dental, vision, life, disability, health and dependent care flexible spending accounts and accidental death and dismemberment benefit plans, in each case on the same basis as all of our other employees.

Retirement Plan

We sponsor a retirement plan intended to qualify for favorable tax treatment under Section 401(a) of the Internal Revenue Code of 1986, as amended, or the Code, containing a cash or deferred feature that is intended to meet the requirements of Section 401(k) of the Code. Employees who meet the eligibility requirements may make pre-tax contributions to the plan from their eligible earnings up to the statutorily prescribed annual limit on pre-tax contributions under the Code. Participants who are 50 years of age or older may contribute additional amounts based on the statutory limits for catch-up contributions. All employee and employer contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participant's directions. Pre-tax contributions by participants and contributions that we may make to the plan and the income earned on those contributions are generally not taxable to participants until withdrawn, and all contributions are generally deductible by us when made. Participant contributions are held in trust as required by law. No minimum benefit is provided under the plan. An employee is 100% vested in his or her pre-tax deferrals when contributed and any employer contributions vest ratably over four years. The plan provides for a discretionary employer matching contribution; however, we currently do not make any matching contributions to the plan and did not make any matching contributions with respect to the 2020 plan year.

Transition Agreement with Jim Reynolds

In connection with Mr. Reynolds' resignation, the Company and Mr. Reynolds entered into a transition agreement, dated May 15, 2020, pursuant to which Mr. Reynolds agreed to provide consulting services as may be reasonably requested by the Company from time to time with respect to any matter as to which the Company determines such services may be helpful. In consideration for his consulting services, his agreement not to compete with or solicit employees or customers of the Company for at least one year following the effective date of his resignation, his non-disparagement agreement and a release of claims in favor of the Company and its subsidiaries, Mr. Reynolds was entitled to: (i) cash severance payments totaling \$1,700,000, which was paid in three equal installments of \$566,666.66 on each of May 18, 2020, August 15, 2020 and May 15, 2021 and (ii) reimbursement for the employer portion of the cost of COBRA continuation coverage for up to 18 months following Mr. Reynolds' last date of employment. In addition, Mr. Reynolds was eligible to receive an additional cash payment equal to 3% of the enterprise value of a specified business of the Company if the Company entered into a definitive agreement for its sale within three months following the effective date of his resignation (subject to the closing of such transaction), which was ultimately equal to \$404,194 and paid to him in August 2020. The transition agreement also provided that Mr. Reynolds will not be deemed to have experienced a termination of service with respect to (and will continue to vest in) his outstanding stock options until such time as he ceases to serve as a member of the Board and the expiration date of such options will be extended until the earlier to occur of (x) two years following his last date of service on the Board, and (y) the original expiration date of such options. As a continuing member of the Board, Mr. Reynolds receives compensation in accordance with the Company's director compensation policy for non-employee directors. For a description of our non-employee director compensation policy, please see "—Director Remuneration" below.

Other Compensation Policies and Practices

Insider Trading Policy

Our Insider Trading Policy provides that employees, including our executive officers and the members of our Board of Directors, are prohibited from engaging in transactions in our securities if such employee possesses material, non-public information about the Company. In addition, certain persons covered by our Insider Trading Policy must advise our General Counsel before effectuating any transaction in our securities.

Stock Ownership Guidelines

On December 19, 2017, our Board of Directors adopted Stock Ownership Guidelines for our non-employee directors, Chief Executive Officer, Chief Financial Officer and our other executive officers who report directly to our Chief Executive Officer, which we refer to here as covered persons. Our Stock Ownership Guidelines provide that within five years after first becoming subject to the guidelines, each covered person should own shares of our Common Stock with a specified fair market value, which is three times the annual retainer fee in the case of non-employee directors, six times annual base salary in the case of our Chief Executive Officer, three times annual base salary in the case of our Chief Financial Officer and one and one-half times annual base salary in the case of all other covered persons. Covered persons must retain their equity until their required ownership amount is met; provided that each covered person is at all times permitted to sell a portion of the shares of our Common Stock underlying his or her equity-based awards to the extent necessary to satisfy any withholding taxes due in connection with such awards. Included in a covered person's ownership amount for purposes of the Stock Ownership Guidelines are (i) one half of the fair market value of the shares of our Common Stock underlying vested stock options (to the extent the fair market value exceeds the applicable exercise price); and (ii) one half of the shares of our Common Stock subject to all vested and deferred restricted stock units. Shares of our Common Stock underlying unvested equity awards are not counted towards determining a covered person's stock ownership.

Outstanding Equity Awards at Fiscal Year End

The following table contains information regarding outstanding equity awards of Exela held by our named executive officers as of December 31, 2020.

Name	Option Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Ronald Cogburn	14,800	22,200 (1)	17.94	8/31/28
	—	37,000 (2)	3.90	8/26/29
Shirkant Sortur	10,240	15,360 (1)	17.94	8/31/28
	—	25,600 (2)	3.90	8/26/29
Suresh Yannamani	14,800	22,200 (1)	17.94	8/31/28
	—	37,000 (2)	3.90	8/26/29
James G. Reynolds	14,800	22,200 (1)	17.94	8/31/28
		37,000 (2)	3.90	8/26/29

- (1) The stock options are subject to the following vesting schedule: forty percent of the options vested and became exercisable on August 31, 2020 and the remainder will vest and become exercisable on August 31, 2022, subject to continued employment with us through each such date.
- (2) The stock options are subject to the following vesting schedule: forty percent of the options will vest and become exercisable on August 26, 2021 and the remainder will vest and become exercisable on August 31, 2023, subject to continued employment with us through each such date.

Potential Payments Upon Termination or Change in Control

The following summaries describe the potential payments and benefits that we would provide to our named executive officers in connection with a termination of employment and/or a change in control, assuming the applicable triggering event occurred on December 31, 2020.

For a description of the severance payments and benefits made available to Mr. Reynolds in connection with his termination of employment, please see “— Narrative to Summary Compensation Table – *Transition Agreement with Jim Reynolds*” above.

Severance Benefits

Although we have not entered into written agreements providing Messrs. Cogburn, Sortur or Yannamani severance benefits, upon a termination of Messrs. Cogburn’s, Sortur’s or Yannamani’s employment by us without cause, each of Messrs. Cogburn, Sortur and Yannamani would be eligible for severance benefits pursuant to our current severance policy equal to continued payment of his base salary for a period of three weeks for each year of service, up to a maximum of 16 weeks. Our severance policy may be amended or terminated at any time in our sole discretion.

Vesting and Settlement of Outstanding Equity Awards

Our named executive officers hold unvested stock options granted pursuant to our 2018 Plan. The 2018 Plan provides that in the event of a significant “corporate event,” as defined therein, each outstanding award will be treated as the administrator determines. In addition, unless otherwise provided in an award agreement, with respect to each outstanding equity award under the 2018 Plan that is assumed or substituted in connection with a change in control, the vesting, payment, purchase or distribution of such award may not be accelerated by reason of the change in control for any award holder unless the award holder experiences an involuntary termination as a result of the change in control. For these purposes, an award holder will be deemed to experience an involuntary termination as a result of a change in control if the award holder experiences a termination other than for cause, or otherwise experiences a termination under circumstances which entitle the award holder to mandatory severance payment(s) pursuant to applicable law.

Director Remuneration

In February 2020, our Compensation Committee retained the services of an independent compensation consultant, Pearl Meyer, to develop alternatives to granting equity awards as part of our non-employee director compensation policy given the significant decline to the per share price of our Common Stock since our non-employee director compensation policy was first adopted and the dilution that would be caused by adhering to our prior policy. Based on information provided by Pearl Meyer, the Board approved changes to our director compensation policy to provide that there would be no further equity awards granted to our non-employee directors and all compensation payable under our non-employee director compensation policy would be delivered solely in cash. In addition, in light of the removal of any equity-based awards from our policy, the annual cash retainer payable for Board membership was increased from \$75,000 to \$207,000 and the annual cash retainer payable to our Audit Committee chair was increased from \$30,000 to \$52,500. Due to the changed policy regarding equity grants, each of Messrs. Clark, Beilinson and Transier received a one-time lump sum cash payment equal to \$238,500 paid in lieu of any initial equity grant they may have been entitled to under the prior policy.

Non-Employee Director Compensation Policy – 2020	
Annual Cash Retainer for Board Membership	\$ 207,000
Annual Cash Retainer for Audit Committee Member (other than the Chair)	\$ 20,000
Annual Cash Retainer for Audit Committee Chair	\$ 52,500
Annual Cash Retainer for Compensation Committee Member (other than the Chair)	\$ 12,500
Annual Cash Retainer for Compensation Committee Chair	\$ 20,000
Annual Cash Retainer for Nominating and Corporate Governance Committee (other than the Chair)	\$ 12,500
Annual Cash Retainer for Nominating and Corporate Governance Committee Chair	\$ 20,000
Annual Cash Retainer for Strategic Transactions Committee Member (2)	\$ 123,000

- (1) Board Retainer paid for Executive Chairman services in lieu of any other cash compensation.
- (2) Notwithstanding the foregoing, and so long as there is a Strategic Transactions Committee, the members of the Strategic Transactions Committee shall receive the monthly fee of \$10,250 in lieu of any other committee compensation that might otherwise be payable to them in respect of committee service under the non-employee director compensation policy.

In April 2020, the Board further determined that each non-employee member of the Board would be eligible to earn a payment of \$5,000 for each day that the director is required to spend more than four (4) hours addressing matters on behalf of Exela that are outside of routine board matters.

In March 2020, Par Chadha became our Executive Chairman. In March 2021, he resumed his role as Chairman. As Executive Chairman, Mr. Chadha was paid an annual fee equal to \$675,000, paid in equal monthly installments (with a one-time payment made in March of 2020 equal to the amount he would have earned between January 1, 2020 through the March 2020 appointment date had he been eligible to receive an annual retainer fee equal to \$675,000 for such period). Our Board determined that Mr. Chadha's fees were necessary in light of Mr. Chadha's significant time commitment to the Company and role in the strategic planning and operations of the Company.

Director Compensation Table

The following table sets forth information concerning director compensation for services performed during the year ended December 31, 2020.

Name	Fees earned or paid in cash (\$)	Stock Awards (\$) (1)	Total (\$)
Par S. Chadha	\$ 675,000	—	\$ 675,000
Martin P. Akins	\$ 248,667	—	\$ 248,667
Marc A. Beilinson (2)	\$ 468,589	—	\$ 468,589
J. Coley Clark (2)	\$ 498,000	—	\$ 498,000
John H. Rexford	\$ 263,000	—	\$ 263,000
William L. Transier (2)	\$ 470,033	—	\$ 470,033

- (1) No equity grants were issued to members of the Board during 2020. As of December 31, 2020 only Mr. Akins had any restricted stock units still outstanding:

Name	Aggregate Number of Restricted Stock Units Outstanding as of December 31, 2020
Martin P. Akins	26,454

The restricted stock units to receive 26,454 shares of our Common Stock were part of Mr. Akins's sign-on grant and are scheduled to vest in equal installments immediately prior to each of our annual meetings in 2021 and 2022.

- (2) Due to the changed policy regarding equity grants each of Messrs. Clark, Beilinson and Transier received a one-time lump sum cash payment equal to \$238,500 paid in lieu of the \$150,000 initial equity grant they would have been entitled to under the prior policy.

Ronald Cogburn does not receive additional compensation for his service as a director; a description of Mr. Cogburn's total compensation can be found under "Executive Compensation" above. In addition, the compensation received by Mr. Reynolds under the non-employee director compensation policy can be found in the "All Other Compensation" column of our Summary Compensation Table, above.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Principal Holders of Common Stock

The following table shows, based upon filings made with the Company, certain information as of April 25, 2021 concerning persons who may be deemed beneficial owners of 5% or more of the outstanding shares of Common Stock because they possessed or shared voting or investment power with respect to the shares of Common Stock.

Name and Address	Amount and Nature of Beneficial Ownership	Percent of Class (1)
Various entities affiliated with Delos Investment Fund, L.P. (1) 120 Fifth Ave, Third Floor, New York, NY 10011	5,161,749	8.7 %
Various entities affiliated with HGM (2) 8550 West Desert Inn Road, Suite 102-452, Las Vegas, NV 89117	24,854,630	41.2 %

- (1) Information based on Schedule 13G (the "13G"), filed with the SEC on March 2, 2020, relating to securities held of record by Delos Investment Fund, LP, a Delaware limited partnership ("Delos"). Delos Capital Management, LP, a Delaware limited partnership (the "Advisor"), serves as the investment manager of Delos. Matthew Constantino is the managing member of the general partner of the Advisor. Percent of class refers to percentage of class beneficially owned as the term beneficial ownership is defined in Rule 13d-3 under the Exchange Act and is based upon the 59,192,012 shares of Common Stock outstanding as of April 25, 2020. Delos is party to a voting agreement dated as of October 23, 2019 with HandsOn Global Management, LLC and certain other parties executing such agreement as stockholders.

- (2) Information based on Amendment Number 11 to Schedule 13D, filed with the SEC on March 26, 2020, by Mr. Par S. Chadha, HandsOn Global Management, LLC, a Delaware limited liability company, Ex-Sigma 2 LLC, a Delaware limited liability company, Ex-Sigma LLC, a Delaware limited liability company, HOVS LLC, a Delaware limited liability company, HandsOn Fund 4 I, LLC, a Nevada limited liability company, HOV Capital III, LLC, a Nevada limited liability company, HOV Services Ltd., an Indian limited company, Adesi 234 LLC, a Nevada limited liability company, HOF 2 LLC, a Nevada limited liability company, HandsOn 3, LLC, a Nevada limited liability company, SoNino LLC (“Sonino”), The Beigam Trust, The Rifles Trust, SunRaj LLC, Pidgin Associates LLC, Andrej Jonovic, Shadow Pond LLC, Ronald C. Cogburn, Kanwar Chadha, Surinder Rametra, Suresh Yannamani, Mark D. Fairchild, Sanjay Kulkarni, Shrikant Sortur, Anubhav Verma, Edward J. Stephenson, Eokesh Natarajan, Matt Reynolds, Carlos Mallen, and Mark Olschanski (collectively, the “HGM Reporting Persons”) and includes 104,083 shares of Common Stock held directly by HGM. According to the Schedule 13D, pursuant to a voting agreement, HGM may direct each of the HGM Reporting Persons on the voting of their shares on certain matters, and may be deemed to beneficially own 24,854,630 shares of Common Stock and by virtue of his control of HGM, Mr. Chadha may be deemed to beneficially own 24,854,630 shares of Common Stock. Percent of class, in the case of HGM, refers to 60,322,021 shares of Common Stock outstanding, and includes 937,530 shares of Common Stock issuable upon conversion of 2,128,321 shares of the Series A Preferred Stock and 192,479 shares of Common Stock issuable upon exercise of vested options held by the HGM Reporting Persons, as of April 25, 2020.

Common Stock Ownership by Directors and Executive Officers

The following table presents the number of shares of Common Stock beneficially owned by the directors, the nominees for director, the named executive officers and all directors, nominees for director and named executive officers as a group as of April 25, 2021. Individuals have sole voting and dispositive power over the stock unless otherwise indicated in the footnotes.

Name of Individual	Amount and Nature of Beneficial Ownership	Percent of Class (1)
Par S. Chadha (2)(3)	24,854,630	41.2 %
Martin P. Akins (4)	38,892	*
Marc A. Beilinson	—	*
J. Coley Clark	—	*
John H. Rexford	47,882	*
James G. Reynolds (3)(5)(7)	1,147,845	1.9 %
William L. Transier	—	*
Ronald C. Cogburn (3)(6)(7)	139,186	*
Shrikant Sortur (3)(7)	25,981	*
Suresh Yannamani (3)(7)	193,351	*
All directors, named executive officers and other executive officers as a group (13 persons) (8)	24,941,405	41.3 %

* Represents holdings of less than one percent.

- (1) Percent of class refers to percentage of class beneficially owned as the term beneficial ownership is defined in Rule 13d-3 under the Exchange Act and is based upon the 59,192,012 shares of Common Stock outstanding except as specified below and in the case of holdings in excess of one percent.
- (2) The business address of Mr. Chadha is 8550 West Desert Inn Road, Suite 102-452, Las Vegas, NV 89117. Mr. Chadha is a member of HGM or its affiliates and may be deemed to beneficially own the shares of Common Stock and Series A Perpetual Convertible Preferred Stock beneficially owned by HGM or its affiliates under Rule 13d-3. Mr. Chadha disclaims beneficial ownership of any such shares beneficially owned by HGM, except to the extent of his pecuniary interest therein. Percent of class, in the case of Mr. Chadha, refers to 60,322,021 shares of Common Stock outstanding, and includes 937,530 shares of Common Stock issuable upon conversion of 2,128,321 shares of the Series A Preferred Stock and 192,479 shares of Common Stock issuable upon exercise of vested options held by the HGM Reporting Persons, as of April 25, 2020.
- (3) Includes Series A Perpetual Convertible Preferred Stock held by the applicable holder on an as-converted to Common Stock basis.
- (4) Includes 13,227 shares of Common Stock issuable upon the vesting of RSUs that vest immediately prior to the 2021 Annual Meeting of Stockholders.

- (5) Mr. Reynolds is affiliated with HGM or its affiliates. Mr. Reynolds disclaims beneficial ownership of shares of Common Stock that are owned by HGM or its affiliates. Mr. Reynolds's holdings include shares held by his limited liability company Sonino. Percent of class, in the case of Mr. Reynolds, refers to 59,257,369.00 shares of Common Stock outstanding, and includes 50,557 shares of Common Stock issuable upon conversion of 114,770 shares of the Series A Preferred Stock held by Sonino and 14,800 shares of Common Stock issuable upon exercise of vested options held by Mr. Reynolds, as of April 25, 2020.
- (6) Mr. Cogburn is affiliated with HGM or its affiliates. Mr. Cogburn disclaims beneficial ownership of shares of Common Stock that are owned by HGM or its affiliates.
- (7) The individual is party to a voting agreement with HGM, among other persons. Mr. Chadha is a member of HGM and may be deemed to be the beneficial owner of, and has shared power to vote, such shares.
- (8) Percent of class refers to 60,395,568 shares of Common Stock outstanding, and includes 937,530 shares of Common Stock issuable upon conversion of 2,128,321 shares of the Series A Preferred Stock and 192,479 shares of Common Stock issuable upon exercise of vested options held by the HGM Reporting Persons, as of April 25, 2020 and 13,227 shares of Common Stock issuable upon the vesting of RSUs.

Item 13. Certain Relationships and Related Transactions and Director Independence

Certain Relationships and Related Transactions

We have adopted a written policy requiring that any related person transaction that would require disclosure under Item 404(a) of Regulation S-K under the Exchange Act be reviewed and approved by our audit committee or, if the audit committee is not able to review the transaction for any reason, by the chairman of the audit committee. Compensation matters regarding our executive officers or directors are reviewed and approved by our compensation committee. All relevant factors with respect to a proposed related person transaction will be considered, and such a transaction will only be approved if it is in our and our stockholders' best interests. Related persons include our major stockholders and directors and officers, as well as immediate family members of directors and officers.

Since January 1, 2020, Exela participated in the following transactions with related persons that are required to be reported under the SEC's rules:

The information set forth in Note 18 – Related-Party Transactions of Notes to Consolidated Financial Statements included in the Company's Form 10-K for year ended December 31, 2020 amended by this Amendment No. 1 is incorporated by reference.

In addition, the Company had ongoing obligations under the following agreements:

Registration Rights Agreement

The Company and certain stockholders, including certain entities affiliated with each of HGM and Apollo, entered into an Amended and Restated Registration Rights Agreement, which was subsequently amended on April 10, 2018 (the "Registration Rights Agreement"). Under the Registration Rights Agreement, certain stockholders, including affiliates of HGM, and their permitted transferees are entitled to certain registration rights described in the Registration Rights Agreement. Among other things, pursuant to the Registration Rights Agreement, affiliates of HGM are entitled to participate in five demand registrations, and also have certain "piggyback" registration rights with respect to registration statements filed subsequent to the Novitex Business Combination. Under the Registration Rights Agreement, we will bear certain expenses incurred in connection with the filing of any such registration statements.

Director Nomination Agreement

At the closing of the Novitex Business Combination, the Company entered into a Director Nomination Agreement (the "Director Nomination Agreement") with each of Novitex Parent, L.P., an Apollo affiliate, and certain affiliates of HGM, including HOVS LLC and HandsOn Fund 4 I, LLC (each a "Nominating Stockholder"), which will remain in effect for so long as the applicable Nominating Stockholder (or its affiliates) continues to beneficially own at least 5% of the then outstanding shares of our Common Stock (without giving effect to the exercise of any outstanding warrants to purchase our Common Stock). As of March 11, 2020, Novitex Parent, L.P. no longer owned any stock, directly or indirectly, of the Company and is therefore no longer a Nominating Stockholder.

The Director Nomination Agreement requires that the individual nominated for election as a director by our Board of Directors shall include a number of individuals selected by each of the Nominating Stockholders such that, upon the election of each such individual, and each other individual nominated by or at the direction of our Board of Directors or a duly authorized committee of the Board, as a director of our Company, the individual selected by each Nominating Stockholder (or Nominating Stockholder's affiliate) shall be: for so long as the applicable Nominating Stockholder beneficially owns at least 35% of the then outstanding shares of our Common Stock (without giving effect to the exercise of any outstanding warrants to purchase our Common Stock), three directors; for so long as the applicable Nominating Stockholder beneficially owns at least 15%, but less than 35%, of the then outstanding shares of Common Stock (without giving effect to the exercise of any outstanding warrants to purchase our Common Stock), two directors; and for so long as the applicable Nominating Stockholder (or Nominating Stockholder's affiliate) beneficially owns at least 5%, but less than 15%, of the then outstanding shares of our Common Stock (without giving effect to the exercise of any outstanding warrants to purchase our Common Stock), one director. In the case of a vacancy on our Board of Directors created by the removal or resignation of an individual selected for nomination by a Nominating Stockholder (or Nominating Stockholder's affiliate), the Director Nomination Agreement requires us to appoint another individual selected by the applicable Nominating Stockholder. The Director Nomination Agreement also provides for observation rights for each Nominating Stockholder (or Nominating Stockholder's Affiliate) to the extent that it has a right of nomination that it does not utilize. The Director nomination rights of HGM have not currently been exercised.

In addition, the Director Nomination Agreement provides that for so long as a Nominating Stockholder continues to beneficially own at least 15% of the then outstanding shares of our Common Stock (without giving effect to the exercise of any outstanding warrants to purchase our Common Stock), we cannot, without the consent of such Nominating Stockholder, engage in certain related-party transactions, adopt an equity incentive plan or amend the same to increase the number of securities that may be granted thereunder, issue certain equity securities, including with a fair market value of more than \$100 million, amend our certificate of incorporation or bylaws in a manner that adversely affects such Nominating Stockholder's rights under the applicable Director Nomination Agreement or has a disproportionate impact on the interests of such Nominating Stockholder, enter into certain new lines of business, or increase or decrease the size of the Board of Directors or change the classes in which the members of the Board of Directors serve. For additional information on ownership of the remaining Nominating Stockholder, see the information provided for "Various entities affiliated with HGM" in the section entitled "Ownership of Common Stock."

Consent, Waiver and Amendment

Pursuant to the Consent, Waiver and Amendment, the Company had certain obligations to reimburse Ex-Sigma and Ex-Sigma 2 in connection with the Margin Loan, all as disclosed in the Consolidated Financial Statements included in the Original Report.

Employment Relationships

Messrs. Chadha, Cogburn, and Reynolds are each affiliated with HGM. Messrs. Cogburn and Reynolds received compensation from Exela as executive officers of Exela. See "Executive Compensation" above and "CFO Transition" below.

We have entered into the following related party employment relationships: Matt Reynolds, the brother of our former chief financial officer and current director, is employed as our Vice President—Finance, and receives a base salary of \$169,067 and may be eligible for additional incentive compensation for 2021; and Andrej Jonovic, the son-in-law of the chairman of our Board of Directors, is employed as our Executive Vice President, Business Strategy and Corporate Affairs and receives a base salary of \$390,000 and may be eligible for additional incentive compensation for 2021.

CFO Transition

As previously reported in our Current Report on Form 8-K filed with the SEC on May 21, 2020, on May 15, 2020, Mr. Reynolds resigned as the Company's Chief Financial Officer, and remained a non-employee member of our Board of Directors. For a description of the material terms of the separation agreement entered into with Mr. Reynolds in connection with his departure, see Executive Compensation and our Current Report on Form 8-K filed with the SEC on May 21, 2020.

Director Independence

The Company's Common Stock is listed on Nasdaq, and the Company is required to comply with the Nasdaq listing requirements regarding independent directors. Under Nasdaq's Marketplace Rules, the definition of an "independent director" is a person other than an executive officer or employee of the company or any other individual having a relationship which, in the opinion of the issuer's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our Board of Directors has reviewed such information as the Board has deemed appropriate for purposes of determining whether any of the directors has a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, including the beneficial ownership by our directors of Common Stock (see "Ownership of Common Stock—Common Stock Ownership by Directors and Executive Officers") and transactions between the Company, on the one hand, and our directors and their affiliates, on the other hand (see "Certain Relationships and Related Party Transactions"). Based on such review, the Board of Directors has determined that we have five "independent directors" as defined in the Nasdaq listing standards and applicable SEC rules, Messrs. Akins, Beilinson, Clark, Rexford and Transier; independent directors, therefore, constitute a majority of our Board. Non-management directors meet periodically in executive session without members of the Company's management at the conclusion of regularly scheduled Board meetings. In addition, Messrs. Akins, Beilinson, Clark, Rexford and Transier qualify as independent directors for the purpose of serving on the audit committee of the Company under SEC rules.

Item 14. Principal Accountant Fees and Services

KPMG has been our principal accountant for the last two fiscal years.

Pursuant to its charter, the Audit Committee is directly responsible for the appointment, retention, compensation and oversight of the Company's independent registered public accounting firm. In addition to assuring the regular rotation of the lead audit partner as required by law, the Audit Committee is involved in the evaluation and selection of the lead audit partner and considers whether there should be regular rotation of the independent registered public accounting firm.

The Audit Committee is also required to review and pre-approve all of the audit and non-audit services to be performed by the Company's independent registered public accounting firm, including the firm's engagement letter for the annual audit of the Company, the proposed fees in connection with such audit services, and any additional services that management chooses to hire the independent auditors to perform. Additionally, the Audit Committee can establish pre-approval policies and procedures with respect to the engagement of the Company's independent accountant's for non-audit services. In accordance with the Audit Committee Charter, all of the foregoing audit and non-audit fees paid to, and the related service provided by, KPMG were pre-approved by the Audit Committee.

Services

KPMG and its affiliates provided services consisting of the audit of the annual consolidated financial statements and internal controls over financial reporting of the Company, review of the quarterly financial statements of the Company, accounting consultations and consents and other services related to SEC filings by the Company and its subsidiaries and other pertinent matters and other permitted services to the Company.

Audit Fees

The aggregate fees billed or expected to be billed by KPMG for professional services rendered for the audit of the Company's annual consolidated financial statements for the fiscal years ended 2019 and 2020, for the reviews of the condensed consolidated financial statements included in the Company's Quarterly Reports on Form 10-Q for the 2019 and 2020 fiscal years and for accounting research and consultation related to the audits and reviews for the internal controls over financial reporting for the fiscal year ended 2019 totaled approximately \$8.6 million for 2019 and \$4.5 million for 2020. These fees were pre-approved by the Audit Committee.

Audit-Related Fees

The aggregate fees billed by KPMG for audit-related services for the fiscal years ended 2019 and 2020 were \$0.8 million and \$1.2 million, respectively. These fees related to research and consultation on various filings with the SEC and fees associated with the reimbursement of out-of-pocket expenses related to certain legal matters and were pre-approved by the Audit Committee.

Tax Fees

The aggregate fees billed by KPMG for tax services for the fiscal year ended 2019 was less than \$0.1 million. These fees related to local tax compliance and consulting were pre-approved by the Audit Committee. There were no fees billed by KPMG for tax services for the fiscal year ended 2020.

All Other Fees

There were no fees billed by KPMG for services rendered to the Company other than the services described above under “Audit Fees,” “Audit-Related Fees” and “Tax Fees” for the fiscal year ended 2019. The aggregate fees billed by KPMG for services rendered to the Company other than the services described above under “Audit Fees,” “Audit-Related Fees” and “Tax Fees” for the fiscal year ended 2020 were less than \$0.1 million, which were related to the Company’s customer learning portal.

In its approval of these non-audit services, the Audit Committee has considered whether the provision of non-audit services is compatible with maintaining KPMG’s independence.

* * *

PART IV

Item 15. Exhibits

Exhibits. The following exhibits are included herein or incorporated herein by reference:

Exhibit No.	Description	Filed or Furnished Herewith
2.1	<u>Novitex Business Combination Agreement, dated as of February 21, 2017, by and among Quinpario Acquisition Corp. 2, Quinpario Merger Sub I, Inc., Quinpario Merger Sub II, Inc., Novitex Holdings, Inc., SourceHOV Holdings, Inc., Novitex Parent, L.P., HOVS LLC and HandsOn Fund 4 I, LLC (2)</u>	
3.1	<u>Restated Certificate of Incorporation, dated July 12, 2017(4)</u>	
3.2	<u>Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Exela Technologies, Inc., effective January 25, 2021(14)</u>	
3.3	<u>Second Amended and Restated Bylaws, dated November 6, 2019 (9)</u>	
3.4	<u>Certificate of Designations, Preferences, Rights and Limitations of Series A Perpetual Convertible Preferred Stock(4)</u>	
4.1	<u>Waiver of Bylaws(5)</u>	
4.2	<u>Specimen Common Stock Certificate(1)</u>	
4.3	<u>Specimen Warrant Certificate(1)</u>	
4.4	<u>Form of Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant(1)</u>	
4.5	<u>Indenture, dated July 12, 2017, by and among Exela Intermediate LLC and Exela Finance Inc. as Issuers, the Subsidiary Guarantors set forth therein and Wilmington Trust, National Association, as Trustee(4)</u>	
4.6	<u>First Supplemental Indenture, dated July 12, 2017, by and among Exela Intermediate LLC and Exela Finance Inc., as Issuers, the Subsidiary Guarantors set forth therein and Wilmington Trust, National Association, as Trustee(4)</u>	Filed
10.1	<u>Second Supplemental Indenture, dated May 20, 2020, by and among Exela Intermediate LLC and Exela Finance Inc., as Issuers, Merco Holdings, LLC as Subsidiary Guarantor and Wilmington Trust, National Association, as Trustee. (12)</u>	
10.2	<u>Amended & Restated Registration Rights Agreement, dated July 12, 2017, by and among the Company and the Holders(4)</u>	
10.3	<u>Exela Technologies, Inc. Director Nomination Agreement, dated July 12, 2017, by and among the Company, the HGM Group and Ex-Sigma 2 LLC(4)</u>	

Exhibit No.	Description	Filed or Furnished Herewith
10.4	<u>First Lien Credit Agreement, dated July 12, 2017, by and among Exela Intermediate Holdings LLC, Exela Intermediate LLC, the Lenders Party Thereto, Royal Bank of Canada, RBC Capital Markets, Credit Suisse Securities (USA) LLC, Natixis, New York Branch and KKR Capital Markets LLC(4)</u>	
10.5	<u>First Amendment to First Lien Credit Agreement, dated July 13, 2018, by and among Exela Intermediate Holdings LLC, Exela Intermediate LLC, the Lenders Party Thereto, Royal Bank of Canada, RBC Capital Markets, Credit Suisse Securities (USA) LLC, Natixis, New York Branch and KKR Capital Markets LLC(6)</u>	
10.6	<u>Second Amendment to First Lien Credit Agreement, dated as of April, 16, 2019, by and among Exela Intermediate Holdings LLC, Exela Intermediate, LLC, each Subsidiary Loan Party listed on the signature pages thereto, Royal Bank of Canada, as administrative agent, and each of the lenders party thereto.(7)</u>	
10.7	<u>Exela Technologies Inc. 2018 Stock Incentive Plan.(8)</u>	
10.8	<u>Form of Option Grant Notice and Agreement under the Exela Technologies Inc. 2018 Stock Incentive Plan.(8)</u>	
10.9	<u>Form of Restricted Stock Unit Grant and Agreement under the Exela Technologies Inc. 2018 Stock Incentive Plan.(8)</u>	
10.10	<u>Exela Technologies, Inc. Executive Officer Annual Bonus Plan.(9)</u>	
10.11	<u>Membership Interest Purchase Agreement, dated as of March 16, 2020, by and among SourceHOV Tax, LLC, Merco Holdings, LLC, Exela Technologies, Inc., and Gainline Source Intermediate Holdings LLC (10)</u>	
10.12	<u>Transition Agreement, dated as of May 15, 2020, by and between Exela Technologies, Inc. and James G. Reynolds.(12)</u>	
10.13	<u>Third Amendment to First Lien Credit Agreement and First Amendment to Collateral Agency and Security Agreement (First Lien), dated as of May 15, 2020, by and among Exela Intermediate Holdings LLC, Exela Intermediate LLC, each Subsidiary Loan Party thereto, the Lenders party thereto and Wilmington Savings Fund Society, FSB (11)</u>	
10.14	<u>Loan and Security Agreement, dated as of December 10, 2020, by and among the Borrower, the Company, as initial servicer, Alter Domus (US) LLC, as administrative agent and the lenders from time to time party thereto.(13)</u>	
10.15	<u>First Tier Receivables Purchase and Sale Agreement, dated as of December 17, 2020, by and among Parent SPE, and certain other indirect, wholly-owned subsidiaries of the Company listed therein, and the Company, as initial servicer. (13)</u>	
10.16	<u>Second Tier Receivables Purchase and Sale Agreement, dated as of December 17, 2020, by and among, the Borrower, the Parent SPE and the Company, as initial servicer, pursuant to which the Parent SPE has sold or contributed and will sell or contribute to the Borrower certain receivables and related assets in consideration for a combination of cash and equity in the Borrower SPE(13)</u>	
10.17	<u>Sub-Servicing Agreement, dated as of December 17, 2020, by and among the Company, as initial servicer, and BancTec, Inc., SourceHOV, LLC, Economic Research Services, Inc., Exela Enterprise Solutions, Inc., SourceHOV Healthcare, Inc., United Information Services, Inc., HOV Enterprise Services, Inc., HOV Services, Inc., HOV Services, LLC, J&B Software, Inc., Novitex Government Solutions, LLC, Regulus Group II LLC, Regulus Group LLC, Regulus Integrated Solutions LLC, SourceCorp BPS Inc., Sourcecorp Management, Inc., as sub-servicers. (13)</u>	
10.18	<u>Pledge and Guaranty Agreement, dated as of December 10, 2020, between Parent SPE and Alter Domus (US) LLC. (13)</u>	
10.19	<u>Performance Guaranty, dated as of December 17, 2020, between the Company, as performance guarantor, and Alter Domus (US) LLC, as the administrative agent. (13)</u>	
21.1	<u>Subsidiaries of Exela Technologies Inc. (15)</u>	Filed
23.1	<u>Consent of KPMG LLP (15)</u>	Filed
31.1	<u>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</u>	Filed

Exhibit No.	Description	Filed or Furnished Herewith
31.2	<u>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</u>	Filed
32.1	<u>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 (15).</u>	Furnished
32.2	<u>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 (15).</u>	Furnished
101.INS	XBRL Instance Document (15)	Filed
101.SCH	XBRL Taxonomy Extension Schema (15)	Filed
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (15)	Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase (15)	Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase (15)	Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (15)	Filed
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101)	

- (1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-198988).
- (2) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on February 22, 2017.
- (3) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on June 21, 2017.
- (4) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on July 18, 2017.
- (5) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on December 21, 2017.
- (6) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on July 17, 2018.
- (7) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on April 17, 2019.
- (8) Incorporated by reference to the Registrants' Quarterly Report on Form 10-Q, filed on May 10, 2019.
- (9) Incorporated by reference to the Registrants' Quarterly Report on Form 10-Q, filed on November 12, 2019.
- (10) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on March 17, 2020.
- (11) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on May 21, 2020.
- (12) Incorporated by reference to the Registrants' Quarterly Report on Form 10-Q, filed on August 10, 2020.
- (13) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on December 17, 2021.
- (14) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed on January 25, 2021.
- (15) Incorporated by reference to the Registrant's 10-K filed on March 22, 2021

SIGNATURES

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

Dated: April 30, 2021 By: /s/ Ronald Cogburn
Ronald Cogburn, *Chief Executive Officer*

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

Dated: April 30, 2021 By: /s/ Ronald Cogburn
Ronald Cogburn, *Chief Executive Officer*
(*Principal Executive Officer*) and Director

Dated: April 30, 2021 By: /s/ Shrikant Sortur
Shrikant Sortur, *Chief Financial Officer*
(*Principal Financial Officer and Principal Accounting Officer*)

Dated: April 30, 2021 By: /s/ Par Chadha
Par Chadha, *Chairman of the Board of Directors*

Dated: April 30, 2021 By: /s/ Martin P. Akins
Martin P. Akins, *Director*

Dated: April 30, 2021 By: /s/ Marc A. Beilinson
Marc A. Beilinson, *Director*

Dated: April 30, 2021 By: /s/ J. Coley Clark
J. Coley Clark, *Director*

Dated: April 30, 2021 By: /s/ John H. Rexford
John H. Rexford, *Director*

Dated: April 30, 2021 By: /s/ James G. Reynolds
James G. Reynolds, *Director*

Dated: April 30, 2021 By: /s/ William L. Transier
William L. Transier, *Director*

CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Ronald Cogburn, certify that:

1. I have reviewed this Amendment No. 1 on Form 10-K/A for the year ended December 31, 2020 of Exela Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Date: April 30, 2021

/s/ Ronald Cogburn

Name: Ronald Cogburn

Title: Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Shrikant Sortur, certify that:

1. I have reviewed this Amendment No. 1 on Form 10-K/A for the year ended December 31, 2020 of Exela Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Date: April 30, 2021

/s/ Shrikant Sortur

Name: Shrikant Sortur

Title: Chief Financial Officer (Principal Financial and Accounting Officer)

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