

April 27, 2020



Intellinetics, Inc. Clarifies Use of PPP Funds to Benefit Employees

COLUMBUS, Ohio, April 27, 2020 (GLOBE NEWSWIRE) -- Yesterday, [Intellinetics, Inc. \(OTCQB: INLX\)](#) was mentioned in an article in the New York times entitled “Large, Troubled Companies Got Bailout Money in Small-Business Loan Program.” For clarification, Intellinetics Inc. is a very small public company. As a small Midwestern business, we believe we are exactly the type of business the CARES Act was designed to help.

Intellinetics previously announced that it had received a PPP loan in the amount of \$838,700. Intellinetics intends to use this money to fund the payroll of its employees in order to permit the company to continue to conduct business during this pandemic despite the economic consequences of COVID-19.

We are not a large public company that has ready access to capital. Microcap public companies in general, and Intellinetics in particular, have a difficult time raising needed capital, even in good economic times. Under the current economic situation, raising outside debt or equity capital is likely impossible or would involve significantly detrimental terms.

Current economic uncertainty resulting from the COVID-19 crisis made the PPP loan request necessary to support the reinstatement of as many of our employees as possible and allowed us to continue our ongoing operations. As soon as the state of Michigan, which drives a substantial portion of our revenues, went under lockdown for non-essential business, we moved quickly to secure the long term future of our 86 employees companywide by cutting executive and board compensation immediately. We have been obligated to scale back our operations by state law in Michigan, where we are processing only those projects which qualify as essential under state guidance. Our liquidity at the start of this pandemic was not sufficient to absorb an extended reduction in our operations, thus driving the need for PPP money to enable us to continue to pay our essential employees and bring back as many employees as possible when permitted by law. Unlike large companies mentioned in the article, Intellinetics does not have a traditional line of credit with a bank. Every dime received under our award for PPP will be used solely for its intended purposes: payroll, rent and utilities and will be subject to repayment and forgiveness criteria.

No cash from the PPP loan will be used to repay any loans to insiders. As disclosed in our public filings, we converted the vast majority of our insider loans into equity before the outbreak of COVID-19, and as a result, we currently have only \$47,728 outstanding on these loans. It is important to note that no cash has ever been used to satisfy that obligation to date.

The receipt of the PPP loan had nothing to do with the initiation or the funding of the CEO Image acquisition. Discussions regarding that transaction predated our application for PPP funds. In fact, the pandemic caused us to reevaluate the CEO Imaging transaction. Although we now operate in a new climate of economic uncertainty that did not exist when we first

contemplated this acquisition, we still felt going forward with the combination made the resultant company stronger and safer. We did this by structuring most of the purchase price to be tied to certain CEO Imaging revenues in future years in an “earn out,” a win for both companies’ employees.

As disclosed in our public filings, we paid an upfront purchase price for CEO Imaging of just \$130,000. We believe the future 2020 payments of \$170,000 for the CEO Imaging assets will come from the operations of the business that we acquired. No PPP money has been or will be used for the acquisition.

Intellinetics is a small, community employer with a diverse employee base, primarily in Michigan and Ohio. Our goal is to get back to full staff and operations as soon as we are able and permitted by the State of Michigan. We have deep cleaned and reorganized our offices to enable social distancing with the goal of maximizing the safety of each employee. Further, we partner with a local human services provider to provide training for individuals with intellectual and/or developmental disabilities, with the goal of enabling the individuals to seek gainful employment with local businesses. We are proud of our employment practices and our employees.

James Desocio, CEO of Intellinetics, made the following statement, “We appreciate the fast actions by legislators and administrators to enact this program, designed for small companies exactly like us. On behalf of the employees, the management and the shareholders of Intellinetics, we are thankful it exists and we assure you that it will preserve American jobs.”

About Intellinetics, Inc.

Intellinetics, Inc., located in Columbus, Ohio, is a cloud-based document services software provider. Its IntelliCloud™ suite of solutions serve a mission-critical role for organizations in highly regulated, risk and compliance-intensive markets in Healthcare, K-12, Public Safety, Public Sector, Risk Management, Financial Services and beyond. IntelliCloud solutions make content secure, compliant, and process-ready to drive innovation, efficiencies and growth. Through its Image Technology Group and production scanning department, hundreds of millions of images have been converted from paper to digital, paper to microfilm, and microfiche to microfilm for business and federal, county, and municipal governments. Its operations in Madison Heights, Michigan, also provides its clients with long-term paper and microfilm storage and retrieval options. For additional information, please visit www.intellinetics.com.

Cautionary Statement Regarding Intellinetics, Inc.

Statements in this press release which are not purely historical, including statements regarding future momentum; future operations; execution of Intellinetics’ business plan, strategy, direction and focus; and other intentions, beliefs, expectations, representations, projections, plans or strategies regarding future growth and other future events are forward-looking statements. The forward-looking statements involve risks and uncertainties including, but not limited to, the effect of changing economic conditions, trends in the products markets, variations in Intellinetics’ cash flow or adequacy of capital resources, market acceptance risks, technical development risks, and other risks, uncertainties and other factors discussed from time to time in its reports filed with or furnished to the Securities and Exchange Commission, including in Intellinetics’ most recent annual report on Form 10-K as well as subsequently filed reports on Form 8-K. Intellinetics cautions investors not to place

undue reliance on the forward-looking statements contained in this press release. Intellinetics disclaims any obligation and does not undertake to update or revise any forward-looking statements in this press release. Expanded and historical information is made available to the public by Intellinetics on its website at www.intellinetics.com or at www.sec.gov.

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