June 7, 2019

Fellow Shareholders,

The Board of Directors and management team of Elah Holdings, Inc. are pleased to be releasing today the audited financial results for the Company for the year ended 2018, along with management prepared financial results for the first quarter of 2019. As described in our letter dated October 4, 2018 which accompanied our first and second quarter 2018 financial results, two non-cash events – the deconsolidation of our investment in the Real Alloy business (recorded in Discontinued Operations) effective as of January 1, 2018, and the accretive settlement of our Redeemable Preferred Equity (reported in Reorganization Items, net) as part of our emergence from Chapter 11 reorganization in May 2018 – drove Elah's reported net earnings of $73.6 million last year.

The first quarter of 2019 financial results represent a better picture of Elah's ongoing operating profile. You will see significantly lower operating expenses year over year, which is the result of focusing on cost savings in nearly every aspect of our business:

- headcount (down to 3.5 employees),
- occupancy (zero office rent, using a "virtual" environment),
- audit expense (savings from changing from Big 4 to Squar Milner LLP),
- public company compliance (SEC deregistration and OTC versus Nasdaq environment),
- general administrative fees (lower outside counsel, tax, insurance and bank fees), and
- director fees (fewer directors and reduced director fees).

Our Board owns over 25% of Elah's stock, and our Board observer controls another nearly 25%, so there is very strong alignment between those charged with governance and our public shareholders on creating value at Elah. Ensuring our business has both maximum liquidity to manage the enterprise until a transaction is completed and as much capital as possible to contribute toward such transaction is one of management's most critical tasks.

I am pleased to report that even with the significant cost cutting noted above, we have not sacrificed on the quality of our financial reporting as we continue to maintain a SOX compliant environment. Furthermore, even though we are not required to do so under OTC rules, our audit by Squar Milner in 2018 was conducted under the higher PCAOB accounting standards (versus GAAP) and management concluded our internal controls over financial reporting were operating effectively as of December 31, 2018.[1]

[1] Note: While our audit process for 2018 was subject to these higher standards, our audit opinion from Squar Milner is being filed as GAAP standard given our two-year financial presentation.

Operating at this higher level of financial reporting compliance also positions Elah to be able to register shares and/or 'uplist' to a national securities exchange on an expedited basis compared to non-public or more limited-reporting companies, if necessary, as we execute our business plan. We believe one fruitful pipeline for deal opportunities could be foreign exchange listed companies with significant operations in the United States where Elah's ability to return to NASDAQ or NYSE listing on an expedited and lower cost basis will be an important factor in the counter parties' evaluation of a transaction with us.

Contemporaneous with the filing of this financial report, Elah is filing its 2018 federal tax return, which includes a request for a refund of approximately $4.3 million related to AMT credits. We received $1.4 million in a similar refund from our 2017 tax return during the first quarter of 2019. We do not know how long the IRS will take to process this larger refund, but we do expect its collection will result in Elah ending the year 2019 with more cash than we began.

Our cash balance of $7.4 million, plus the aforementioned income tax refund, another $4+ million in tax receivables, and collections from our investment in a commercial mortgage loan portfolio are sufficient to allow us to operate our business for the foreseeable future as we seek to find the right business partner.

We appreciate our shareholders' support as we seek to create value from our unique asset base.

Sincerely,

Kyle Ross

Chief Executive Officer

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We are including this cautionary statement to make applicable the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These audited annual financial statements, Disclosure Statement and accompanying Letter from our CEO contain forward-looking statements, as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are subject to risks and uncertainties and are based on our current expectations, estimates, and projections about the businesses and prospects of the Company ("we" or "us"), as well as the beliefs and certain assumptions made by management. All statements other than statements about historical or current facts, including, without limitation, statements about our business strategy, plans, and objectives of management and our future prospects, are forward-looking statements. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "should," "will" and variations of these words are intended to identify forward-looking statements. Such statements speak only as of the date hereof and are subject to change. We undertake no obligation to revise or update publicly any forward-looking statements for any reason, unless otherwise required by law. These statements are not guarantees of future performance and are subject to certain risks, uncertainties, and assumptions that are difficult to predict. Accordingly, actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors.

Forward-looking statements discuss, among other matters: our financial and operational results, as well as our expectations for future financial trends and performance of our business in future periods; our operating and transactional strategy; risks and uncertainties associated with our business, our strategy and the impact of our concluded reorganization under Chapter 11 of Title 11 of the United States Code ("Chapter 11"); the adequacy of our capital resources and financing capability; adjustments to the categorization of activities during or as a result of our Chapter 11 proceedings; the ability of the Company to preserve and utilize the net operating loss tax carryforwards (NOLs) following the Chapter 11 proceedings and future transactions; the Company's ability to execute on its strategic plan to evaluate and close potential M&A opportunities; our long-term outlook; our preparation for future market conditions; and any statements or assumptions underlying any of the foregoing. Important factors that may cause such differences include, but are not limited to, changes in our cash needs as compared to our historical operations or our planned reductions in operating expense; adverse litigation; the impact of the recently approved U.S. tax legislation and any other changes in U.S. or non-U.S. tax laws on our operations or the value of our NOLs; our ability to successfully identify, acquire and integrate companies and businesses that perform and meet expectations after completion of such acquisitions; our ability to achieve and maintain future profitability; our ability to control operating costs and other expenses; that general economic conditions may be worse than expected; that competition may increase significantly; changes in laws or government regulations or policies affecting our current business operations and/or our legacy businesses, as well as those risks and uncertainties disclosed in the document entitled "Risks Factors relating to Elah Holdings, Inc." available under the "Corporate Documents" section of the Company's website at http://www.elahholdings.com/Corporate-Documents/default.aspx. These Risk Factors are incorporated into this Disclosure Statement by reference.

EXPLANATORY NOTE

On May 9, 2018, the Company emerged from its Chapter 11 Proceedings pursuant to its Plan of Reorganization. A description of the corporate actions effectuated under and concurrent with the Plan, as well as copies of the Company's revised corporate documents and confirmed Plan, are included in the Company's Current Report on Form 8-K filed with the SEC on May 9, 2018, available here:

https://www.sec.gov/Archives/edgar/data/38984/000155837018004521/0001558370-18-004521-index.htm.

Concurrent with the effective date of the Plan, the Company qualified to "go dark" from periodic reporting under the Securities Exchange Act of 1934, and filed a Form 15 to deregister its common stock from reporting with the SEC.

Information on the Chapter 11 proceedings is available here: https://cases.primeclerk.com/realindustry.

IMPORTANT NOTE REGARDING THESE FINANCIAL STATEMENTS

These consolidated annual financial statements for the fiscal years ended December 31, 2018 and 2017 ("Financial Statements") have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for year-end financial information. The Company has determined that despite the Chapter 11 reorganization, fresh start accounting is not applicable to the Company's financial statements on a go-forward basis. However, given the facts and circumstances of the Chapter 11 proceedings, management has determined that its Real Alloy business should be deconsolidated effective January 1, 2018. Presentation of the Financial Statements thus differs significantly from the presentation of the Real Industry/Real Alloy business as of December 31, 2017, as reported in the Form 10-K filed by the Company with the SEC on April 5, 2018 (the "2017 Form 10-K"). Management urges caution in comparing the Financial Statements to the 2017 Form 10-K, or any prior financial statements of Real Industry.

Disclosure Statement and Audited Annual Report for the Twelve Months Ended December 31, 2018

ELAH HOLDINGS, INC.

CORPORATE INFORMATION

State of Incorporation: Delaware

Employer Identification Number: 46-3783818

Address of Principal Executive Office: 8214 Westchester Drive, Suite 950, Dallas, Texas 75225

Mailing Address: 1934 Old Gallows Road, Suite 350, #T09301, Tysons Corner, Virginia 22182

Telephone: (805) 435-1255

Website: www.elahholdings.com

Investor Relations: ir@elahholdings.com

Stockholder Inquiries: stock@elahholdings.com

Prior Corporate Names: Real Industry, Inc. (June 1, 2015 – May 9, 2018); Signature Group Holdings, Inc. (June 11, 2010 to June 1, 2015)

STOCK INFORMATION

Security: Common Stock, $0.001 Par Value

CUSIP: 28413L 105

Trading Symbol: ELLH

Trading Market: OTC Pink Open Market

Authorized Stock as of May 31, 2019: 2,500,000 Capital Shares (2,450,000 Common; 50,000 Preferred)

Issued & Outstanding Stock as of May 31, 2019: 739,096 Common Shares; 0 Preferred Shares

Number of shares in Public Float: 299,040 (This public float number excludes from the public float total an aggregate 240,821 shares of common stock held by beneficial owners of greater than 5%, but less than 10%, of the Company's total shares outstanding, which shares are subject to contractual and Certificate of Incorporation transfer restrictions. Without this adjustment, based solely on shareholdings of officers, directors and beneficial owners of 10% or more of the Company's Common Stock, the public float is 539,861.)

Total number of shareholders of record: 256 (incl. known DTC participant accounts) as of May 31, 2019.

Restrictions on Transfers of Stock: (A) The Company's Certificate of Incorporation prohibits, without approval by the Company's Board of Directors: (i) acquisitions above 4.9% of the outstanding common stock and (ii) for a period of five years from May 9, 2018, transfers of stock by holders of 4.9% or more of the outstanding common stock; and (B) the Company's Amended and Restated Rights Agreement, dated May 9, 2018, limits acquisitions of 5.0% or more of the outstanding common stock.

TRANSFER AGENT INFORMATION

Transfer Agent: Computershare Investor Services

Telephone: (800) 522-6645

Standard Mail: P.O. Box 43078, Providence, RI 02940-3078

Overnight: 250 Royall Street, Canton, MA 02021

Website: www-us.computershare.com/Investor

Is the Transfer Agent registered under the Exchange Act? Yes: ☒ No: ☐

AUDITOR INFORMATION

Independent Auditor: Squar Milner LLP

Telephone: (310) 826-4474

Website: www.squarmilner.com

Mail: 11150 Santa Monica Blvd., Suite 600
Los Angeles, CA 90025

CORPORATE INFORMATION

Corporate History: Signature Group Holdings, Inc., a Nevada corporation ("Signature Nevada"), was originally incorporated as Fremont General Corporation ("Fremont") in 1972. On June 11, 2010, Fremont completed a nearly two-year plan of reorganization process and emerged from Chapter 11 bankruptcy proceedings as a public, Nevada corporation, renamed Signature Group Holdings, Inc. ("Signature Nevada").

On January 2, 2014, Signature Nevada completed a holding company reorganization and reincorporation from Nevada to Delaware to take advantage of the benefits of Delaware corporate law and to provide a better organizational structure for future acquisitions and the management of existing operations. To accomplish this, in late 2013, Signature Nevada formed SGH Holdco, Inc., a Delaware corporation, and its subsidiary, SGGH, LLC. In the reincorporation, following the approval of the Company's stockholders, Signature Nevada merged with and into SGGH, LLC, with Signature Nevada ceasing to exist and SGGH, LLC continuing as the surviving entity and as a wholly owned subsidiary of the newly created parent holding company, SGH Holdco, Inc., which concurrent with the merger, was renamed Signature Group Holdings, Inc., a Delaware corporation ("Signature Delaware" or "Signature"). In the reincorporation, each outstanding share of common stock of Signature Nevada was automatically converted into one share of common stock of Signature Delaware. Signature Delaware was renamed "Real Industry, Inc." on June 1, 2015.

As described in the following item, Real Industry emerged from a Chapter 11 bankruptcy reorganization on May 9, 2018, pursuant to which its name was changed to "Elah Holdings, Inc." The Company is currently an active Delaware corporation.

Prior Bankruptcy within Prior 5 Years: On November 17, 2017 (the "Petition Date"), the Company (then named Real Industry, Inc.) commenced a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), along with the Company's prior subsidiary U.S. entities comprising its Real Alloy aluminum recycling business. The Chapter 11 cases were jointly administered and procedurally consolidated in the Bankruptcy Court under the case of Real Industry, Case No. 17-12464 (KJC), and the caption "In re: Real Industry, Inc., *et al.*" Following the Petition Date, until the May 9, 2018 effective date (the "Effective Date") of the Company's Plan of Reorganization (the "RI Plan"), Real Industry operated as a debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court through the consummation of the RI Plan.

SECURITIES INFORMATION

Changes in Stock; Securities Issuances: No changes in outstanding or authorized common stock from September 30, 2018. An aggregate 7,400 options to purchase shares of Common Stock were issued to Company executive officers on January 24, 2019.

Anticipated or Last Twelve Months' Stock Splits, Dividends, Recapitalizations, Mergers, Acquisitions, Spin-Offs or Reorganizations: As part of the Company's Chapter 11 Plan of Reorganization, on the May 9, 2018 Effective Date, (A) the Company issued an aggregate 49% of the common stock to investors sponsoring the RI Plan, and 31% to the holder of the Company's prior outstanding shares of Series B redeemable preferred stock. The common stockholders of the Company prior to May 9, 2018 represented 20% of the go-forward common stock, with ELLH shares issued to such shareholders at a rate of 1-for-200 effective reverse stock split (rounded up from 0.51 shares, no fractional shares issued). Restricted stock outstanding at the time of the Effective Date of the RI Plan which vested by its terms on a time basis was accelerated in full as of the Effective Date (so long as any holder cash paid any applicable withholding taxes); all other restricted stock and securities (including performance-vesting restricted stock, options, warrants and other securities) were cancelled.

Trading and SEC Registration Updates following Chapter 11 Reorganization: On May 9, 2018, the Company qualified to "go dark" from periodic reporting with the SEC as a result of the changes to the common stock in the RI Plan (discussed below) and as the Company and our stock met the SEC's requirements for voluntary deregistration of our common stock under the Securities Exchange Act of 1934 with the SEC. Our stock resumed trading on the Over-the-Counter Pink Sheets following the Effective Date in late June 2018.

* * *

Appendix A: Audited Financial Statements for the Years Ended December 31, 2018 and 2017

Appendix B: Information on Board of Directors, Management and Securities Ownership

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
Elah Holdings, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Elah Holdings, Inc., formerly known as Real Industry, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2018, the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elah Holdings, Inc. and its subsidiaries as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We have also audited the reclassifications to the 2017 financial statements, as described in Note 4. In our opinion, such reclassifications are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of the Company other than with respect to the reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements taken as a whole.

Other Matter

The financial statements of the Company, as of and for the year ended December 31, 2017, were audited by other auditors, whose report, dated April 5, 2018, expressed an unmodified opinion on those statements.

/s/ SQUAR MILNER LLP

Los Angeles, California
June 7, 2019

ELAH HOLDINGS, INC.
(FORMERLY KNOWN AS REAL INDUSTRY, INC., DEBTOR IN POSSESSION AS OF DECEMBER 31, 2017)
CONSOLIDATED BALANCE SHEETS

($ in millions)	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7.1	$ 2.0
Income tax receivable	5.6	1.2
Prepaid expenses and other current assets	0.9	1.3
Current assets of discontinued operations	0.5	300.6
Total current assets	14.1	305.1
Deferred tax asset, net	4.3	8.9
Other noncurrent assets	-	0.8
Noncurrent assets of discontinued operations	-	277.3
TOTAL ASSETS	$ 18.4	$ 592.1
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Trade payables	$ 0.1	$ -
Accrued liabilities	0.8	0.8
Current liabilities of discontinued operations	-	231.2
Total current liabilities	0.9	232.0
Other noncurrent liabilities	-	0.1
Noncurrent liabilities of discontinued operations	-	71.7
Liabilities not subject to compromise	0.9	303.8
Liabilities subject to compromise	-	3.1
Liabilities subject to compromise of discontinued operations, net of intercompany	-	337.6
TOTAL LIABILITIES	0.9	644.5
Redeemable Preferred Stock, Series B; $1,000 liquidation preference per share; 100,000 shares designated; 28,503 shares issued and outstanding as of December 31, 2017	-	28.5
Stockholders' equity:		
Preferred stock, Series A Junior Participating; $ 0.001 par value; at December 31, 2018, 5,000 shares authorized, none issued or outstanding; at December 31, 2017, 665,000 shares authorized, none issued or outstanding	-	-
Common Stock, $0.001 par value; at December 31, 2018, 2,450,000 shares authorized, 739,096 shares issued and outstanding: at December 31, 2017 66,500,000 shares authorized, 29,721,934 shares issued and outstanding	-	-
Additional paid-in capital	36.6	542.3
Accumulated deficit and accumulated other comprehensive income	(19.1)	(623.4)
Total stockholders' equity (deficit) — Elah Holdings , Inc	17.5	(81.1)
Noncontrolling interest	-	0.2
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	17.5	(80.9)
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY	$ 18.4	$ 592.1

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

ELAH HOLDINGS, INC.
(FORMERLY KNOWN AS REAL INDUSTRY, INC., DEBTOR IN POSSESSION AS OF DECEMBER 31, 2017)
CONSOLIDATED STATEMENTS OF OPERATIONS

($ in millions, except per share amounts)	Twelve Months Ended December 31, 2018	2017
Revenues	$ 0.1	$ -
Cost of sales	-	-
Gross profit	0.1	-
Selling, general and administrative expenses	4.8	10.3
Operating loss	(4.7)	(10.3)
Nonoperating (expense) income:		
Interest expense, net	(0.6)	-
Change in fair value of common stock warrant liability	-	4.4
Reorganization items, net	11.4	(1.7)
Other, net	-	3.1
Total nonoperating income, net	10.8	5.8
Earnings (loss) from continuing operations before income taxes	6.1	(4.5)
Income tax (benefit)	-	(10.1)
Earnings from continuing operations	6.1	5.6
Earnings (loss) from discontinued operations, net of income taxes	67.5	(127.3)
Net earnings (loss)	$ 73.6	$ (121.7)
EARNINGS (LOSS) PER SHARE:		
Net earnings (loss)	$ 73.6	$ (121.7)
Dividends on Redeemable Preferred Stock, in cash or accrued	-	(2.4)
Accretion of fair value adjustment to Redeemable Preferred Stock	-	(3.6)
Net earnings (loss) available to common stockholders	$ 73.6	$ (127.7)
Basic and diluted earnings (loss) per share:		
Continuing operations	$ 11.51	$ (2.76)
Discontinued operations	127.28	(878.89)
Basic and diluted earnings (loss) per share	$ 138.79	$ (881.65)

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

ELAH HOLDINGS, INC.
(FORMERLY KNOWN AS REAL INDUSTRY, INC., DEBTOR IN POSSESSION AS OF DECEMBER 31, 2017)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Preferred Stock		Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
(In millions, except shares)	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, December 31, 2016	—	$ —	29,386,882	$ —	—	$ —	$ 546.7	$ (506.2)	$ (7.1)	$ 1.1	$ 34.5
Net loss attributable to Elah Holdings, Inc.	—	—	—	—	—	—	—	(121.7)	—	—	(121.7)
Earnings attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—	0.9	0.9
Issuance of restricted common stock, net of forfeitures	—	—	303,562	—		—	—	—	—	—	—
Common stock acquired	—	—	(5,909)	—	5,909	—	—	—	—	—	—
Conversion of restricted stock units	—	—	36,649	—	(5,909)	—	—	—	—	—	—
Common stock options exercised	—	—	750	—	—	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	—	—	2.1	—	—	—	2.1
Dividends and accretion on Redeemable Preferred Stock	—	—	—	—	—	—	(6.0)	—	—	—	(6.0)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	—	(2.3)	(2.3)
Consolidation of noncontrolling interest	—	—	—	—	—	—	(0.5)	—	—	0.5	—
Change in accumulated other comprehensive income	—	—	—	—	—	—	—	—	11.6	—	11.6
Balance, December 31, 2017	—	$ —	29,721,934	$ —	—	$ —	$ 542.3	$ (627.9)	$ 4.5	$ 0.2	$ (80.9)
Net earnings	—	—	—	—	—	—	—	73.6	—	—	73.6
Impact of RI Plan Equity Treatment	—	—	(28,982,838)	—	—	—	(506.6)	535.2	(4.5)	(0.2)	23.9
Share-based compensation expense	—	—	—	—	—	—	0.9	—	—	—	0.9
Balance, December 31, 2018	—	$ —	739,096	$ —	—	$ —	$ 36.6	$ (19.1)	$ —	$ —	$ 17.5

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

ELAH HOLDINGS, INC.
(FORMERLY KNOWN AS REAL INDUSTRY, INC., DEBTOR IN POSSESSION AS OF DECEMBER 31, 2017)
CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in millions)	Twelve Months Ended December 31, 2018	2017
Cash flows from operating activities:		
Net earnings (net loss)	$ 73.6	$ (121.7)
Adjustments to reconcile net earnings (net loss) to net cash (used in) operating activities:		
Earnings from discontinued operations attributable to noncontrolling interest	-	0.9
Change in deferred income taxes and tax receivables	0.2	(9.0)
Change in fair value of common stock warrant liability	-	(4.4)
Share-based compensation expense	0.9	2.1
Noncash reorganization items, net	(17.4)	-
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	1.0	1.7
Other noncurrent assets	0.1	0.1
Trade payables	0.1	(0.1)
Accrued liabilities and liabilities subject to compromise	(3.2)	(0.5)
Other noncurrent liabilities	-	(2.9)
Gain on deconsolidation	(67.3)	-
Net cash impact of operating activities of discontinued operations (excluding gain on deconsolidation)	(0.5)	120.9
Net cash (used in) operating activities	(12.4)	(12.9)
Cash flows from investing activities:		
Net cash impact of investing activities of discontinued operations	-	(24.4)
Net cash (used in) investing activities	-	(24.4)
Cash flows from financing activities:		
Proceeds from issuance of RI DIP Financing, net of debt issuance costs	5.3	-
Repayments on RI DIP Financing	(5.3)	-
Dividends on Redeemable Preferred Stock, in cash	-	(0.6)
Proceeds from issuance of common stock	17.5	-
Other - financing activities	-	(0.3)
Net cash impact of financing activities of discontinued operations	-	37.6
Net cash provided by financing activities	17.5	36.7
Effect of exchange rate changes on cash, cash equivalents, and restricted cash of discontinued operations	-	0.7
Increase in cash, cash equivalents and restricted cash	5.1	0.1
Cash, cash equivalents and restricted cash, beginning of period	2.0	32.7
Cash, cash equivalents and restricted cash, end of period	$ 7.1	$ 32.8
Supplemental Cash Information - Ending Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents Classified In:		
Cash - Continuing Operations	$ 7.1	$ 2.0
Cash - Discontinued Operations	-	22.9
Restricted Cash (Prepaid expenses and other current assets)	-	0.7
Restricted Cash (Other noncurrent assets of discontinued operations)	-	7.2
Total Ending Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	$ 7.1	$ 32.8

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

NOTE 1—BUSINESS AND OPERATIONS

Elah Holdings, Inc. ("Elah Holdings") formerly known as Real Industry, Inc. ("Real Industry"; Elah Holdings and Real Industry in these financial statements, the "Company"), is a Delaware holding company that is continuing to execute the longstanding business strategy of Real Industry (and previously Signature Group Holdings, Inc.) of seeking to acquire profitable businesses in the commercial and industrial markets and supporting the performance of such acquisitions post-closing. We have historically operated through subsidiaries.

On May 9, 2018 (the "Emergence Date"), Real Industry completed a Plan of Reorganization ("RI Plan") centered around a $17.5 million injection of new equity capital into our business in exchange for 49% of our new common stock. Under the terms of the RI Plan, which was approved by our stockholders and the Bankruptcy Court (defined below), we paid or settled all claims and debts in full, we compromised more than $30 million in preferred equity and accrued dividends in exchange for $2 million and 31% of our new shares of common stock, we accelerated all time-vested restricted stock and we cancelled all other derivative securities of the Company, we cancelled all common stock and reissued new shares of common stock to all stockholders on the basis of an effective 1-for-200 reverse stock split, we appointed an entirely new board of directors, and we changed our name to Elah Holdings. As a result of the changes to the common stock in the RI Plan, we qualified to "go dark" from periodic reporting with the U.S. Securities and Exchange Commission ("SEC") as of the Emergence Date, as we and our stock met the SEC's requirements of voluntary deregistration of our common stock under the Securities Exchange Act of 1934 with the SEC. Our stock resumed trading on the Over-the-Counter Pink Sheets following the Emergence Date in late June 2018. Following the commencement of our voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") on November 17, 2017 (the "Petition Date"), Real Industry operated as a debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court through the consummation of the RI Plan.

A key element to our business strategy is utilizing our considerable United States ("U.S.") federal net operating tax loss carryforwards ("NOLs"). Our federal NOLs were predominantly generated by the legacy businesses of Fremont General Corporation ("Fremont"), and as of December 31, 2018, we have federal NOLs of approximately $880 million, which begin to expire if not used before our 2027 tax year. The ultimate realization of our deferred tax assets, including our federal NOLs, depends on our ability to generate future U.S. federal taxable income through the implementation of our business plan.

From February 2015 through the Petition Date, our primary operating subsidiary was Real Alloy Holding, Inc. (doing business as "Real Alloy"), a global leader in aluminum recycling. Real Alloy, its direct parent company Real Alloy Intermediate Holding, LLC ("RAIH"), and six wholly owned domestic subsidiaries (Real Alloy, RAIH and such subsidiaries, the "Real Alloy Debtors") also filed a voluntary petition for relief under the Bankruptcy Code on November 17, 2017, which cases were consolidated with the Bankruptcy Court (the Real Industry Chapter 11 case only, the "RELY Chapter 11 Case," the Real Alloy Debtors' Chapter 11 case only, the "RA Chapter 11 Case," and together, the "Chapter 11 Cases" or the "Bankruptcy Proceedings"). Real Alloy was sold under Section 363 of the Bankruptcy Code (such sale, the "Section 363 Sale") on May 31, 2018. Elah Holdings received no value upon closing the Section 363 Sale and forfeited our equity in our direct subsidiary in RAIH, and thus, our indirect ownership of Real Alloy and its subsidiaries. We have no ongoing economic interest in the Real Alloy business operations.

NOTE 2—BANKRUPTCY PROCEEDINGS AND REORGANIZATION

Bankruptcy Filing

On November 17, 2017, Real Industry and the Real Alloy Debtors (the Real Alloy Debtors together with Real Industry, the "Debtors"), filed voluntary petitions for relief under the Bankruptcy Code in the Bankruptcy Court. The Chapter 11 Cases were jointly administered and procedurally consolidated in the Bankruptcy Court under the case of Real Industry, Case No. 17-12464 (KJC), and the caption "In re: Real Industry, Inc., *et al.*" Real Alloy's Germany, United Kingdom, Norway, Canada and Mexico operations and its Goodyear, Arizona joint venture were not included in Chapter 11 Cases. The Company, on the one hand, and the Real Alloy Debtors, on the other, continued to operate their businesses during the pendency of the Chapter 11 Cases as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Following the filing of the Chapter 11 Cases, on November 20, 2017 the Debtors received interim approval from the Bankruptcy Court for all of the "first day" motions related to the Petition Date filings. Collectively, the motions granted by the Bankruptcy Court on an interim basis facilitated and ensured that Real Industry and Real Alloy were able to continue uninterrupted operations throughout the Chapter 11 Cases, giving Real Industry and Real Alloy the authority to make payments to suppliers and service providers, as well as to continue to pay employees wages, salaries and benefits. The Bankruptcy Court issued final orders in respect of these "first day" motions on December 19, 2017.

Material Events related to Real Industry Bankruptcy Proceedings

NASDAQ Delisting. On the Petition Date, Real Industry received written notice from the Listing Qualifications Department of the Nasdaq Stock Market LLC ("Nasdaq") stating that in accordance with Nasdaq Listing Rules 5101, 5110(b) and IM-5101-1, Nasdaq determined that the Real Industry's common stock would be delisted from Nasdaq. On November 28, 2017, Real Industry's common stock was removed from listing and registration on Nasdaq and traded on the OTC Pink Sheets under the symbol "RELYQ" until the Emergence Date.

Limitation on Transfer of Equity Interest in Real Industry. On January 17, 2018, the Bankruptcy Court entered a final order, approving procedures previously approved in its November 20, 2017 interim order that required prior notice to the Bankruptcy Court of certain proposed transfers of beneficial ownership in Real Industry equity securities by persons who held 4.5% of the outstanding common stock of the Company or any shares of the Company's Series B Preferred Stock (the "Redeemable Preferred Stock"), or by persons who would own over such levels upon such transfer. The trading order also imposed certain procedures on holders of 50% or more of any class of Real Industry's equity securities to report such status and to provide advance notice of planned tax deductions based on the worthlessness of such stock. This trading order served to limit certain sales or purchases of common or preferred equity or other actions that could reduce or eliminate the value of any federal NOLs under existing Section 382 of the Internal Revenue Code of 1986, as amended. Any transfers of shares or declarations of worthlessness in violation of the procedures in the trading order would be null and void *ab initio*.

Real Industry DIP Financing Facility. On January 24, 2018, with Bankruptcy Court approval, Real Industry entered into a credit agreement (the "RELY DIP Credit Agreement") in an aggregate principal amount of $5.5 million (the "RELY DIP Facility"), of which $4.0 million was available for immediate borrowing and an additional $1.5 million became available for borrowing on January 31, 2018. The RELY DIP Facility assessed interest at an annual rate of 11%, and matured on the earliest of, among other things, November 17, 2018, the effective date of a Chapter 11 plan of reorganization confirmed by the Bankruptcy Court, or acceleration and termination of the RELY DIP Facility due to an event of default under the RELY DIP Credit Agreement or Bankruptcy Court order for the RELY DIP Facility. An additional 2% interest applied upon and during the continuation of an event of default. The RELY DIP Facility was secured by the assets of Real Industry and its subsidiaries, SGGH, LLC ("SGGH") and Cosmedicine, LLC, but excluded any assets of Real Alloy.

The terms of the RELY DIP Credit Agreement provided for the lenders of the RELY DIP Facility or affiliates thereof (collectively, the "Plan Sponsors") to sponsor a plan of reorganization for Real Industry. They further contemplated the Plan Sponsors' entry into definitive equity purchase agreements pursuant to which the Plan Sponsors, or their affiliates, would purchase up to 49% of Real Industry's common stock at emergence from its Chapter 11 Case for $17.5 million (the "Equity Commitment"), inclusive of the repayment of the RELY DIP Facility. In the event that Real Industry terminated the Equity Commitment without the Plan Sponsors' consent, Real Industry would owe $0.3 million and 4.9% of the Company's outstanding stock as a break-up fee.

Real Industry drew the full amount of such RELY DIP Facility during the first quarter of 2018, and on the Emergence Date, Real Industry repaid the full amount of borrowings and accrued interest under the RELY DIP Facility with the proceeds from the sale of Real Industry common stock under the RI Plan, simultaneous with the RELY DIP Facility's termination. The Company paid $0.2 million in cash interest expense and $0.4 million in fees and expenses (recorded as additional interest expense) associated with the RELY DIP facility in 2018.

Plan of Reorganization. On March 1, 2018, Real Industry filed a plan of reorganization and a disclosure statement, each as amended thereafter, with the Bankruptcy Court, whereby the Plan Sponsor was to provide $17.5 million of capital in exchange for 49% of newly issued equity in reorganized Real Industry ("Reorganized RELY"). In addition, the RI Plan also contemplated a commitment by the Plan Sponsors to provide a credit facility of up to $500 million for Reorganized RELY to pursue its business plan post-emergence from its Chapter 11 Case. A majority of stockholders voted to approve the RI Plan, the Bankruptcy Court confirmed the RI Plan on May 2, 2019, and the RI Plan went effective on May 9, 2018. Under the RI Plan, as amended:

- Reorganized RELY changed its name to Elah Holdings, Inc.;

- The prior board of directors of Real Industry resigned and five new members were appointed to serve as the Board of Directors for Elah Holdings;

- The Plan Sponsors funded $17.5 million of capital and received 49% of the newly issued common stock of Elah Holdings;

- The Redeemable Preferred Stock was cancelled and the sole holder thereof received a $2.0 million cash payment and 31% of the newly issued common stock of Elah Holdings, in exchange for full settlement of its $28.5 million liquidation preference and $1.8 million of accrued dividends;

- Real Industry's common stockholders, who voted to accept the RI Plan as a class, were issued their pro rata share of 20% of the common stock of Elah Holdings, in connection with which the outstanding common stock of Real Industry was cancelled and reissued to existing common stockholders on an effective 1-for-200 reverse stock split basis (with shares rounded up at 0.51 share);

- All outstanding and unvested restricted stock awards which vested by their terms on a time basis were accelerated, unless payroll tax liabilities were not funded by the holder, in which case the stock was forfeited;

- All outstanding and unvested performance share awards, restricted stock awards which vested upon performance or employment-based conditions, and stock options were terminated;

- All outstanding and unexercised warrants were cancelled in exchange for a payment of approximately $130,000 in the aggregate;

- All liabilities of Real Industry were repaid in full or assumed;

- The outstanding obligations under the RELY DIP Credit Agreement were repaid and the RELY DIP Facility was cancelled; and

- Real Industry was deemed to have abandoned the equity of RAIH.

Post-Emergence Date Activities. After the Section 363 Sale, the Company wrote off the full balance of the intercompany receivable accounts with RAIH of $8.2 million (such amount had previously been fully reserved as part of the deconsolidation of Real Alloy). On August 6, 2018, the Company settled an appeal filed by certain stockholders and warrant holders against the RI Plan by making a $0.3 million payment of appellants' professional fees.

Because the RELY Chapter 11 Case was administratively consolidated with the RA Chapter 11 Case, and certain administration of the Real Alloy entities was required following the sale of the Real Alloy business in the Real Alloy Sale (defined below), the RELY Chapter 11 Case was closed on December 27, 2018.

Material Events related to Real Alloy Bankruptcy Proceedings

The Real Alloy Debtors' filing of the Bankruptcy Proceedings described above constituted an event of default that accelerated Real Alloy's obligations under its $110 million senior-secured revolving asset-based credit facility (the "Prior ABL Facility") and $305 million 10% senior secured notes due January 2019 ("Senior Secured Notes").

Real Alloy DIP Financing. On the Petition Date, the Real Alloy Debtors secured a commitment for a debtor-in-possession financing (the "RA DIP Financing Facility"), which was approved on an interim basis by the Bankruptcy Court on November 20, 2017, and on a final basis on January 17, 2018. On January 19, 2018, the Real Alloy Debtors closed the transactions under which the RA DIP Financing Facility was provided. The RA DIP Financing Facility was comprised of (i) up to $85 million in new money senior-secured priming and super-priority post-petition debtor-in-possession notes issued by Real Alloy and guaranteed by RAIH and the other Real Alloy Debtors (the "New Money DIP Term Notes"), of which $65 million was incremental liquidity for the exclusive use of the Real Alloy Debtors to fund their operations, pay their expenses associated with the RI Chapter 11 Cases and the Section 363 Sale, and $20 million was available exclusively to fund the operations of Real Alloy's foreign subsidiaries (who were not debtors in the Chapter 11 Cases), (ii) an additional series of senior-secured priming and super-priority post-petition debtor-in-possession notes issued by Real Alloy and guaranteed by RAIH and the other Real Alloy Debtors in the aggregate principal amount of $170 million (the "Roll Up DIP Term Notes" and collectively with the New Money DIP Term Notes, the "RA DIP Notes Facility") in exchange for $170 million of the Senior Secured Notes (as defined below), and (iii) up to $110 million in borrowing by certain of the Real Alloy Debtors under a senior secured priming and super-priority post-petition financing in the form of a revolving credit facility ("RA DIP ABL Facility" and together with the New Money DIP Term Notes, the "RA DIP Financing") to refinance the Prior ABL Facility and support Real Alloy's ongoing operations and working capital needs. The purchasers of the New Money DIP Term Notes were entitled to exchange, on a pro rata basis, up to $170 million of their existing Senior Secured Notes for Roll Up DIP Term Notes. During the fiscal year ended December 31, 2017, the Real Alloy Debtors borrowed $103.2 million under the RA DIP Financing Facility. See Note 4 - *Discontinued Operations* for additional information.

Real Alloy Sale Process. In connection with the RA DIP Financing Facility, the Real Alloy Debtors agreed to pursue a sale of Real Alloy's assets in a sale under Section 363 of the Bankruptcy Code. Pursuant to the RA DIP Financing Facility, among other things, the Real Alloy Debtors were required to meet certain milestones related to this Section 363 Sale and to obtain the prior written consent of a majority of certain required holders under the RA DIP Notes Facility and Bank of America, N.A. (as administrative agent and collateral agent under the RA DIP ABL Facility) in order to sell, or enter into a binding agreement to sell, the assets of the Real Alloy Debtors, unless the obligations under the RA DIP Financing Facility, the Senior Secured Notes and the Prior ABL Facility were repaid in full in cash upon the closing of such sale.

On February 2, 2018, an *ad hoc* group of the Real Alloy Debtors' secured noteholders stated their intention to provide a cash and credit bid for substantially all of the assets of the Real Alloy Debtors (the "Credit Bid Proposal"), to be documented in a definitive asset purchase agreement (the "Asset Purchase Agreement"). On March 7, 2018, the ad hoc noteholder group, the Real Alloy Debtors, and the unsecured creditors committee in Chapter 11 Cases (the "UCC") agreed upon the terms of the Asset Purchase Agreement. The Asset Purchase Agreement, and a proposed form of order authorizing, among other things, the Real Alloy Debtors' entry into the Asset Purchase Agreement, were filed with the Bankruptcy Court on March 8, 2018 and were amended thereafter. Under the Section 363 Sale bidding procedures order, a bid deadline of March 19, 2018 was set with an auction, if necessary, to occur on March 27, 2018, and a sale hearing to occur on March 29, 2018. The auction was cancelled when no topping bids were received by the bid deadline. On March 28, 2018, the Real Alloy Debtors agreed with the purchasers therein to sell all their assets, including their equity interests in the non-debtor Real Alloy subsidiaries (the "Real Alloy Sale"), subject to Bankruptcy Court approval, pursuant to the Asset Purchase Agreement.

On March 29, 2018, the Bankruptcy Court approved the Asset Purchase Agreement, and the Real Alloy Sale closed on May 31, 2018. Real Industry did not receive any proceeds from the Real Alloy Sale and has no further equity or other interest in the Real Alloy business.

NOTE 3—PRESENTATION, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING STANDARDS UPDATES

Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), and comprise the accounts of Elah Holdings, Inc. (formerly known as Real Industry) and its wholly owned and majority owned subsidiaries. As a result of rounding, some of the financial tables included in this financial report may not foot. The Company has evaluated subsequent events through the date of issuance of this financial report.

As a result of the facts and circumstances surrounding the separate paths taken by Real Industry, on the one hand, and the Real Alloy Debtors, on the other, in the Bankruptcy Proceedings, including the separate RA DIP Facility and RELY DIP Facility, the developments in the Section 363 Sale Process, and an equity commitment to support the RI Plan, management concluded that Real Alloy's financial results should be deconsolidated from Real Industry/Elah Holdings effective as of January 1, 2018. Accordingly, all activity related to Real Alloy for the periods presented have been reclassified to discontinued operations. See discussions of *Discontinued Operations, Reorganizations,* and *Going Concern Accounting* in Accounting Policies below for more information.

Discontinued operations

U.S. GAAP requires the results of operations of a component of an entity that either has been disposed of or is classified as held for sale to be reported as discontinued operations in the consolidated financial statements if the sale or disposition represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results.

In January 2018, Real Industry entered into the RELY DIP Facility based in part on the lenders' willingness to provide an equity commitment to serve as plan sponsor to allow Real Industry to emerge from bankruptcy. The terms of the equity commitment were based upon a preliminary plan whereby Real Industry would reorganize without any ongoing interest in Real Alloy, which was undergoing its own sale process including both the domestic and international operations. As management of Real Industry no longer had a viable option to reorganize with Real Alloy, management concluded that it also no longer had an ability to influence control over the activities of Real Alloy, and that it was appropriate to deconsolidate Real Alloy effective January 1, 2018. The Company has classified the assets and liabilities, results of operation and cash flows of Real Alloy as discontinued operations in its consolidated financial statements for all periods presented. See Note 4—*Discontinued Operations* for additional information about Real Alloy and other discontinued operations.

As of December 31, 2017, discontinued operations includes Real Industry's former direct subsidiary, RAIH, as well as Real Alloy and their U.S. and foreign subsidiaries, along with SGGH, which includes the legacy activity of Fremont General and its former subsidiaries. As of December 31, 2018, discontinued operations includes only SGGH and legacy activity of Fremont General and its former subsidiaries.

See *Accounting Policies for Discontinued Operations* below.

Reorganization

We have applied Accounting Standards Codification ("ASC") 852, in preparing the consolidated financial statements. ASC 852 requires that the financial statements, for periods subsequent to the Chapter 11 filing, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, professional fees and other expenses incurred in the Chapter 11 cases of both Real Industry and Real Alloy, and unamortized deferred financing costs, premiums and discounts associated with debt classified as liabilities subject to compromise, were recorded as reorganization items, net in the consolidated statements of operations. For such amounts related to the Real Alloy Debtors, they have been recorded as part of discontinued operations. In addition, prepetition obligations that may have been impacted by the Chapter 11 cases have been classified as liabilities subject to compromise in the consolidated balance sheet as of December 31, 2017. These liabilities were reported at amounts the Company expected would be allowed by the Bankruptcy Court, even if they may have been settled for lesser amounts. For such amounts related to Real Alloy, they have been separately identified as liabilities subject to compromise of discontinued operations. Further, as the RI Plan included the deregistration of Real Industry's common stock from reporting with the SEC under the Securities Exchange Act of 1934 and the settlement and cancellation of the Redeemable Preferred Stock and Warrants, capitalized costs associated with Real Industry's shelf registration statement were written off to reorganization costs, net and the gain (Redeemable Preferred Stock) and expense (Warrants) on settlement was included in reorganization items, net for the year ended December 31, 2018. Costs associated with defending and settling the appeal of the RI Plan were also included in reorganization items, net for the year ended December 31, 2018.

Notwithstanding the RELY Chapter 11 Case, the Company's reorganization value under the RI Plan exceeded its liabilities as of the Emergence Date, so no adjustments were made to asset or liability values as the Company did not meet the criteria for fresh start accounting under ASC 852.

Going concern accounting

ASC 205-40, *Presentation of Financial Statements – Going Concern*, requires that we perform an evaluation as to whether there is substantial doubt about our ability to continue as a going concern within one year after the date the financial statements for the year ended December 31, 2018 are issued. As the Company has no debt as of December 31, 2018 and sufficient cash and expected tax refund receivables to operate its business for at least the next twelve months, the accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates continuity of operations, realization of assets and the satisfaction of liabilities in the normal course of business for the twelve month period following the date of these consolidated financial statements. As such, the accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amount and classification of liabilities that may result should the Company be unable to continue as a going concern.

As reported in our Annual Report for the fiscal year ended December 31, 2017, filed with the SEC on April 5, 2018, we identified that there was substantial doubt about our ability to continue operating as a going concern in light of the Real Alloy's default under the Senior Secured Notes and Prior ABL Facility, the pending Chapter 11 Cases of Real Industry and the Real Alloy Debtors and the uncertainties around the ability to consummate the mitigating factors of the still-in-progress processes to sell Real Alloy and conduct a reorganization of Real Industry. As described in Note 2 – *Bankruptcy Proceedings and Reorganization*, both of those events were completed in 2018 and the Company was no longer a debtor in possession as of the Emergence Date.

Basis of consolidation

The Company evaluates its relationship with other entities for consolidation and to identify whether such entities are variable interest entities ("VIE") and to assess whether the Company is the primary beneficiary of such entities. As of December 31, 2018, the Company does not have any VIEs. As of December 31, 2017, the Company's Real Alloy business, reported in discontinued operations, had one VIE that was treated as an unconsolidated equity method investment. All intercompany transactions have been eliminated in consolidation.

Cash and cash equivalents, and restricted cash and restricted cash equivalents

Cash and cash equivalents include cash on hand, cash on deposit at financial institutions and other short-term liquid investments. Cash and cash equivalents are stated at cost, which approximates fair value due to their short-term maturities and market interest rates (Level 1). All highly liquid investment instruments with maturities of three months or less are classified as cash equivalents. Cash that is subject to legal restrictions or is unavailable for general operating purposes is considered restricted cash or restricted cash equivalents and classified in prepaid expenses and other current assets or other noncurrent assets of discontinued operations.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. The Company maintains its cash in checking accounts at federally insured financial institutions in excess of federally insured limits.

Use of estimates

Management has made a number of estimates and assumptions relating to the Company's assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in accordance with U.S. GAAP. Significant areas requiring the use of management estimates relate primarily to the valuation of long-lived assets, including goodwill and intangible assets (discontinued operations in 2017), environmental liabilities (discontinued operations in 2017), asset retirement obligations (discontinued operations in 2017), pension benefits (discontinued operations in 2017), litigation reserves, liabilities subject to compromise versus not subject to compromise (in 2017) and the valuation of deferred income taxes. Actual results could differ from those estimates.

Business combinations

Business combinations are accounted for using the acquisition method where the purchase price paid is allocated to the assets acquired and liabilities assumed, and noncontrolling interest, if applicable, based on their estimated fair values. Any excess purchase price over the fair value of the net assets acquired is recorded as goodwill. Although the Company completed no business combinations in the periods covering these financial statements, this policy is still in effect in light of the Company's business strategy.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

> Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
>
> Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
>
> Level 3—Inputs that are both significant to the fair value measurement and unobservable.

We endeavor to utilize the best available information in measuring fair value. Where appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence and unobservable inputs. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of December 31, 2018, cash and cash equivalents was the only financial asset reported by the Company in continuing operations and there were no financial liabilities. As of December 31, 2017, cash and cash equivalents was the only financial assets reported by the Company in continuing operations and the common stock warrant liability and Redeemable Preferred Stock were the only financial liabilities.

Common stock

As discussed in Note 2 – *Bankruptcy Proceedings and Reorganization*, under the RI Plan, on the Emergence Date, Real Industry's common stock was cancelled and new shares were issued (i) 49% to the Plan Sponsors, (ii) 31% to the holder of the Redeemable Preferred Stock, and (iii) 20% to the holders of common stock outstanding prior to the Emergence Date. As of December 31, 2017, the Company had 29,721,934 shares of common stock outstanding (under the RI Plan, outstanding shares prior to the Emergence Date were diluted to 20% of the total pro forma Elah Holdings common stock outstanding, with the number issued reflecting an effective 1-for-200 reverse stock split). Following the Emergence Date, and as of December 31, 2018, the Company had 739,096 shares of common stock outstanding. Unless otherwise noted herein, information in the financial statements and notes thereto relating to periods prior to the Emergence Date refer to the common stock before the RI Plan equity updates; from and after the Emergence Date, information in the financial statements and notes thereto refer to the common stock after the RI Plan equity updates.

Common stock warrant liability

In June 2010, warrants to purchase an aggregate of 1.5 million shares of the Company's common stock (the "Warrants") were issued for an aggregate cash purchase price of $0.3 million. The Warrants had a term of ten years and had an original exercise price of $10.30 per share, which, because of anti-dilution and pricing protections, had been reduced to $5.64 per share as of December 31, 2017. Under the RI Plan, the Warrants were cancelled in exchange for an aggregate payment of approximately $130,000. The Warrants were financial instruments classified as derivative liabilities and were re-measured at fair value at each reporting date and on each Warrant exercise date. The fair value of Warrants exercised prior to 2017 was reclassified to additional paid-in capital. Other changes in the common stock warrant liability were recognized in nonoperating income or expense.

Income taxes

Deferred income taxes are computed using the liability method, under which deferred income taxes represent the tax effect of differences between the financial and income tax bases of assets and liabilities. As a result of generating operating losses since 2006 (with the exception of 2015), among other factors, the Company has determined that sufficient uncertainty exists as to the realizability of certain of its deferred tax assets and, as such, has placed a valuation allowance of $234.3 million and $256.1 million on certain of its U.S. deferred tax assets as of December 31, 2018 and 2017, respectively. As a result of the deconsolidation of Real Alloy, the previous valuation allowances on foreign deferred tax assets associated with the Real Alloy business has been reversed and the Company has removed them entirely. U.S. tax benefits and related U.S. deferred tax assets will be recognized if the Company considers realization of the net U.S. deferred tax assets to be more likely than not, or to the extent that U.S. deferred tax liabilities are recognized in connection with business combinations. The Company recorded a benefit of $10.1 million in 2017 as a result of the Tax Cuts and Jobs Act related to its Alternative Minimum Tax (AMT) tax credits ("AMT Tax Credits"). As of December 31, 2018, the Company is reporting $5.6 million in income tax receivables and $4.3 million in deferred tax assets, which primarily relate to such AMT Tax Credits. See Note 6 – *Income Taxes* for more information.

Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement. The Company classifies interest and penalties as a component of income tax expense.

<u>Accounting Policies for Discontinued Operations</u>

See Note 4—*Discontinued Operations* for additional information about Real Alloy and other discontinued operations.

Gain on Deconsolidation

ASC 810 requires the disclosure of any gain or loss recognized on the deconsolidation of a subsidiary or group of assets. As previously noted, the Real Alloy business was deconsolidated effective January 1, 2018. Upon deconsolidation, we derecognized total assets and liabilities of $577.9 million and $640.5 million, respectively. We recorded our interest in Real Alloy at zero based upon the offers received under the Real Alloy Sale process and the ultimate sale transaction for the Real Alloy Sale, recognizing a gain on deconsolidation of $67.3 million after factoring in non-controlling interest and accumulated other comprehensive income. This gain on deconsolidation is reported in our financial statements in Earnings (loss) from Discontinued Operations, net of income taxes.

As a result of the deconsolidation, the RI Plan and the Real Alloy Sale, the Company abandoned its equity in its direct subsidiary, RAIH, and thus its economic interest in Real Alloy, received no value from the Real Alloy Sale, and maintains no ongoing relationship with Real Alloy. As we retain no further interest, nor value, in Real Alloy, no fair value methods were used in 2018.

Equity method investment

For equity investments that were not required to be consolidated under the variable or voting interest model, Real Alloy evaluated the level of influence it was able to exercise over an entity's operations to determine whether to use the equity method of accounting. Real Alloy evaluated its relationships with other entities to identify whether such entities were variable interest entities and to assess whether it was the primary beneficiary of such entities. In determining the primary beneficiary of a VIE, qualitative and quantitative factors were considered, including, but not limited to: the amount and characteristics of its investment; the obligation or likelihood for Real Alloy to provide financial support; Real Alloy's ability to control or significantly influence key decisions for the VIE; and material intercompany transactions. Significant judgments related to these determinations included estimates about the future fair values and performance of these VIEs and general market conditions. In the event that Real Alloy was a primary beneficiary of a VIE, the assets, liabilities, and results of operations of the VIE were included in the consolidated financial statements regardless of the percentage of voting interests owned.

In applying the equity method, Real Alloy recorded its investment at cost, and subsequently increased or decreased the carrying amount of the investment by its proportionate share of the net earnings or losses and other comprehensive income of the investee or utilizing a hypothetical liquidation at book value methodology, as appropriate. Any dividends or distributions received were recorded as a decrease in the carrying value of the investment, classified in other noncurrent assets in its balance sheets. Real Alloy's proportionate share of net income was reported in other nonoperating income in its statements of operations. There were no impairment losses recorded on the equity method investment for the year ended December 31, 2017.

As of December 31, 2017, Real Alloy had one VIE that was treated as an unconsolidated investment and accounted for under the equity method, Beck Trading, which had a carrying value of $7.9 million. Including trade accounts receivable due from Beck Trading, Real Alloy's maximum loss exposure was $11.0 million. This VIE was included in the deconsolidation of Real Alloy's operation as of January 1, 2018, and the Company has no VIE as of December 31, 2018.

Revenue recognition, shipping and handling costs, and advertising costs

Revenues were recognized for Real Alloy when title transferred and the risk of loss passed to the customer. This typically occurred when the goods reach their destination, depending on individual shipping terms. For customer-owned toll material, revenue was recognized upon the performance of the tolling service for the customers. For material that was consigned, revenue was not recognized until the product was used by the customer. Shipping and handling costs were included within cost of sales in the consolidated statements of operations. Advertising costs, totaling $0.1 million for the year ended December 31, 2017 were expensed as incurred and included in selling, general and administrative ("SG&A") expenses. For the year ended December 31, 2017, no customer accounted for more than 10% of Real Alloy's revenues, as reported in Discontinued Operations.

Comprehensive income (loss)

Comprehensive income (loss) consists of net loss attributable to Real Alloy's foreign currency translation adjustments and pension benefit adjustments and is presented in Discontinued Operation.

Foreign currency translation and transactions

Certain of Real Alloy's international subsidiaries used the local currency as their functional currency. Real Alloy translated all of the amounts included in the consolidated statements of operations from its international subsidiaries into U.S. dollars at average monthly exchange rates, which management believed were representative of the actual exchange rates on the dates of the transactions. Adjustments resulting from the translation of assets and liabilities into U.S. dollars at the balance sheet date exchange rates were reflected as a separate component of the Company's stockholders' equity. Currency translation adjustments accumulated in the Company's stockholders' equity until the disposition or liquidation of the international entities. Currency transactional gains and losses associated with receivables and payables denominated in currencies other than the functional currency were included within discontinued operations. There were no transactional gains or losses in the year ended December 31, 2017.

Additionally, Real Alloy maintained long-term intercompany loans between its U.S. and foreign jurisdiction entities, which were established in the subsidiaries' functional currency and, due to their long-term nature, any currency related effects were recorded as a component of accumulated other comprehensive income (loss). The effects of exchange rates on intercompany loans held by Real Alloy's international subsidiaries that were not long-term in nature were recognized in current period earnings. Real Alloy recorded $2.4 million of gains related to the impact of foreign exchange rates on intercompany loans during the years ended December 31, 2017.

Derivatives and hedging

Real Alloy was engaged in activities that exposed it to various market risks, including changes in the prices of aluminum alloys, aluminum scrap, copper, silicon, and natural gas, as well as changes in currency exchange rates. Certain of these financial exposures were managed as an integral part of its risk management program, which sought to reduce the potentially adverse effects that the volatility of the markets may have on operating results. Real Alloy could enter into forward contracts or swaps to manage the exposure to market risk. The fair value of these instruments was reflected in the consolidated balance sheets and the impact of these instruments was reflected in the consolidated statements of operations. Real Alloy did not hold or issue derivative financial instruments for trading purposes.

The estimated fair values of derivative financial instruments were recognized as assets or liabilities as of the balance sheet date. Fair values for metal and natural gas derivative financial instruments were determined based on the differences between contractual and forward rates of identical hedge positions as of the balance sheet date. In developing these fair values, Real Alloy included an estimate of the risk associated with nonperformance by either its counterparty or itself.

Real Alloy did not account for its derivative financial instruments as hedges. Generally, realized gains or losses represented the cash paid or received upon settlement of derivative financial instruments, which offset the corresponding loss or gain realized on the physical material included in cost of sales. Unrealized gains or losses reflected the change in the fair value of derivative financial instruments from the later of the end of the prior period or our entering into the derivative instrument, as well as the reversal of previously recorded unrealized gains or losses for derivatives that settled during the period. The changes in fair value of derivative financial instruments and the associated gains and losses realized upon settlement were recorded in losses on derivative financial instruments in the consolidated statements of operations. All realized gains and losses were included within net cash provided by (used in) operating activities in the consolidated statements of cash flows. Real Alloy was exposed to losses in the event of nonperformance by its derivative counterparties. The counterparties' creditworthiness was monitored on an ongoing basis, and credit levels were reviewed to ensure appropriate concentrations of credit outstanding to any particular counterparty.

Trade accounts receivable

Real Alloy recorded its trade accounts receivable at net realizable value. This value included an appropriate allowance for estimated sales returns and allowances, and uncollectible accounts to reflect any losses anticipated and charged to the provision for doubtful accounts. Credit was extended to customers based on an evaluation of their financial condition; generally, collateral was not required. An estimate of uncollectible amounts was made by management based upon historical bad debts, current customer receivable balances, age of customer receivable balances, the customer's financial condition and current economic trends, all of which were subject to change. Actual uncollected amounts were historically consistent with management's expectations. Receivables were charged off against the reserve for doubtful accounts when, in management's estimation, further collection efforts would not result in a reasonable likelihood of receipt, or later as proscribed by statutory regulations. During the year ended December 31, 2017, Real Alloy recognized $0.1 million in expenses for sales returns and allowances, and uncollectible amounts, net of recoveries, resulting in a balance of allowance for doubtful accounts of $0.3 million as of December 31, 2017. As of December 31, 2017, one customer accounted for more than 10%, but less than 20%, of Real Alloy's total trade accounts receivable and the top ten customers represented approximately 55.6% of total trade accounts receivable as reported in discontinued operations.

Financing receivable

Financing receivable for Real Alloy represented the net amount due from the sale and transfer of trade accounts receivable under a factoring facility under which Real Alloy sold certain of its trade accounts receivables in Europe. The agreement resulted in true sales of transferred receivables, as defined by U.S. GAAP, which occurred when receivables were transferred to a purchaser without recourse to Real Alloy. Such amounts were reported as financing receivable in the Real Alloy balance sheets until proceeds from such sales were received from the counterparty and were previously categorized as a Level 2 measurement in the fair value hierarchy when reported by Real Industry as part of its continuing operations. Cash proceeds from such sales were generally received within thirty days and were included in operating cash flows.

The transferred receivables were isolated from Real Alloy's accounts, as debtors paid into a segregated escrow account maintained by the counterparty. Real Alloy maintained continuing involvement with the transferred receivables through limited servicing obligations, primarily related to recordkeeping. Real Alloy retained no right to the receivables, or associated collateral, and did not collect a servicing fee. Following transfer, Real Alloy had no further rights to receive any cash flows or other benefits from the transferred receivables and had no further obligations to provide additional cash flows or other assets to any party related to the transfer.

Inventories

Real Alloy's inventories were stated at the lower of cost or net realizable value. At Real Alloy, cost was determined primarily on the average cost method and included material, labor and overhead related to the manufacturing process, as applicable. The value of inventories acquired in business combinations was recorded at fair value and any fair value adjustment was amortized to cost of sales over the applicable inventory turn. During the year ended December 31, 2017, no single supplier represented more than 10% of metal purchases and the top ten suppliers accounted for 16.9% of total metal purchases.

Property, plant and equipment, net

Real Alloy's property, plant and equipment was stated at cost, net of depreciation and asset impairments. The cost of property, plant and equipment acquired by Real Alloy in business combinations represented the fair value of the acquired assets at the time of acquisition.

The estimated fair value of asset retirement obligations incurred after the Real Alloy acquisition in 2015 were capitalized to the related long-lived asset at the time the obligations were incurred and were depreciated over the estimated remaining useful life of the related asset.

Major renewals and improvements that extend an asset's useful life were capitalized to property, plant and equipment. Major repair and maintenance projects were expensed over periods not exceeding twenty-four months, while normal maintenance and repairs were expensed as incurred. Depreciation was computed using the straight-line method over the estimated useful lives of the related assets, as follows:

	Estimated Useful Lives
Buildings and improvements	5 - 33 years
Production equipment and machinery	2 - 25 years
Office furniture, equipment and other	3 - 10 years

Property, plant and equipment, identifiable intangible assets, and other long-lived assets that had definite lives were evaluated for impairment when events or changes in circumstances, or a triggering event, indicated that the carrying value of the assets may not be recoverable. Upon the occurrence of a triggering event, the impacted assets were reviewed to assess whether the undiscounted cash flows expected for the use of the asset, plus residual value from the ultimate disposal, exceeded the carrying value of the assets. If the carrying value exceeded the estimated recoverable amounts, the assets were written down to fair value.

As a result of the Chapter 11 Cases and the pending Section 363 Sale of the Real Alloy Debtors' assets pursuant to Section 363 of the Bankruptcy Code, management determined that a triggering event had occurred in the fourth quarter of 2017. As a result of management's impairment analysis, during the year ended December 31, 2017, $40.5 million of impairment on property, plant and equipment was recognized in discontinued operations. The estimated fair value of the property, plant and equipment as of December 31, 2017 was determined based on an analysis of the value in-use and the value in-exchange of the property, plant and equipment. Upon determining these values, an economic obsolescence factor was applied to the value in-use to determine the amount of impairment to property, plant and equipment based upon Level 3 inputs.

Goodwill and identifiable intangible assets

As a result of acquisitions, the Company's subsidiaries have had goodwill and, prior to the impairment discussed below, other identifiable intangible assets. In business combinations, goodwill was generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Accounting for acquired goodwill in accordance with U.S. GAAP required significant judgment with respect to the determination of the valuation of the acquired assets and liabilities assumed in order to determine the final amount of goodwill recorded in business combinations. Goodwill was not amortized, rather, it was evaluated for impairment on an annual basis, or more frequently when a triggering event occurred between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying value. Such impairment evaluations compared the reporting unit's estimated fair value to its carrying value.

Goodwill was tested for impairment as of October 1 of each year and may be tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. Management evaluated goodwill based upon reporting units, which are defined by U.S. GAAP as operating segments or, in certain situations, one level below the operating segment. The impairment test required us to make judgments in determining what assumptions to use in the calculations which consists of estimating the fair value of each reporting unit based on discounted cash flow ("DCF") models and guideline public company ("GPC") information, using revenue and profit forecasts, and comparing those estimated fair values with the carrying values, which include allocated goodwill. These projections included assumptions about volumes, prices, margins, mix and other operating costs. Other key assumptions included in the fair value of reporting units included estimated cash flow periods, terminal values based on our anticipated growth rate and the discount rate used, which was based on the current cost of capital in the market, adjusted for the risks associated with our operations.

Goodwill and identifiable intangible impairment testing

As of December 31, 2018, the Company did not have any goodwill or identifiable intangible assets.

During 2017, management initiated a goodwill impairment test as of September 30, 2017, as it was determined that a triggering event existed within the Company's previously reported Real Alloy North America ("RANA") operating segment. Both in conducting this test for the RANA segment as well as in conducting the annual goodwill impairment test for the Company's previously reported Real Alloy Europe ("RAEU") operating segment, management utilized a combination of DCF and GPC approaches to estimate the fair value of reporting units required to be tested for impairment. Each of the DCF and GPC approaches were weighted 50%. These nonrecurring fair value measurements were primarily determined using unobservable inputs and, accordingly, were categorized within Level 3 of the fair value hierarchy when Real Alloy was previously a part of continuing operations. The DCF and GPC analyses were based on our projected financial information, which includes a variety of estimates and assumptions. While management considered such estimates and assumptions reasonable, they were inherently subject to uncertainties and a wide variety of significant business, economic and competitive risks, many of which are beyond our control and may not materialize.

Based on the results of the goodwill impairment tests, management determined that the estimated fair value of RANA, including goodwill, was lower than its carrying value. Accordingly, RANA's goodwill was considered impaired and an impairment charge of $33.6 million was recorded in the year ended December 31, 2017, as reported in discontinued operations. No such impairment was determined to be necessary for RAEU.

Identifiable intangible assets consisted primarily of customer relationships recognized in business combinations. Identifiable intangible assets with finite lives were amortized over their estimated useful lives, which represented the period over which the asset was expected to contribute directly or indirectly to future cash flows. During the year ended December 31, 2017, Real Alloy recognized impairment on identifiable intangible assets of $10.1 million related to customers at RANA, as reported in discontinued operations.

As a result of the deconsolidation and sale of Real Alloy, the Company no longer reports with RANA and RAEU segments.

Deferred financing costs

Costs related to the issuance of long-term debt, including debtor in possession financing, were capitalized and classified as a reduction of the associated debt in the consolidated balance sheets and were amortized over the term of the related debt agreements as interest expense using the effective interest method. As a result of the Bankruptcy Proceedings, all unamortized deferred financing costs related to the Senior Secured Notes were recognized as reorganization items, net. Costs related to Real Alloy's Factoring Facility were capitalized and classified as other assets and were amortized over the term of the arrangement on a straight-line basis as interest expense.

Environmental and asset retirement obligations

Environmental obligations of Real Alloy that were not legal or contractual asset retirement obligations and that related to existing conditions caused by past operations with no benefit to future operations were expensed, while expenditures that extended the life, increased the capacity or improved the safety of an asset, or mitigated or prevented future environmental contamination were capitalized in property, plant and equipment. Obligations were recorded when their occurrence was probable and the associated costs reasonably estimated. While accruals were based on management's then current best estimate of the future costs of remedial action, these liabilities could change substantially due to factors such as the nature and extent of contamination, changes in the required remedial actions and technological advancements. Existing environmental liabilities were not discounted to their present values, as the amount and timing of the expenditures were not fixed or reliably determinable. Environmental liabilities that represented short-term remediation costs were classified in accrued liabilities.

Asset retirement obligations represented the present value of estimated future obligations associated with the retirement of tangible long-lived assets. Real Alloy's asset retirement obligations related primarily to capping three landfills, as well as costs related to the future removal of asbestos and underground storage tanks at various recycling facilities. The estimated fair value of such legal obligations was recognized in the period in which the obligations were incurred, and capitalized as part of the carrying amount of the associated long-lived asset. These estimated fair values were based upon the present value of future cash flows expected to be required to satisfy the obligations. Determining the estimated fair value of asset retirement obligations required judgment, including estimates of the credit adjusted interest rate and estimates of future cash flows. Estimates of future cash flows were obtained primarily from engineering consulting firms. The present value of the obligations was accreted over time while the capitalized costs were depreciated over the remaining estimated useful lives of the related assets. Short-term asset retirement obligations were classified in accrued liabilities of discontinued operations, while long-term asset retirement obligations are classified as other noncurrent liabilities of discontinued operations.

Pension benefits

Real Alloy measured the costs of its obligations under defined pension plans based on its health care cost trends and actuarial assumptions, including discount rates, mortality rates, assumed rates of return, compensation increases, and turnover rates. Pension benefit costs were accrued based on annual analyses performed by actuaries. These analyses were based on assumptions including a discount rate and the expected rate of return on plan assets. Both the discount rate and expected rate of return on plan assets required estimates and projections by management and could fluctuate from period to period. Real Alloy's objective in selecting a discount rate was to select the best estimate of the rate at which the benefit obligations could be effectively settled. In making this estimate, projected cash flows were developed and matched with a yield curve based on an appropriate universe of high-quality corporate bonds. Assumptions for long-term rates of return on plan assets, compensation increases, and turnover were based upon historical information and future expectations (calculated using the fair value of plan assets).

Recent Accounting Standards Updates

The following provides information about recent Accounting Standards Updates ("ASU" or "Update") issued by the Financial Accounting Standards Board ("FASB") that are relevant to the operations of the Company.

New Accounting Pronouncements Adopted:

We adopted the following ASUs during 2018 and 2017, which did not have a significant impact on our financial statements:

Standard	**Description**
ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, issued May 2014	ASU 2014-09 requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services. Additionally, this update requires the use of more estimates and judgments than prior accounting guidance, as well as additional disclosures. The FASB has issued several updates to the standard that i) defer the original effective date; ii) clarify the application of principal versus agent guidance; iii) clarify the guidance on inconsequential and perfunctory promises and licensing; and iv) clarify the guidance on the derecognition of nonfinancial assets. Our revenue in 2018 consisted of interest income under long standing commercial mortgages whereby ASC ASU 2014-09 had no impact. To the extent our operations expand in the future, we intend to comply with ASC 2014-09.
ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting,* issued March 2016.	ASU 2016-09 simplifies the accounting for share-based payment transactions, including their income tax consequences, and provides an option to recognize gross share-based compensation expense with actual forfeitures recognized as they occur, as well as certain classifications in the statement of cash flows. ASU 2016-09 requires prospective recognition of excess tax benefits and deficiencies resulting from share-based compensation awards vesting and exercises be recognized as a discrete income tax adjustment in the income statement. Previously, these amounts were recognized in additional paid-in capital. In 2017 and 2018, the Company recognized no income tax expense for excess tax deficiencies upon vesting of awards. ASU 2016-09 also requires that excess tax benefits from share-based compensation awards be reported as operating activities in the consolidated statements of cash flows. Previously, this activity was included in financing activities on the consolidated statements of cash flows. This change has an immaterial impact on our consolidated statements of cash flows. Also, we elected to continue to estimate forfeitures in 2017 rather than account for them as they occur.
ASU 2016-18, *Statement of Cash Flows (Topic 230)*, issued November 2016.	ASU 2016-18 requires restricted cash and cash equivalents to be included with cash and cash equivalents on the statement of cash flows under the retrospective transition approach. The guidance became effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. The Company has early adopted this standard and the effects of the adoption are reflected on the accompanying statement of the cash flows.
ASU 2017-04, *Intangibles—Goodwill and*	ASU 2017-04 simplifies subsequent measurements of goodwill by eliminating Step 2

Other (Topic 350): Simplifying the Test for Goodwill Impairment, issued January 2017.	from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity was required to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. The amendments in this update provide that an entity perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The adoption of ASU 2017-04 did not have a material impact on the Company's consolidated financial position, results of operations, equity or cash flows.
ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting,* issued May 2017.	ASU 2017-09, which provides guidance about changes to the terms or conditions of a share-based payment award that requires an entity to apply modification accounting in Topic 718. The amendments in this Update will be applied prospectively to any awards modified on or after the adoption date. The adoption of 2017-09 did not have a material impact on the Company's consolidated financial position, results of operations, equity or cash flows.
ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business,* issued January 2017.	ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The adoption of ASU 2017-01 did not have a material impact on the Company's consolidated financial position, results of operations, equity or cash flows.
ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* issued August 2016.	ASU 2016-15 provided, among other things, that distributions received from equity method investees be classified using one of two possible methods, a cumulative earnings approach or a nature of distribution approach. The adoption of ASU 2016-15 did not have a material impact on the Company's consolidated financial position, results of operations, equity or cash flows.

New Accounting Pronouncements to be Adopted:

We expect to adopt the following ASUs as required under their respective implementation dates; however, given our current operations, we would not expect any material impact on our financial statements and disclosures:

Standard	**Description**
ASU 2016-02, *Leases (Topic 842),* issued February 2016.	ASU 2016-02 generally requires companies to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet. This guidance will be effective for the Company in fiscal years beginning after December 15, 2018 on a modified retrospective basis and early adoption is permitted. This change is not expected to have a material impact on our results of operation or financial condition as the Company has no leases as of December 31, 2018.
ASU 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments,* issued in March 2016.	ASU 2016-06 clarifies what steps are required when assessing whether the economic characteristics and risks of call or put options are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. Consequently, when an option is contingently exercisable, an entity does not have to assess whether the event that triggers the ability to exercise the option is related to interest rates or credit risks. The amendments provided for in this update are effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. This change is not expected to have a material impact on our results of operation or financial condition as the Company has no derivatives or hedges as of December 31, 2018.

NOTE 4—DISCONTINUED OPERATIONS

Real Alloy

As detailed in Note 2 – *Bankruptcy and Reorganization*, in January 2018, Real Industry entered into the RELY DIP Facility based in part on the lenders' willingness to provide an equity commitment to serve as plan sponsor to allow Real Industry to emerge from bankruptcy. The terms of the equity commitment were based upon a preliminary plan whereby Real Industry would reorganize without any ongoing interest in Real Alloy. As management of Real Industry determined to move forward with a plan whereby it would no longer have a viable option to reorganize with Real Alloy, management concluded that it also no longer had an ability to influence control over the activities of Real Alloy, and that it was appropriate to deconsolidate Real Alloy effective January 1, 2018. Ultimately, the Real Alloy business's assets, including the stock of its foreign operating subsidiaries, were sold pursuant to Section 363 of the Bankruptcy Code in a transaction which closed on May 31, 2018.

As a result of the deconsolidation, followed by the subsequent Real Alloy Sale, the operations and financial condition of Real Alloy have been reported as Discontinued Operations for all periods presented. Real Industry did not receive any proceeds from the Real Alloy Sale and has no further equity, other interest or ongoing relationship with the Real Alloy business, so no further activity is recorded after the January 1, 2018 date of deconsolidation.

SGGH

SGGH and its subsidiaries include the legacy operations of Fremont General Corporation, which, by virtue of a series of asset sales and changes in operating strategy, became discontinued operations nearly ten years ago. As of December 31, 2018, the majority of SGGH's \$0.5 million in assets were cash and cash equivalents, its liabilities rounded to zero, and for the year ended December 31, 2018, it generated \$0.3 million in earnings. As of December 31, 2017, SGGH's assets and liabilities rounded to zero and for the year ended December 31, 2017, it recognized a loss that rounded to zero.

Summarized results of the components of the Company classified as discontinued operations were as follows:

	Year Ended December 31,	
(In millions)	**2018**	**2017**
Revenues	$ —	$ 1,346.4
Cost of sales	—	1,287.3
Gross profit	—	59.1
Selling, general and administrative expenses	0.1	43.9
Impairment - PP&E, Goodwill, and Intangibles	—	84.2
Other operating expense	0.2	—
Operating (loss) of discontinued operations	(0.3)	(69.0)
Interest expense	—	41.9
Reorganization items, net	—	10.0
Other nonoperating (income) expense	(0.6)	3.2
Earnings (loss) from discontinued operations before income taxes, non controlling interest and gain on deconsolidation	0.3	(124.1)
Gain on deconsolidation	67.3	—
Income tax expense	—	2.3
Earnings attributable to non controlling interest	—	0.9
Earnings (loss) from discontinued operations, net of income taxes	$ 67.5	$ (127.3)

The following table summarizes the major classes of assets and liabilities classified as discontinued operations as of December 31, 2018 and 2017:

(In millions)	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 0.5	$ 22.9
Trade accounts receivable, net	—	122.5
Financing receivable	—	16.5
Inventories	—	107.3
Prepaid expenses, supplies and other current assets	—	31.4
Total current assets of discontinued operations	0.5	300.6
Property, plant and equipment, net	—	247.4
Other noncurrent assets	—	29.9
Total non current assets of discontinued operations	—	277.3
TOTAL ASSETS OF DISCONTINUED OPERATIONS	$ 0.5	$ 577.9
LIABILITIES		
Current liabilities:		
Trade payables	$ —	$ 96.4
Accrued liabilities	—	27.3
RA DIP Financing Facility	—	103.9
Long-term debt due within one year	—	3.6
Total current liabilities of discontinued operations	—	231.2
Accrued pension benefits	—	46.9
Long-term debt, net	—	4.4
Other noncurrent liabilities	—	20.4
Non current liabilities of discontinued operations	—	71.7
Liabilities subject to compromise of discontinued operations, net of intercompany	—	337.6
TOTAL LIABILITIES OF DISCONTINUED OPERATIONS	$ —	$ 640.5

Inventories

The following table presents the components of Real Alloy's inventories as reported in current assets of discontinued operations:

(In millions)	December 31, 2018	December 31, 2017
Finished goods	$ —	$ 43.9
Raw materials and work in process	—	63.4
Total inventories	$ —	$ 107.3

Property, Plant and Equipment, Net

The following table presents the components of Real Alloy's property, plant and equipment, net as reported in noncurrent assets of discontinued operations:

(In millions)	December 31, 2018	December 31, 2017
Land and improvements	$ —	$ 61.3
Buildings and improvements	—	59.5
Machinery, equipment, furniture and fixtures	—	236.3
Construction work in progress	—	7.4
Property, plant and equipment	—	364.5
Accumulated depreciation	—	(117.1)
Property, plant and equipment, net	$ —	$ 247.4

Debt

The following table presents the portion of Real Alloy's DIP Financing Facility that was not subject to compromise and reported in current liabilities of discontinued operations:

(In millions)	December 31, 2018	December 31, 2017
RA DIP Financing Facility:		
RA DIP ABL Facility:		
Principal amount outstanding	$ —	$ 67.9
Unamortized debt issuance costs	—	(1.2)
RA DIP ABL Facility, net	—	66.7
New Money DIP Term Notes:		
Principal amount outstanding	—	40.0
Unamortized debt issuance costs	—	(2.8)
New Money DIP Term Notes, net	—	37.2
RA DIP Financing Facility, net	$ —	$ 103.9

The following table presents the Real Alloy's long-term debt as reported in current and noncurrent liabilities of discontinued operations:

(In millions)	December 31, 2018	December 31, 2017
Long-term debt due within one year:		
Capital leases	$ —	$ 3.6
Long-term debt due within one year	—	3.6
Long-term debt:		
Capital leases	—	4.4
Long-term debt	—	4.4
Total long-term debt	$ —	$ 8.0

Liabilities subject to compromise

The amounts associated with the Real Alloy's liabilities subject to compromise, including amounts related to the Real Alloy DIP Financing Facility that were subject to compromise are described in Note 11 - *Debtor-in-Possession Financial Information*.

The cash flow activity of discontinued operations has been separately identified on the consolidated cash flow financial statement, including cash from (used in) operations, investing, and financing activities.

NOTE 5—COMMON STOCK WARRANT LIABILITY AND REDEEMABLE PREFERRED STOCK

Common stock warrant liability

In June 2010, Warrants to purchase an aggregate of 1.5 million shares of the Company's common stock were issued for an aggregate cash purchase price of $0.3 million. The Warrants had a term of ten years and had an original exercise price of $10.30 per share, which, because of anti-dilution and pricing protections, had been reduced to $5.64 per share as of December 31, 2017. Under the RI Plan, all unexercised Warrants, which amounted to 1.4 million shares as of both December 31, 2017 and the Emergence Date, were cancelled in exchange for an aggregate payment of approximately $130,000.

The Warrants were financial instruments classified as derivative liabilities and were re-measured at fair value at each reporting date and on each Warrant exercise date. They were the Company's only Level 3 liability valued on a recurring basis for the year ended December 31, 2017. The Warrants had been written down to a fair value of zero as of December 31, 2017 based upon management's estimate of value utilizing a Black-Scholes option model, resulting in non-cash income of $4.4 million recorded during 2017. Prior to 2017, management had utilized a Monte Carlo simulation to value the Warrants because of the pricing protections, but due to the bankruptcy filing, management determined that the potential impact of a future equity raise was no longer applicable to the Warrants' valuation and a Black-Scholes option model was sufficient. In 2017, the unobservable inputs used in the Black-Scholes option model were an expected term of 2.4 years and volatility of 107.6%.

Aside from the approximate $130,000 payment to settle all outstanding Warrants under the RI Plan, which payment was recorded to reorganization costs, net, in 2018, there was no other exercise or activity related to the Warrants during fiscal years 2017 and 2018.

Redeemable Preferred Stock

On February 27, 2015, as a portion of the purchase price for Real Industry's acquisition of the Real Alloy business from Aleris Corporation ("Aleris"), $25.0 million of Redeemable Preferred Stock was issued by Real Industry to Aleris. The Redeemable Preferred Stock paid quarterly dividends at a rate of 7% for the first eighteen months after the date of issuance, 8% for the following twelve months, and 9% thereafter. Dividends were paid in-kind for the first two years, and thereafter were to be paid in cash or accrued beginning in 2017. As of December 31, 2017, the dividend rate was 9%. All accrued and accumulated dividends on the Redeemable Preferred Stock were prior and in preference to any dividend on any of the Company's common stock or other junior securities.

Under the terms of the Redeemable Preferred Stock, the Company could generally redeem the shares of Redeemable Preferred Stock at any time at the liquidation preference, and the holders could require the Company to redeem their shares of Redeemable Preferred Stock at the liquidation preference upon a change of control under the Senior Secured Notes (or any debt facility that replaces or redeems the Senior Secured Notes) to the extent that the change of control did not provide for such redemption at the liquidation preference. A holder of Redeemable Preferred Stock could require the Company to redeem all, but not less than all, of such holder's Redeemable Preferred Stock sixty-six months after the issuance date. In addition, the Company could redeem shares of Redeemable Preferred Stock to the extent Aleris was required to indemnify the Company under the Real Alloy acquisition agreement. The Redeemable Preferred Stock held by Aleris had a liquidation preference of $28.5 million as of December 31, 2017 and was not transferrable (other than to a subsidiary of Aleris) for eighteen months following issuance (or such longer period in connection with any ongoing indemnity claims). The maximum redemption amount if redeemed by the holder on August 27, 2020, their earliest redemption date, was $28.5 million, plus any accrued but unpaid dividends.

Prior to the Petition Date, the carrying value of Redeemable Preferred Stock was based on the estimated fair value of the instrument at issuance, calculated using a discounted cash flow analysis using the Hull & White model, with an original term of sixty-six months, assuming either the holder will put or the issuer will call at the redemption date. The cash dividend yield and the Redeemable Preferred Stock, including the payment-in-kind dividends, were discounted at the spot rate plus a 17.5% credit spread adjustment to a zero coupon yield curve, which was being accreted to the redemption value over the period preceding the holder's right to mandatorily redeem the instrument, or sixty-six months from issuance, using the effective interest method. The Redeemable Preferred Stock was a Level 3 liability and prior to 2017 its fair value was determined using valuation techniques that incorporate unobservable inputs that required significant judgment or estimation. As a result of the bankruptcy, a valuation adjustment expense of $3.6 million was recorded during the fourth quarter of 2017 as the Redeemable Preferred Stock was required to be carried at its liquidation preference of $28.5 million as of December 31, 2017. As of December 31, 2017, the Redeemable Preferred Stock's estimated fair market value was $13.1 million, based on the settlement terms as proposed in the RI Plan, which was consistent with the final resolution value.

As discussed above, in the RI Plan, Aleris, the sole holder of the Redeemable Preferred Stock received a $2.0 million cash payment plus 31% of the newly issued equity in Reorganized RELY, in exchange for full settlement of its $28.5 million liquidation preference and $1.8 million of accrued dividends, resulting in the Company recognizing a non-cash gain on settlement of $17.4 million recorded in reorganization items, net in 2018.

NOTE 6—INCOME TAXES

The following table reflects loss from continuing operations before income taxes by domestic and foreign tax jurisdictions for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	2017
(In millions)		
U.S.	$ 6.1	$ (4.5)
Foreign	—	—
Earnings (loss) from continuing operations before income taxes	$ 6.1	$ (4.5)

The following table summarizes income tax benefit, within continuing operations, for the years ended December 31, 2018 and 2017:

	December 31,	
	2018	2017
(In millions)		
Current income tax (benefit):		
Federal	$ (4.3)	$ (1.2)
State	—	—
Foreign	—	—
Total current income tax (benefit)	(4.3)	(1.2)
Deferred income tax expense (benefit):		
Federal	4.3	(8.9)
State	—	—
Foreign	—	—
Total deferred income tax expense (benefit)	4.3	(8.9)
Total income tax benefit	$ —	$ (10.1)

The following table provides a reconciliation of the effective tax rates in the consolidated statements of operations from continuing operations for the years ended December 31, 2018 and 2017 with the statutory U.S. federal income tax rate of 21.0% and 34.0%, respectively:

	Year Ended December 31,	
	2018	2017
U.S. federal statutory rate	21.0 %	34.0 %
State income taxes	2.0 %	(0.2) %
Foreign income taxes	— %	— %
Deferred tax valuation allowance	(167.1) %	2,778.9 %
Fair value adjustments	— %	33.4 %
Revisions to prior years	139.2 %	1.1 %
Goodwill impairment	— %	— %
Other permanent items	22.7 %	(12.9) %
Deferred tax rate change	(33.7) %	(2,603.2) %
Other	15.9 %	(5.4) %
Effective tax rate	0.1 %	225.8 %

On December 22, 2017, the U.S. Congress enacted The Tax Cuts and Jobs Act (the “Tax Act”), which comprehensive tax legislation reduced the U.S. federal statutory corporate tax rate from 34% to 21% effective January 1, 2018, broadened the U.S. federal income tax base, repealed the corporate alternative minimum tax, requires companies to pay a one-time repatriation tax on earnings of certain foreign subsidiaries that were previously deferred ("Transition Tax") and creates new taxes on certain foreign sourced earnings. On December 22, 2017, the SEC issued Staff Accounting Bulletin 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* ("SAB 118"), expressing its views regarding ASC 740, *Income Taxes*, in the reporting period that includes the enactment date of the Act. SAB 118 recognizes that a registrant's review of certain income tax effects of the Tax Act may be incomplete at the time financial statements are issued for the reporting period that includes the enactment date, including interim periods therein. Specifically, SAB 118 allowed a company to report provisional estimates in the reporting period that includes the enactment date if the company does not have the necessary information available, prepared, or fully analyzed for certain income tax effects of the Tax Act.

As of December 31, 2017, the Company had not yet completed its accounting for the income tax effects of the enactment of the Tax Act; however, we made a reasonable estimate of the effects on our existing deferred tax balances and the one-time Transition Tax. In 2018, we have revised our accounting for the income tax effects of the Tax Act, as well as the deconsolidation of Real Alloy. In 2017, our U.S. valuation allowance decreased by $140.9 million as a result of the reduction of the U.S. corporate income tax rate and AMT credit carryforwards becoming fully refundable under the Tax Act. Additionally, the Company recorded a benefit of $8.9 million as a result of the Tax Act in 2017.

The Transition Tax is a tax on previously untaxed accumulated and current earnings and profit of certain foreign subsidiaries; with the deconsolidation of Real Alloy and the Company's lack of non-Real Alloy foreign subsidiaries, the Transition Tax does not have an impact on our continuing operations.

The following table provides a summary of the activity in the amount of unrecognized tax benefits for the years ended December 31, 2018 and 2017:

	December 31,	
	2018	2017
(In millions)		
Balance, beginning of period	$ 0.3	$ 0.1
Additions	—	0.2
Settlements	(0.3)	—
Balance, end of period	$ —	$ 0.3

The recognition of unrecognized tax benefits as of December 31, 2018 and 2017 which would impact the effective tax rate for each year, were zero and $0.3 million, respectively. Interest and penalties related to unrecognized tax benefits has been recognized as a component of income tax expense. As a result of the loss of control of Real Alloy during the Chapter 11 proceedings and the deconsolidation of Real Alloy as of January 1, 2018, the unrecognized tax benefit related to foreign operations of Real Alloy has been reversed and removed entirely. The reversal of the unrecognized tax benefit did not impact the effective tax rate as the tax impact has been reported within discontinued operations.

Deferred income taxes include the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax reporting purposes. The components of the Company's deferred tax assets, liabilities and valuation allowances as of December 31, 2018 and 2017 are summarized in the following table:

	December 31, 2018	December 31, 2017
(In millions)		
Deferred tax assets:		
Net operating loss carryforwards	$ 208.4	$ 229.6
Alternative minimum tax credits	4.3	8.9
Capital loss carryforward	31.0	—
Compensation	0.3	1.4
Pension benefits	—	7.5
Intangible assets	0.1	15.7
Other	—	4.5
Total deferred tax assets	244.0	267.6
Deferred tax valuation allowance	(234.3)	(256.1)
Deferred tax assets, net of valuation allowance	9.7	11.5
Deferred tax liabilities:		
Property, plant and equipment	—	(4.0)
Federal benefit of state deferreds	(5.4)	—
Other	—	(1.2)
Total deferred tax liabilities	(5.4)	(5.2)
Net deferred tax assets	$ 4.3	$ 6.3

Management assesses deferred tax assets to consider whether it is more likely than not that the deferred tax assets will be realized. The ultimate realization of deferred tax assets depends on the ability to generate taxable income during the periods and in jurisdictions in which the temporary differences become deductible. As a result of generating losses since 2006 (with the exception of 2015), among other factors, we determined that sufficient uncertainty exists as to the realizability of our deferred tax assets and have placed a valuation allowance on nearly all of its U.S. deferred tax assets. The following table provides information about the activity of our deferred tax valuation allowance for the years ended December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
(In millions)		
Balance, beginning of period	$ 256.1	$ 406.0
(Reductions) recorded in the provision for income taxes	(21.8)	(9.0)
Changes in tax rates	—	(140.9)
Balance, end of period	$ 234.3	$ 256.1

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions, as well as, in 2017, foreign jurisdictions located in Canada, Mexico, Germany, Norway, and the United Kingdom. With few exceptions, the 2013 through 2017 tax years remain open to examination. Due to the existing NOLs, the Company is still subject to audit for certain loss years prior to 2008 by the IRS and by various state taxing authorities as the NOLs for a particular year are utilized. In October 2016, the IRS notified the Company of its intention to audit Real Industry's 2014 federal tax return; no further correspondence has been received in this matter.

As of December 31, 2018, the Company has estimated U.S. federal NOLs of $877.9 million. The U.S. federal NOLs were reduced by $84.1 million from December 31, 2017 as a result of the abandonment of the equity of Real Alloy. Offsetting this reduction was an increase of $140.0 million in capital loss carryforward. The U.S. federal NOLs have a 20-year life and begin to expire after the 2027 tax year. Additionally, the Company has state NOLs in various jurisdictions, which aggregate to $318.2 million before valuation allowances. The Company paid cash income taxes of a de minimis amount during the years ended 2018 and 2017.

NOTE 7—EQUITY

Common Stock Treatment Under RI Plan

Real Industry's common stockholders, who voted to accept the RI Plan as a class, were issued their pro rata share of 20% of the common stock of Elah Holdings, in connection with which the outstanding common stock of Real Industry was cancelled and reissued to existing common stockholders on an effective 1-for-200 reverse stock split basis (with shares rounded up at 0.51 share). The Plan Sponsors funded $17.5 million of capital and received 49% of the newly issued common stock of Elah Holdings. The holder of the Redeemable Preferred Stock received 31% of the newly issued common stock of Elah Holdings as part of a settlement of amounts owing to it by the Company.

As of December 31, 2017, the Company had 29,721,934 shares of common stock outstanding. Immediately prior to the Emergence Date and the new equity issuances under the RI Plan, taking into account the accelerated, vested and forfeited equity described in Incentive Plans below, the Company's total issued and outstanding common stock (without the issuance to the Plan Sponsors and holder of the Redeemable Preferred Stock) was 29,535,277 shares. As of the Emergence Date, the Company's total issued and outstanding common stock was 739,096 shares, which was also the balance as of December 31, 2018.

Incentive Plans

At the 2015 Annual Meeting of Stockholders, the Company's stockholders approved the 2015 Equity Award Plan (the "2015 Equity Plan"), which terminated and replaced the Amended and Restated 2006 Signature Group Holdings, Inc. Performance Incentive Plan (the "2006 Incentive Plan") but not outstanding awards. The 2015 Equity Plan authorized the Board of Directors to issue up to 1.9 million shares of common stock, or its equivalent, under the 2015 Equity Plan (including the shares rolled over from the 2006 Incentive Plan) in the form of grants of restricted common stock, common stock options, performance shares, stock appreciation rights, and restricted stock units to employees, nonexecutive directors and consultants. Generally speaking, prior to the Petition Date, the Company used awards of i) restricted common stock with one- to three-year vesting terms and ii) performance shares with three-year cliff vesting whose number of shares vesting is tied to the Company's stock performance compared to a market performance benchmark as its long term incentive plan to compensation employees and align them with stockholders.

As a result of the RI Plan, on the Emergence Date, the 2015 Equity Plan was terminated, and all outstanding common stock options were terminated without payment; all outstanding and unvested restricted stock awards which vested by their terms on a time basis were accelerated, unless payroll tax liabilities were not funded by the holder, in which case the stock was forfeited; and all outstanding and unvested performance share awards and other restricted stock awards were terminated. Further, the remaining restricted stock units that had been issued to certain directors of Real Industry who had elected under the Company's director compensation program to accept cash director fees in restricted stock units were vested and issued as common stock as of the Emergence Date. On the Emergence Date, the common stock issued as a result of the accelerated restricted stock and director restricted stock units was treated in the same manner as Real Industry's other shares of common stock outstanding. As of December 31, 2018, the Company had no outstanding restricted common stock, common stock options, warrants, performance shares, stock appreciation rights, or restricted stock units.

During the year ended December 31, 2017, in the aggregate and reported on a pre-RI Plan basis, employees were granted 183,447 shares of restricted common stock; executive officers were granted 132,354 shares of restricted common stock; and directors were granted 101,919 shares of restricted common stock, which would represent grants of 917 shares of restricted common stock, 662 shares of restricted common stock, and 510 shares of restricted common stock, respectively, on a post-RI Plan basis. As of December 31, 2017, the Company had 632,992 shares of restricted common stock outstanding with remaining vesting terms of two months through approximately two years, with a weighted average grant date fair value of $5.74 per share (3,165 shares on a post-RI Plan basis). No shares of restricted common stock were granted, 474,468 shares of restricted stock (2,372 shares on a post-RI Plan basis) vested, and all remaining shares of restricted common stock were forfeited during the year ended December 31, 2018.

Share-based compensation related to restricted common stock awards was $0.8 million and $1.7 million for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018, the aggregate unamortized value of share-based restricted common stock awards was zero due to the acceleration and forfeiture provisions of the RI Plan.

As of December 31, 2017, the Company had fully vested options outstanding equal to 367,600 shares with a weighted average exercise price of $7.06 per share, all of which were issued under the 2006 Incentive Plan. There were no unvested options. There were no common stock option awards granted in 2017 or 2018, and as of December 31, 2018, there were no common stock option awards outstanding. There was no share-based compensation expense related to common stock option awards during the years ended December 31, 2018 and 2017.

As of December 31, 2017, the Company had outstanding performance share awards with a target equal to 209,654 shares with a grant date fair value of $5.53 per share. There were no performance share awards granted in 2018, and as of December 31, 2018, there were no performance share awards outstanding. Share-based compensation related to performance share awards was less than $100 thousand and $0.2 million for the years ended December 31, 2018 and 2017.

As of December 31, 2017, the Company had 31,323 restricted stock units outstanding with a grant date fair value of $2.87 per unit. There were no restricted stock units issued to Directors in 2018 and as of December 31, 2018, there were no Director restricted stock units outstanding. Share-based compensation related to restricted stock units issued to Directors was less than $100 thousand and $0.2 million in the years ended December 31, 2018 and 2017, respectively.

Defined Contribution Plan

The Company has a 401(k) defined contribution plan that covers substantially all employees. The match of employee contributions under the defined contribution plan was less than $100 thousand in each of the years ended December 31, 2018 and 2017 as reported as part of continuing operations.

NOTE 8—EARNINGS (LOSS) PER SHARE

For the year ended December 31, 2018, earnings per share is computed by dividing net earnings attributable to Elah Holdings available to common shareholders by the weighted average number of common shares outstanding for the 2018 reporting period. For the year ended December 31, 2017, loss per share was computed using the two-class method, as unvested restricted common stock outstanding at that time contained nonforfeitable rights to dividends, which met the criteria of a participating security and the weighted average number of common shares outstanding was adjusted to reflect the 1-for-200 reverse stock split completed as of the Emergence Date. Under the two-class method, earnings are allocated between common stock and participating securities. The presentation of basic and diluted earnings per share is required only for each class of common stock and not for participating securities. As such, we present basic and diluted earnings per share for our one class of common stock, for both 2018 and 2017.

In 2017, the impact of all outstanding unvested shares of restricted common stock, common stock options, unvested RSUs (as described in Note 7 – *Equity*) and the Warrants (as described in Note 5 – *Common Stock Warrant Liability and Redeemable Preferred Stock*) are excluded from diluted loss per share as their impact would be antidilutive. The total potentially dilutive common stock equivalents at December 31, 2017 was 2,658,579. Under the RI Plan, as discussed in Note 7 – *Equity*, outstanding shares of restricted stock (unless forfeited for failure to pay withholding taxes associated with the accelerated vesting) and unvested restricted stock units issued to Directors were accelerated and treated as common stock on the Emergence Date, common stock options and unvested performance shares were cancelled without a distribution and Warrants were cancelled in exchange for a payment of $0.09 per Warrant on the Emergence Date. As such, no dilutive or potentially dilutive securities were outstanding at December 31, 2018.

The following table sets forth the computation of basic and diluted earnings (loss) per share for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	**2017**
(In millions, except share and per share amounts)		
Earnings from continuing operations	$ 6.1	$ 5.6
Earnings (loss) from discontinued operations, net of income taxes	67.5	(127.3)
Net earnings (loss) attributable to Elah Holdings, Inc.	73.6	(121.7)
Dividends on Redeemable Preferred Stock, in cash or accrued	—	(2.4)
Accretion of fair value adjustment to Redeemable Preferred Stock	—	(3.6)
Numerator for basic and diluted loss per share—Net earnings (loss) available to common stockholders	$ 73.6	$ (127.7)
Denominator for basic and diluted earnings (loss) per share—Weighted average shares		
Weighted average shares outstanding	530,309	144,842
Basic and diluted earnings (loss) per share:		
Continuing operations	$ 11.51	$ (2.76)
Discontinued operations	127.28	(878.89)
Basic and diluted earnings (loss) per share	$ 138.79	$ (881.65)

NOTE 9—SEGMENT INFORMATION

Segment information is prepared on the same basis that our chief operating decision-maker, who is our chief executive officer, manages the segments, evaluates financial results, and makes key operating decisions, and for which discrete financial information is available. As noted above in Note 3—*Presentation, Summary of Significant Accounting Policies and Recent Accounting Standards Updates*, management determined it was appropriate to deconsolidate Real Alloy as of January 1, 2018; therefore, as of December 31, 2018, the Company operates as one single segment and continues to execute its longstanding business strategy of seeking to acquire profitable businesses in the commercial and industrial markets and supporting the performance of such acquisitions post-closing.

NOTE 10—COMMITMENTS AND CONTINGENCIES

Legal Proceedings

Real Industry and SGGH, and formerly Real Alloy, have been named as a defendant in or as a party to a number of legal actions or proceedings that arose in the ordinary course of business. In some of these actions and proceedings, claims for monetary damages are asserted. In view of the inherent difficulty of predicting the outcome of such legal actions and proceedings, management generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss related to each pending matter may be, if any.

In accordance with applicable accounting guidance, management establishes an accrued liability for litigation when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. The estimated loss is based upon currently available information and is subject to significant judgment, a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimated loss may change from time to time, and actual results may vary significantly from the current estimate. Therefore, an estimate of loss represents what management believes to be an estimate of loss only for certain matters meeting these criteria. It does not represent the Company’s maximum loss exposure.

Based on management’s current understanding of these pending legal actions and proceedings, it does not believe that judgments or settlements arising from pending or threatened legal matters, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Company’s control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company’s results of operations or cash flows for any particular reporting period.

RMBS Defense, Indemnity and Contribution Matters. In connection with residential mortgage-backed securities offerings (“RMBS Offerings”) involving loans originated by a subsidiary of Fremont, Fremont Investment & Loans (“FIL”), either or both of FIL and its subsidiary entered into loan purchase agreements, underwriting agreements and indemnification and contribution agreements, which contained or incorporated various representations and warranties relating to the loans. Investment banks involved in these RMBS Offerings have been sued in a number of actions concerning their activities related to subprime mortgages (“RMBS Actions”), where SGGH or its former businesses is not a named defendant. SGGH has received demands for defense, indemnity and contribution from defendants in various RMBS Actions. SGGH has rejected each of these demands on several grounds. There is no assurance that SGGH or its former businesses will not be named as defendants in additional RMBS Actions, be sued to enforce claimed rights to defense, indemnity and contribution, or receive additional demands for defense, indemnity and contribution. It is SGGH’s intention to vigorously defend any such claims, but SGGH cannot presently predict whether such claims will be pursued or what the outcome would be.

Subpoenas for Information and Documents. In addition to the above-described RMBS Actions, SGGH has received and responded to a number of subpoenas for information from federal agencies and other third-parties in civil litigation matters in which SGGH is not a defendant, but which concern home mortgage transactions involving Fremont’s origination and sale of whole loans, and certain RMBS Offerings.

Bankruptcy Proceedings. See Note 2—*Bankruptcy Proceedings and Reorganization* and Note 11—*Debtor-in-Possession Financial Information* for additional information about the Bankruptcy Proceedings.

NOTE 11—DEBTOR-IN-POSSESSION FINANCIAL INFORMATION

As discussed in Note 2 – *Bankruptcy and Reorganization*, on November 17, 2017, the Debtors filed voluntary petitions in the Bankruptcy Court seeking relief under Chapter 11 of the Bankruptcy Code. Real Alloy’s Germany, United Kingdom, Norway, Canada and Mexico operations and its Goodyear, Arizona joint venture were not included in these filings. Each of Real Industry and the Real Alloy Debtors continued to operate their respective businesses following the Petition Date as debtors-in-possession under the jurisdiction of the Bankruptcy Court in the jointly administered Bankruptcy Proceedings and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Condensed Combined Financial Information

As of December 31, 2018, neither the Company nor any of its subsidiaries were operating under Chapter 11 protection.

The Company's Consolidated Balance Sheet as of December 31, 2017 reflects the financial condition of the Company's continuing operations as a debtor in possession with the exception of $0.2 million in cash and cash equivalents, $0.7 million in Other Assets and de minimis liabilities that were held by non-Debtor subsidiaries.

Liabilities subject to compromise

As a result of the filing of the Chapter 11 Cases, prepetition liabilities that were not fully secured, including claims that become known after the Petition Date and that had at least a possibility of not being repaid at the full claim amount by the RI Plan, or incident to the Section 363 Sale and Real Alloy's treatment of claims by its creditors, as the case may be, were classified as liabilities subject to compromise in our consolidated balance sheets and Discontinued Operation as of December 31, 2017. Prepetition liabilities that were subject to compromise are required to be reported at the amounts expected to be allowed by the Bankruptcy Court as of December 31, 2017, even if they were ultimately not repaid at the full claim amount. If there was uncertainty about whether a secured claim was under-secured, or would be impaired, the entire amount of the claim was included in liabilities subject to compromise as of December 31, 2017. The amounts classified as liabilities subject to compromise represent the Debtor's current estimate of claims expected to be allowed in the Chapter 11 Cases. From December 31, 2017, we continued to evaluate these liabilities during the pendency of the Chapter 11 Cases as they were subject to future adjustments depending on Bankruptcy Court actions, developments with respect to disputed claims, and other events.

The Senior Secured Notes and Roll Up DIP Term Notes were affected by the Section 363 Sale, as the collateral securing the instruments was being sold. As such, the outstanding balance and related accrued prepetition interest were classified as liabilities subject to compromise as of December 31, 2017. Prepetition unamortized original issue discount and debt issuance costs were recognized in reorganization items, net.

The Debtors filed with the Bankruptcy Court schedules and statements setting forth their respective assets and liabilities, subject to the assumptions filed in connection therewith, and these were subject to further amendment or modification after filing. Generally, actions to enforce or otherwise effect payment of prepetition liabilities were stayed upon filing for Chapter 11 protection. Although payment of prepetition claims is generally not permitted, the Bankruptcy Court approved the Debtors' "first day" motions allowing, among other things, the payment of certain prepetition obligations related to human capital, supplier relations, customer relations, business operations, tax matters, cash management, utilities, case management and retention of professionals. As a result of this approval, Real Industry and Real Alloy continued to pay certain prepetition claims in designated categories and subject to certain terms and conditions in the ordinary course of business in order to preserve the value of the Debtors' businesses and assets, and these liabilities were not classified as subject to compromise in the consolidated balance sheets as of December 31, 2017. With respect to prepetition claims, each of Real Industry and the Real Alloy Debtors notified all of their known respective claimants of the deadline to file a proof of claim with the Bankruptcy Court. Differences between the amount of claims scheduled by the Debtors and the amount of claims filed by creditors were investigated and resolved in connection with the claims resolution process. All claims related to Real Industry were resolved by the third quarter of 2018. As the operations, assets and liabilities of Real Alloy were deconsolidated as of January 1, 2018, any changes in claim value related to Real Alloy creditors after December 31, 2017 did not impact the operations of Real Industry.

Real Industry paid undisputed post-petition claims in the ordinary course of business. The following table reflects prepetition liabilities subject to compromise included in the consolidated balance sheets and Discontinued Operation as of December 31, 2017. See Note 2 - *Bankruptcy Proceedings and Reorganization* for further information about debt instruments and related balances subject to compromise.

	Debtor-in-Possession		
(In millions)	**Continuing**	**Discontinued**	**Total**
Senior Secured Notes	$ —	$ 135.0	$ 135.0
Roll Up DIP Term Notes	—	170.0	170.0
Trade accounts payable	0.1	16.6	16.7
Accrued interest on Senior Secured Notes and Roll Up DIP Term Notes	—	14.0	14.0
Accrued dividends on Redeemable Preferred Stock	1.8	—	1.8
Other accrued liabilities	1.2	2.0	3.2
Liabilities subject to compromise	$ 3.1	$ 337.6	$ 340.7

The following table presents the condensed combined statement of operations of the Real Industry Debtor's continuing operations for the period from the Petition Date to December 31, 2017 and for the period January 1 to May 8, 2018:

	Debtor-In-Possession (Continuing)	
	(1/1/18-5/8/18)	(11/17/17-12/31/17)
(In millions)		
Revenues	$ —	$ —
Cost of sales	—	—
Gross profit	—	—
Selling, general and administrative expenses	2.2	1.9
Operating loss	(2.2)	(1.9)
Nonoperating expense (income):		
Interest expense, net	0.6	—
Reorganization items, net	5.8	1.7
Other, net	—	0.2
Total nonoperating expense, net	6.4	1.9
Loss from continuing operations before income taxes	(8.6)	(3.8)
Income tax (benefit)	—	(12.0)
Earnings (loss) from continuing operations	$ (8.6)	$ 8.2

Reorganization items, net

Transactions and events directly associated with the reorganization are distinguished from the ongoing operations of the business, which are classified as reorganization items, net in the consolidated statements of operations for the years ended December 31, 2018 and 2017. The following table summarizes reorganization items, net:

	Debtor-in-Possession		
(In millions)	Continuing	Discontinued	Total
Year ended December 31, 2018			
Professional fees	$ 1.4	$ —	$ 1.4
Legal fees	3.8	—	3.8
Gain on Settlement of Redeemable Preferred Stock	(17.2)	—	(17.2)
Fair value buyout of Warrants	0.1	—	0.1
Write-off of Capitalized Financing Costs	0.2	—	0.2
Payment to settle appeal	0.3	—	0.3
Reorganization items, net	$ (11.4)	$ —	$ (11.4)
Reorganization items, net incurred January 1 through May 8, 2018	$ 5.8	—	$ 5.8
Year ended December 31, 2017			
Professional fees	$ 0.2	$ 1.3	$ 1.5
Legal fees	1.6	2.6	4.2
Write-off of unamortized debt issuance costs on the Senior Secured Notes	—	6.0	6.0
Reorganization items, net	$ 1.7	$ 9.9	$ 11.7

APPENDIX B

BOARD OF DIRECTORS; MANAGEMENT

Board of Directors:

C. Clark Webb, *Chairman*
Robert H. Alpert
Randolph E. Brown
Brian Laibow
Douglas K. Tabor

Executive Management:

Kyle Ross, *Chief Executive Officer, Chief Investment Officer*
Michael J. Hobey, *Chief Financial Officer, Executive Vice President*
Kelly G. Howard, *General Counsel, Executive Vice President, Corporate Secretary*

Biographical information on our directors and executive officers is available on the Company's website: www.elahholdings.com under the "Directors" and "Management" tabs.

SECURITY OWNERSHIP OF DIRECTORS, MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The table below sets forth certain information regarding beneficial ownership of our common stock as of May 31, 2019 by (i) each of our directors, (ii) each of our executive officers, (iii) all of our directors and executive officers as a group, and (iv) each person, or group of affiliated persons, known to us to beneficially own more than 5% of our outstanding common stock. To our knowledge, except as otherwise indicated below, each of the persons named in the table has sole voting and investment power with respect to all shares beneficially owned, subject to applicable community property and similar laws.

Beneficial ownership is determined in accordance with the SEC rules. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options, warrants, or other rights held by that person that were exercisable as of May 31, 2019, or will become exercisable within 60 days after May 31, 2019, are deemed outstanding, but such shares are not deemed outstanding for purposes of computing the percentage ownership of any other person.

Name and Address of Beneficial Owner[1]	**Number of Shares**	**Percentage of Class**[2]	
Executive Officers and Directors:			
Kyle Ross[3]	1,161	*	
Michael J. Hobey[4]	295	*	
Kelly G. Howard[5]	219	*	
C. Clark Webb[6]	185,514	25.10	%
Robert H. Alpert[7]	184,439	24.95	%
Randolph E. Brown[8]	100	*	
Brian Laibow	—	*	
Douglas Tabor[9]	11,946	1.62	%
All current executive officers and directors as a group (eight persons)	**199,235**	**26.96**	**%**
Holders of More Than 5% of Outstanding Shares:			
210/RELY Partners, LP[10]	184,439	24.95	%
Goldman Sachs BDC, Inc.[11]	46,214	6.25	%
Goldman Sachs Private Middle Market Credit LLC[11]	69,386	9.39	%
Goldman Sachs Middle Market Lending Corp.[11]	65,436	8.85	%
OCM Opps 7b Real Holdings, LLC [12]	59,785	8.09	%

* Less than 1.0%

(1) The address of each of the directors and executive officers is c/o Elah Holdings, Inc., 8214 Westchester Drive, Suite 950, Dallas, Texas 75225.

(2) Based on 739,096 shares of common stock outstanding as of May 31, 2019, as adjusted on an individual or group basis to calculate percentage ownership for any options, warrants, or other rights held by such person(s) that were exercisable as of May 31, 2019or will become exercisable within sixty days after May 31, 2019.

(3) Shares reported exclude 3,171 options to purchase shares of ELLH stock at an exercise price of $64.29/share. These stock options vest over a three-year period, with the initial tranche vesting on the earlier of December 2019 or the closing of an acquisition and full vesting in May 2021 (the "Option Terms").

(4) Shares reported exclude 1,480 options to purchase shares of ELLH stock at an exercise price of $64.29/share. These stock options vest on the Option Terms.

(5) Shares reported exclude 2,749 options to purchase shares of ELLH stock at an exercise price of $64.29/share. These stock options vest on the Option Terms.

(6) Shares include (i) 1,075 shares directly owned by Mr. Webb, and (ii) 184,439 shares indirectly owned jointly with Mr. Alpert through 210/RELY Partners, LP (the "210 Shares"). 210/RELY Investment, LLC is the general partner of, and may be deemed to beneficially own certain securities of 210/RELY Partners. 210 Capital, LLC is the sole member of, and may be deemed to beneficially own certain securities of 210/RELY Investment. Covenant RHA Partners, LP and CCW/LAW Holdings, LLC are the members of, and may be deemed to beneficially own certain securities owned by, 210 Capital. Mr. Webb is the sole member of, and may be deemed to beneficially own certain securities owned by, CCW/LAW Holdings. RHA Investments, Inc. is the general partner of, and may be deemed to beneficially own certain securities owned by, Covenant RHA Partners. Mr. Alpert is the President and sole shareholder of, and may be deemed to beneficially own certain securities owned by, RHA Investments. This description of the ownership of ELLH shares shall not be deemed an admission that such persons are, for purposes of Section 13(d), 13(g) or 16 of the Securities Exchange Act of 1934, as amended, or for any other purpose, the beneficial owners of any securities so described, and Messrs. Webb and Alpert and the foregoing entities disclaim beneficial ownership of the securities so described, except to the extent of the pecuniary interest of such persons in such securities, if any.

(7) Shares represent the 210 Shares discussed above under Footnote 6.

(8) Shares held by The Randolph E. Brown 5X5 Trust.

(9) Shares include (i) 10,334 shares held directly, and (ii) 1,612 shares held indirectly through Texas Time Express.

(10) Please see the discussion of the 210 Shares under Footnote 6. The business address of 210/RELY Capital, LP is 8214 Westchester Drive, Suite 950, Dallas, Texas 75225.

(11) Pursuant to a Schedule 13D jointly filed by the entities with the SEC on May 18, 2019, Goldman Sachs Asset Management, LP ("GSAM") reported it had shared voting and dispositive power over an aggregate 181,036 shares as follows: (i) 46,214 shares held directly by Goldman Sachs BDC, Inc.; (ii) 69,386 shares held directly by Goldman Sachs Private Middle Market Credit LLC; and (iii) 65,436 shares held directly by Goldman Sachs Middle Market Lending Corp. (such three entities, the "GS Purchasers"). GSAM is an investment adviser registered under the Investment Advisers Act of 1940, as amended, and serves as the investment adviser to each of the GS Purchasers, and as such may be deemed to beneficially own the ELLH shares beneficially held by each GS Purchaser. This description of the ownership of ELLH shares shall not be deemed an admission that GSAM is, for purposes of Section 13(d), 13(g) or 16 of the Securities Exchange Act of 1934, as amended, or for any other purpose, the beneficial owners of the aforementioned securities directly held by each of the GS Purchasers. The business address of GSAM and the GS Purchasers is 200 West Street, New York, New York 10282.

(12) This is a fund owned by Oaktree Capital Management, LLC. The business address is 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071.

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