



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

**Unaudited Quarterly Report to Stockholders for
Three Months Ended March 31, 2019**



ELAH HOLDINGS, INC.

CORPORATE INFORMATION

State of Incorporation: Delaware

Telephone: (805) 435-1255

Employer Identification Number: 46-3783818

Website: www.elahholdings.com

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

Investor Relations: ir@elahholdings.com

Stockholder Inquiries: stock@elahholdings.com

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

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

SECURITIES INFORMATION

Security: Common Stock, \$0.001 Par Value

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

CUSIP: 28413L 105

Trading Symbol: ELLH

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

Trading Market: OTC Pink Open Market

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.

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

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:

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 unaudited quarterly financial statements 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 ongoing 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 (“Plan”). 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 condensed consolidated interim financial statements for the fiscal quarter ended March 31, 2019 (“Q1 Financial Statements”) have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) for interim financial information. They are unaudited and do not include all disclosures, information and footnotes that would otherwise be required by GAAP in a complete set of financial statements. The Company’s auditors have not reviewed the Q1 Financial Statements. The results of operations for an interim period may not give a true indication of the results to be expected for a full year or any future period. In addition, the unaudited, unreviewed financial results set forth below should not be viewed as a substitute for full annual audited financial statements prepared in accordance with GAAP.

ELAH HOLDINGS, INC.

UNAUDITED CONSOLIDATED BALANCE SHEETS

(\$ in thousands)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 7,449	\$ 7,111
Income tax receivable	4,257	5,595
Prepaid expenses and other current assets	732	882
Current assets of discontinued operations	505	504
Total current assets	12,943	14,092
Deferred tax asset ²	4,284	4,284
TOTAL ASSETS	\$ 17,227	\$ 18,376
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Trade payables	\$ 106	\$ 116
Accrued liabilities	324	728
Current liabilities of discontinued operations	36	36
Total current liabilities	466	880
Long term liabilities	-	-
TOTAL LIABILITIES	466	880
Stockholders' equity:		
Preferred stock, Series A Junior Participating; \$ 0.001 par value; 5,000 shares authorized; none issued or outstanding	-	-
Common Stock, \$0.001 par value; at March 31, 2019 and December 31, 2018, 2,450,000 shares authorized, 739,096 shares issued and outstanding	-	-
Additional paid-in capital	36,642	36,618
Accumulated deficit	(19,881)	(19,122)
TOTAL STOCKHOLDERS' EQUITY	16,761	17,496
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 17,227	\$ 18,376

2. As of December 31, 2018, we had estimated U.S. federal NOLs of \$877.9 million. Additionally, the Company had state NOLs in various jurisdictions, which aggregated to \$318.2 million before valuation allowances. The ultimate realization of our deferred tax assets related to these NOLs depends on our ability to generate future taxable income. We have and expect to maintain a full valuation allowance against our NOLs until sufficient positive evidence exists to support their reversal. Accordingly, as a result of the full valuation allowance on our NOLs, the only value reported on our face financial statements relates to AMT credit refunds.

ELAH HOLDINGS, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(\$ in thousands, except per share amounts)

	Three Months Ended	
	3/31/2019	3/31/2018
Revenues	\$ 10	\$ 16
Selling, general and administrative expenses	590	1,051
Other operating expense, net	179	289
Operating loss	(759)	(1,323)
Nonoperating income (expense):		
Interest expense, net	-	(347)
Reorganization items, net	-	(1,620)
Total nonoperating income (expense), net	-	(1,967)
Earnings (Loss) from continuing operations before income taxes	(759)	(3,290)
Income tax expense (benefit)	-	-
Loss from continuing operations	(759)	(3,290)
Earnings from discontinued operations, net of income taxes	-	67,279
Net (Loss) Earnings	\$ (759)	\$ 63,989
EARNINGS (LOSS) PER SHARE:		
Net (loss) earnings available to common stockholders	\$ (759)	\$ 63,989
Basic and diluted earnings (loss) per share:		
Continuing operations	\$ (1.03)	\$ (22.16)
Discontinued operations	-	453.17
Basic and diluted earnings (loss) per share	\$ (1.03)	\$ 431.01

ELAH HOLDINGS, INC.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

(\$ in thousands)	Three Months Ended	
	March 31, 2019	March 31, 2018
Cash flows from operating activities:		
Net earnings	\$ (759)	\$ 63,989
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Earnings from discontinued operations	-	(67,279)
Change in deferred income taxes and tax receivables	1,314	169
Share-based compensation expense	24	400
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	134	(795)
Other noncurrent assets	16	690
Trade payables	(10)	90
Accrued liabilities	(381)	1,563
Liabilities subject to compromise	-	(489)
Net cash impact of operating activities of discontinued operations (excl gain on deconsolidation)	(1)	(90)
Net cash provided by (used in) operating activities	<u>337</u>	<u>(1,751)</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	-
Net cash impact of investing activities of discontinued operations	-	-
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from issuance of DIP Financing	-	5,500
Net cash impact of financing activities of discontinued operations	-	-
Net cash provided by (used in) financing activities	<u>-</u>	<u>5,500</u>
Increase (decrease) in cash, cash equivalents and restricted cash	337	3,749
Cash, cash equivalents and restricted cash, beginning of period	7,111	2,742
Cash, cash equivalents and restricted cash, end of period	<u>\$ 7,449</u>	<u>\$ 6,491</u>