



August 22, 2019

Fellow Shareholders,

We are pleased to share this Financial Reporting Package for Elah Holdings, Inc.'s ("Elah's") fiscal quarter ended June 30, 2019.

We have three important updates to share with you since our last Financial Reporting Package was published on June 7, 2019.

- The three shareholder proposals our Board of Directors ("Board") recommended for approval passed with overwhelming support at yesterday's Annual Meeting. Thank you for agreeing that i) extending the directorship of Randolph Brown, ii) the ability for shareholders to act by written consent (with advanced notice to the Company and Board), and iii) continuing our independent audit relationship with Squar Milner LLP are all in the best interests of shareholders.<sup>1</sup>
- Earlier this month, we received our \$4.3 million tax refund following the filing of Elah's 2018 Federal Tax Return during the second quarter. Including those funds, our current consolidated cash balance is greater than \$10.0 million. With zero debt and operating liabilities of only \$0.5 million, our balance sheet and liquidity remain strong.
- During the second quarter, we reduced our quarterly net loss to \$0.6 million, an improvement of over \$100,000 compared to the first quarter of 2019. Our cash "burn" for the second quarter and six month period ended June 30, 2019 was slightly below our reported losses during the respective periods.

As meaningful as these matters are, lasting shareholder value can only come from creating a profitable enterprise and that is where your management team spends nearly all of its time. Although we are not in a position to share any specific information at this time as it would be highly speculative, we hope you appreciate the considerable Elah share ownership by our Board members and Board observer mean we are aligned in seeing value created quickly yet prudently for the benefit of all shareholders.

We appreciate your support and will continue to work hard on your behalf.

Sincerely,

***Kyle Ross***

Chief Executive Officer

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<sup>1</sup> More details on the Annual Meeting are discussed in this report. Our corporate website [www.elahholdings.com](http://www.elahholdings.com) will reflect our amended Certificate of Incorporation and Bylaws resulting from the approval of the stockholder proposals under "Corporate Documents."

**Unaudited Quarterly Report to Stockholders for  
Three Months Ended June 30, 2019**



**ELAH HOLDINGS, INC.**

**CORPORATE INFORMATION**

**State of Incorporation:** Delaware

**Telephone:** (805) 435-1255

**Employer Identification Number:** 46-3783818

**Website:** [www.elahholdings.com](http://www.elahholdings.com)

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

**Investor Relations:** [ir@elahholdings.com](mailto:ir@elahholdings.com)

**Stockholder Inquiries:** [stock@elahholdings.com](mailto: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 June 30, 2019:** 2,500,000  
Capital Shares (2,450,000 Common; 50,000  
Preferred)

**CUSIP:** 28413L 105

**Trading Symbol:** ELLH

**Issued & Outstanding Stock as of June 30,  
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:** 255 (incl. known DTC participant accounts) as of August 15, 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.

### **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](http://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 may 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; adverse litigation; the impact of 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 June 30, 2019 (“Q2 Financial Statements”) have been prepared in accordance with United States generally accepted accounting principles (“GAAP”). They are unaudited and do not include all disclosures, information and footnotes that would otherwise be required by GAAP in a complete set of audited financial statements. The Company’s auditors have not reviewed the Q2 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. In addition, as a result of rounding, some of the financial tables included in this financial report may not foot.

**RESULTS OF 2019 ANNUAL STOCKHOLDER MEETING;**  
**AMENDMENT OF BYLAWS**

The Company held its 2019 annual meeting of stockholders (the “Annual Meeting”) on August 21, 2019 pursuant to notice duly provided all stockholders of record as of July 22, 2019. On such record date, there were 739,096 shares of common stock of the Company outstanding and entitled to vote.

At the Annual Meeting, the stockholders took the following actions:

- Proposal 1 – voted to elect the Class I director nominee, Randolph E. Brown;
- Proposal 2 – approved an amendment to the Company’s Third Amended and Restated Certificate of Incorporation to permit stockholders to take action by written consent without a meeting; and
- Proposal 3 – voted to ratify the appointment of Squar Milner LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2019.

The Company’s inspector of election certified the following vote tabulations:

Proposal 1 – Election of Class I Director:

Director Nominee	Votes For	Votes Withheld	Broker Non-Votes
Randolph E. Brown	590,559	23,475	0

Proposal 2 – Approval of an amendment to the Company’s Third Amended and Restated Certificate of Incorporation to permit stockholders to take action by written consent without a meeting:

Votes For	Votes Against	Abstentions	Broker Non-Votes
604,982	3,513	5,539	0

Proposal 3 – Ratification of the appointment of Squar Milner LLP, as the Company’s independent registered public accounting firm, for the fiscal year ending December 31, 2019:

Votes For	Votes Against	Abstentions	Broker Non-Votes
588,360	405	25,269	0

\* \* \*

Following the Annual Meeting, in accordance with the Company’s annual practice, the Board reappointed each of the Company’s current executive officers in their current roles with their current titles.

In connection with the approval of Proposal 2, on August 21, 2019, the Board approved the Fifth Amended and Restated Bylaws of the Company, which reflect two amendments to the Company’s prior Bylaws:

- New Section 2.3(c) - Providing for how a record date is determined for stockholders entitled to participate in a stockholder consent in lieu of a meeting of stockholders; and
- New Section 2.8(c) - Providing that stockholder consents must be submitted in accordance with the Certificate of Incorporation and must represent the affirmative consent of at least a majority of the voting power of the stock (or series/class of stock, as applicable) entitled to vote on the matter.

Copies of the amendment to the Third Amended and Restated Certificate of Incorporation and Fifth Amended and Restated Bylaws are available on the Company’s website, [www.elahholdings.com](http://www.elahholdings.com) at “Corporate Documents.”

**ELAH HOLDINGS, INC.**

**UNAUDITED CONSOLIDATED BALANCE SHEETS**

(\$ in thousands)

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 6,891	\$ 7,111
Income tax receivable	4,257	5,595
Prepaid expenses and other current assets	759	881
Current assets of discontinued operations	495	504
Total current assets	12,402	14,092
Tax assets:		
Deferred tax asset <sup>2</sup>	4,284	4,284
Other noncurrent assets	-	-
Noncurrent assets of discontinued operations	-	-
TOTAL ASSETS	\$ 16,686	\$ 18,376
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Trade payables	\$ 86	\$ 116
Accrued liabilities	380	728
Current liabilities of discontinued operations	35	36
Total current liabilities	502	880
Long term liabilities	-	-
TOTAL LIABILITIES	502	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 June 30, 2019 and December 31, 2018, 2,450,000 shares authorized, 739,096 shares issued and outstanding	-	-
Additional paid-in capital	36,691	36,618
Accumulated deficit	(20,506)	(19,122)
TOTAL STOCKHOLDERS' EQUITY	16,185	17,496
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 16,686	\$ 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)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2018</b>
Revenues	\$ 10	\$ 19	\$ 19	\$ 35
Selling, general and administrative expenses	535	349	1,125	616
Other operating expense, net	100	1,118	279	2,190
Operating loss	(625)	(1,448)	(1,385)	(2,771)
Nonoperating income (expense):				
Interest expense, net	-	(227)	-	(573)
Reorganization items, net	-	13,220	-	11,600
Total nonoperating income (expense), net	-	12,993	-	11,026
Earnings (Loss) from continuing operations before income taxes	(625)	11,545	(1,385)	8,255
Income tax expense (benefit)	-	-	-	-
Loss from continuing operations	(625)	11,545	(1,385)	8,255
Earnings from discontinued operations, net of income taxes	-	309	-	67,588
Net (Loss) Earnings	<u>\$ (625)</u>	<u>\$ 11,854</u>	<u>\$ (1,385)</u>	<u>\$ 75,843</u>
<b>EARNINGS (LOSS) PER SHARE:</b>				
Net (loss) earnings available to common stockholders	\$ (625)	\$ 11,854	\$ (1,385)	\$ 75,843
<b>Basic and diluted earnings (loss) per share:</b>				
Continuing operations	\$ (0.85)	\$ 77.76	\$ (1.87)	\$ 55.60
Discontinued operations	-	2.08	-	455.25
Basic and diluted earnings (loss) per share	<u>\$ (0.85)</u>	<u>\$ 79.85</u>	<u>\$ (1.87)</u>	<u>\$ 510.85</u>

**ELAH HOLDINGS, INC.**

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**

(\$ in thousands)	Six Months Ended	
	June 30, 2019	June 30, 2018
<b>Cash flows from operating activities:</b>		
Net earnings	\$ (1,385)	\$ 75,843
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Earnings from discontinued operations	-	(67,296)
Depreciations and Amortization	-	32
Change in deferred income taxes and tax receivables	1,314	191
Share-based compensation expense	73	540
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	91	37
Other noncurrent assets	32	691
Noncash Reorganization items, net	-	(17,432)
Trade payables	(29)	257
Accrued liabilities	(324)	(2,789)
Net cash impact of operating activities of discontinued operations (excl gain on deconsolidation)	7	(630)
<b>Net cash provided by (used in) operating activities</b>	<b>(221)</b>	<b>(10,556)</b>
<b>Cash flows from investing activities:</b>		
Net cash impact of investing activities of discontinued operations	-	-
<b>Net cash provided by (used in) investing activities</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of RI DIP Financing, net of debt issuance costs	-	5,300
Repayments on RI DIP Financing	-	(5,300)
Dividends on Redeemable Preferred Stock, in cash	-	-
Proceeds from issuance of common stock	-	17,500
Other - financing activities	-	-
<b>Net cash impact of financing activities of discontinued operations</b>	<b>-</b>	<b>-</b>
<b>Net cash provided by (used in) financing activities</b>	<b>-</b>	<b>17,500</b>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash of discontinued operations	-	-
<b>Increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>(221)</b>	<b>6,944</b>
Cash, cash equivalents and restricted cash, beginning of period	7,111	1,999
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>6,891</b>	<b>8,943</b>