November 13, 2020

Fellow Shareholders,

Today we are publishing our financial report for the third quarter of 2020. As I described in my letter accompanying our second quarter results, in early July, Elah Holdings received all of its remaining AMT credit refund and were pleasantly surprised to collect a bit more than we even expected. The portion of these amounts that exceeded our expected refund in part has been recognized in this third quarter as revenue, with the remainder as other income. These receipts are the primary driver of our third quarter net loss declining to less than $0.2 million, a significant improvement of both the year over year and sequential quarterly losses. While we are pleased with this benefit in the income statement, we are even more excited to be reporting nearly $16 million in cash at quarter end. This cash provides a strong foundation for our ongoing M&A efforts.

In the third quarter, and currently, our deal pipeline reflects a very diverse opportunity set, including companies in the health care, energy, e-commerce, and building products sectors. While the industry profiles may differ, there is consistency across these opportunities in a number of key factors on which we focus:

- the existing business owners all seek to retain a considerable economic interest in the post-acquisition, combined enterprise;
- the operations generate strong earnings driven by competitive advantages within their markets that are defensible and should provide for continued profitability for many years; and
- Elah's tax assets and public structure are expected to unlock additional growth and/or strategic potential.

While we are excited by the potential for the deals we are actively working on, each month brings new opportunities and even the re-engagement of prior opportunities we thought had been lost. Our steady deal flow and strong cash balance affords us the ability to be selective as we look to deliver a winning transaction for our shareholders.

In closing, two corporate matter updates. First, a note of thanks to those of you who participated at our Annual Shareholder Meeting on September 10th. Our Class II directors and auditor engagement proposal were approved with over 95% support. Second, on November 2nd, our Board renewed our shareholder rights plan for another three years. This plan, along with our charter, protects our NOLs from potential ownership shift caused by holders acquiring 5%, or 5% holders acquiring more, of our stock. More detailed information on these matters is included in this report.

As always, we appreciate your support.

Sincerely,

Kyle Ross
Chief Executive Officer

Unaudited Quarterly Report to Stockholders for Three and Nine Months Ended September 30, 2020

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)

SECURITIES INFORMATION

Security: Common Stock, $0.001 Par Value

CUSIP: 28413L 105

Trading Symbol: ELLH

Trading Market: OTC Pink Open Market

Authorized Stock as of September 30, 2020: 2,500,000 Capital Shares (2,450,000 Common; 50,000 Preferred)

Issued & Outstanding Stock as of September 30, 2020: 739,096 Common Shares; 0 Preferred Shares

Number of shares in Public Float: 288,301 (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 529,122.)

Total number of shareholders of record: 239 (incl. known DTC participant accounts) as of November 12, 2020

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

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; the Company's ability to execute on its strategic plan to evaluate, finance and close potential M&A opportunities; our long-term outlook; our preparation for current and future market conditions; the impact of COVID-19 and related matters (such as U.S. economic performance) on our business; our ability to identify and negotiate with transaction partners, the operations and financial position of potential transaction partners, and the availability and terms of financing for potential transactions; potential changes in federal, state and local tax rates; the impact of the upcoming national elections; adjustments to the categorization of activities during or as a result of our

Chapter 11 proceedings; the ability of the Company to classify, preserve and utilize the net operating loss tax carryforwards (NOLs) following the Chapter 11 proceedings and future transactions; 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; volatility in the capital markets for financing acquisitions; 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, finance and integrate companies and businesses that perform and meet expectations after completion of such acquisitions, especially when coupled with the effects of the current and near-term U.S. and global economic environment; 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; adverse litigation; 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 with footnotes for the fiscal quarter ended September 30, 2020 ("Q3 Financial Statements") have been prepared in accordance with United States generally accepted accounting principles ("GAAP"). They are unaudited and may 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 Q3 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 2020 ANNUAL STOCKHOLDER MEETING;

RENEWAL OF RIGHTS PLAN

The Annual Meeting of Shareholders (the "Meeting") of Elah Holdings, Inc. (the "Company"), was held on September 10, 2020 at the Company's corporate offices at 8214 Westchester Drive, Suite 950, Dallas, Texas 75225, pursuant to notice duly given. At the close of business on August 3, 2020, the record date for the determination of shareholders entitled to vote at the Meeting, there were 739,096 shares of the Company's Common Stock, each share being entitled to one vote, constituting all of the outstanding voting securities of the Company. At the Meeting, the holders of 553,982 shares of the Company's Common Stock were represented in person or by proxy constituting a quorum.

1) At the Meeting, the vote on PROPOSAL1, election of Class II directors, was as follows:

	FOR	WITHHELD	BROKER NON-VOTE
Robert H. Alpert	535,118 (96.6%)	18,864 (3.4%)	0
C. Clark Webb	535,115 (96.6%)	18,867 (3.4%)	0

2) At the Meeting, the vote on PROPOSAL 2, the ratification of Squar Milner LLP as independent public accountants for the year ending December 31, 2020, was as follows:

FOR	AGAINST	ABSTAIN	BROKER NON-VOTE
535,512 (96.7%)	296 (<1%)	18,174 (3.2%)	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.

* * *

On November 2, 2020, the Board approved the Company's Second Amended and Restated Rights Agreement, by and between the Company and Computershare, Inc., as rights agent (the "Renewal Rights Agreement"). The three-year term of the Company's prior Amended and Restated Rights Agreement, dated as of November 2, 2017, by and between the Company and Computershare, as amended effective May 9, 2018, expired effective November 2, 2020. The Renewal Rights Agreement did not include material amendments beyond an update of the prior rights agreement to renew the Company's long-standing rights agreement for another three-year term and set the exercise price for rights thereunder, if triggered, at $100 to reflect the Company's 2018 recapitalization and 6-month VWAP.

The Renewal Rights Agreement and the Company's Third Amended and Restated Certificate of Incorporation, as amended (the "Charter"), contain provisions intended to prevent an "ownership change" within the meaning of Section 382 of the Internal Revenue Code and thereby preserve our ability to utilize our U.S. NOLs. Each has the effect of limiting beneficial ownership of our common stock to 4.9% (5.0% in the case of our Rights Agreement) and increases by persons already holding 4.9% (5.0% for the Renewal Rights Agreement), without approval of our Board of Directors. The Charter further limits a decrease in beneficial ownership of 4.9% stockholders.

A copy of the Renewal Rights Agreement, including a full summary at Exhibit C thereto, is available under the "Corporate Documents" section of the Company's website at http://www.elahholdings.com/Corporate-Documents/default.aspx.

ELAH HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

($ in thousands, except per share and par value amounts)	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,926	$ 12,956
Income tax receivable	-	2,142
Prepaid expenses and other current assets	90	61
Current assets of discontinued operations	231	238
Total current assets	16,247	15,397
Deferred tax asset	-	2,142
Other noncurrent assets	473	552
TOTAL ASSETS	$ 16,720	$ 18,091
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade payables	$ 87	$ 130
Accrued liabilities	438	495
Current liabilities of discontinued operations	10	10
Total current liabilities	535	635
TOTAL LIABILITIES	$ 535	$ 635
Stockholders' equity:		
Preferred stock, Series A Junior Participating; $ 0.001 par value; 50,000 shares authorized; none issued or outstanding	-	-
Common Stock, $0.001 par value; at September 30, 2020 and December 31, 2019, 2,450,000 shares authorized, 739,096 shares issued and outstanding	-	-
Additional paid-in capital	36,853	36,748
Accumulated deficit	(20,668)	(19,292)
Total stockholders' equity — Elah Holdings, Inc.	16,185	17,456
TOTAL STOCKHOLDERS' EQUITY	$ 16,185	$ 17,456
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 16,720	$ 18,091

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

ELAH HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

($ in thousands, except per share amounts)	Three Months Ended 9/30/20	Three Months Ended 9/30/19	Nine Months Ended 9/30/20	Nine Months Ended 9/30/19
Revenues	$ 152	$ 37	$ 170	$ 56
Selling, general and administrative expenses	462	522	1,642	1,627
Other operating expense, net	17	48	14	268
Operating loss	$ (327)	$ (533)	$ (1,486)	$ (1,839)
Nonoperating income (expense):				
Other, net	184	-	184	-
Total nonoperating income (expense), net	184	-	184	-
(Loss) from continuing operations before income taxes	$ (143)	$ (533)	$ (1,302)	$ (1,839)
Income tax expense (benefit)	-	-	-	-
(Loss) from continuing operations	$ (143)	$ (533)	$ (1,302)	$ (1,839)
(Loss) from discontinued operations, net of income taxes	(22)	(22)	(74)	(100)
Net (Loss)	$ (165)	$ (555)	$ (1,376)	$ (1,939)
(LOSS) EARNINGS PER SHARE:				
Net (loss) available to common stockholders	$ (165)	$ (555)	$ (1,376)	$ (1,939)
Basic and diluted (loss) earnings per share:				
Continuing operations	$ (0.19)	$ (0.72)	$ (1.76)	$ (2.49)
Discontinued operations	(0.03)	(0.03)	(0.10)	(0.13)
Basic and diluted (loss) earnings per share	$ (0.22)	$ (0.75)	$ (1.86)	$ (2.62)

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

ELAH HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Noncontrolling	
(In thousands, except shares)	Shares	Amount	Shares	Amount	Capital	Deficit	Income (Loss)	Interest	Total
Balance, December 31, 2018	—	$ —	739,096	$ —	$ 36,618	$ (19,122)	$ -	$ -	$ 17,496
Net earnings	—	—	—	—	-	(170)	-	-	(170)
Share-based compensation expense	—	—	—	—	130	-	-	-	130
Balance, December 31, 2019	—	$ —	739,096	$ —	$ 36,748	$ (19,292)	$ -	$ -	$ 17,456
Net earnings	—	—	—	—	-	(1,376)	-	-	(1,376)
Share-based compensation expense	—	—	—	—	105	-	-	-	105
Balance, September 30, 2020	—	$ —	739,096	$ —	$ 36,853	$ (20,668)	$ -	$ -	$ 16,185

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

ELAH HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in thousands)	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash flows from operating activities:		
Net (loss) from Continuing Operations	$ (1,302)	$ (1,839)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
(Loss) from discontinued operations	(74)	(100)
Change in deferred income taxes and tax receivables	4,284	5,571
Share-based compensation expense	105	95
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(30)	129
Other noncurrent assets	79	49
Trade payables	(43)	(71)
Accrued liabilities	(57)	(295)
Net cash impact of discontinued operations	8	(12)
Net cash provided by (used in) operating activities	2,970	3,526
Increase (decrease) in cash, cash equivalents and restricted cash	2,970	3,526
Cash and cash equivalents, beginning of period	12,956	7,111
Cash and cash equivalents, end of period	$ 15,926	$ 10,638

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

ELAH HOLDINGS, INC.
NOTES TO 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", "we" or "us"), 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, supporting the performance of such acquisitions post-closing and managing legacy assets. We have historically operated through subsidiaries.

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 legacy businesses, and as of December 31, 2019, total $1.0 billion, approximately $650 million of 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.

On May 9, 2018 (the "Emergence Date"), Real Industry completed a court- and stockholder-approved plan of reorganization (the "Plan") in its reorganization proceedings 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. This Plan centered around a $17.5 million injection of new equity capital into our business in exchange for 49% of our new common stock, the compromise of more than $30 million in preferred equity and accrued dividends in exchange for $2 million and 31% of our new shares of common stock, the cancellation of all common stock and all other derivative securities and reissuance of new shares of common stock to all stockholders on the basis of an effective 1-for-200 reverse stock split, the payment or settlement of all allowed claims and debts in full, the forfeiture of the equity and interests of our former operating subsidiary Real Alloy Holding, Inc. and its subsidiaries (collectively, "Real Alloy"), the appointment of an entirely new board of directors, and the change of our name to Elah Holdings. As a result of these changes, 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.

For additional information on the Chapter 11 cases of Real Industry and Real Alloy, please refer to our financial statements for the year ended December 31, 2019.

NOTE 2—PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation

The accompanying consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), and comprise the accounts of Elah Holdings, Inc. 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. Certain amounts previously reported in the financial statements have been reclassified to conform to the current year presentation. Such reclassifications do not affect net (loss) earnings, stockholders' equity or cash flow.

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.

At September 30, 2020 and December 31, 2019, discontinued operations include Elah's subsidiary SGGH, LLC ("SGGH"), which includes the legacy activity of Fremont General Corporation ("Fremont") and its former subsidiaries. See Note 3—*Discontinued Operations* for additional information about our discontinued operations.

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 September 30, 2020 and December 31, 2019, the Company did not have any VIEs. All intercompany transactions have been eliminated in consolidation.

Cash and 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. All highly liquid investment instruments with maturities of three months or less are classified as cash equivalents.

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 and liabilities 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 litigation reserves 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

In accordance with ASC 820, Fair Value Measurement, the Company defines fair value 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. ASC 820 establishes a fair value hierarchy that 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 September 30, 2020 and December 31, 2019, there were no assets or liabilities carried at fair value on a recurring or non-recurring basis. As of September 30, 2020 and December 31, 2019, cash and cash equivalents, accounts or income tax receivable and pre-paid expenses were the only financial assets reported by the Company in continuing operations and there were no financial liabilities. The carrying amounts reported in the consolidated balance sheets for these financial instruments approximate fair value because of their short-term nature.

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, among other factors, the Company has determined that sufficient uncertainty exists as to the realizability of certain deferred tax assets and, as such, has placed a valuation allowance of $233.3 million on its U.S. deferred tax assets as of December 31, 2019. 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.

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 income as revenue and penalties as a component of income tax expense.

NOTE 3—DISCONTINUED OPERATIONS

SGGH and its subsidiaries include the legacy operations of Fremont, a diversified financial and insurance services business, which, by virtue of a series of asset sales and changes in operating strategy, became discontinued operations in June 2010, over ten years ago. As of September 30, 2020, the majority of SGGH's approximately $230 thousand in assets were cash and cash equivalents, and it maintained negligible liabilities. Additionally, it owns several subordinated residential mortgage backed securities ("RMBS") that periodically receive cash even though they have been valued at zero since 2008 as the cash flows are not estimable nor predictable. Cash collections on the RMBS are recognized as income upon receipt. The most recent collection was in the fourth quarter of 2019.

The results of operations, financial condition and cash flow activity of discontinued operations have been separately identified on the consolidated financial statements.

NOTE 4—INCOME TAXES

At the end of each quarterly reporting period, the Company estimates its annual effective income tax rate based upon the prior fiscal year end's audited financial statement. The estimate used for the nine months ended September 30, 2020 may change in subsequent periods. There was no income tax expense or benefit for the nine months ended September 30, 2020 or for the nine months ended September 30, 2019.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, as well as various state and local jurisdictions. With few exceptions, the 2014 through 2019 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 the Company's 2014 federal tax return, although there has been no communication from the IRS in more than two years regarding this matter.

As of September 30, 2020, the Company has U.S. federal NOLs of approximately $1.0 billion, which is the same as reported in its audited financial statement as of December 31, 2019. The U.S. federal NOLs generated prior to December 31, 2017 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 $346.4 million before valuation allowances.

On March 27, 2020, the U.S. Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which, among other things, included an acceleration of refunds of corporate alternative minimum tax (AMT) credits. Under Section 2305(d)(2) of the CARES Act, all remaining corporate AMT credits from the Tax Cuts and Jobs Act of 2017 (TCJA), which were originally scheduled to be refunded to corporate taxpayers for tax years 2018 to 2021, have been accelerated and may now be claimed for tax year 2018. As a result, on April 13, 2020, the Company filed an amendment to its 2018 consolidated federal income tax return to recover its remaining approximately $4.3 million of AMT tax credit as of December 31, 2018. Accordingly, during the second quarter of 2020, Elah reclassified $2.1 million in Deferred Tax Asset to Income Tax Receivable. On July 1, 2020, the Company received $4.4 million associated with its amended 2018 federal tax return and request for refund, and together with additional refund amounts collected in the first quarter of 2020, the approximately $0.3 million received year to date over our Income Tax Receivable carrying balance was recognized as $0.1 million in revenue and $0.2 million in other income in the third quarter of 2020.

NOTE 5—EQUITY

As of September 30, 2020 and December 31, 2019, the Company's total issued and outstanding common stock was 739,096 shares. As of September 30, 2020 and December 31, 2019, the Company had an aggregate 7,400 options to purchase shares of Common Stock outstanding, and no other outstanding equity awards. These stock options were issued to the Company's executive officers on January 24, 2019; as of September 30, 2020, an aggregate 5,751 of these options have vested. The first portion of these shares vested in a single tranche on December 31, 2019, and the remaining balance of these options vest monthly until May 31, 2021, provided the recipient is continuously employed in good standing on each vesting date. The options have an exercise price of $64.29 per share, which was equal to the current market value on the date of issuance. The Company valued the option grant at $0.3 million using the Black Scholes methodology based on a ten year life, the 10 year US Treasury rate at date of issue and volatility of 50% which was based upon the Company's historic volatility. The Company recognized approximately $0.1 million of expense for both the nine months ended September 30, 2020 and September 30, 2019 related to such options. No options were exercised, converted, forfeited or expired during the periods ended September 30, 2020 or September 30, 2019.

NOTE 6—(LOSS) EARNINGS PER SHARE

For the three and nine months ended September 30, 2020 and 2019, earnings per share is computed by dividing net earnings attributable to the Company available to common shareholders by the weighted average number of common shares outstanding for the September 30, 2020 and 2019 quarterly reporting periods, respectively.

The impact of all outstanding unvested shares of common stock options are excluded from diluted loss per share as their impact would be antidilutive. The total potentially dilutive common stock equivalents at September 30, 2020 and September 30, 2019 were 5,751 and 0, respectively.

The following table sets forth the computation of basic and diluted (loss) earnings per share for our one class of common stock for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended		Nine Months Ended	
(In thousands, except share and per share amounts)	9/30/2020	9/30/2019	9/30/2020	9/30/2019
(Loss) from continuing operations	$ (143)	$ (533)	$ (1,302)	$ (1,839)
(Loss) from discontinued operations, net of income taxes	(22)	(22)	(74)	(100)
Net (loss) attributable to the Company	(165)	(555)	(1,376)	(1,939)
Numerator for basic and diluted loss per share—Net loss available to common stockholders	$ (165)	$ (555)	$ (1,376)	$ (1,939)
Denominator for basic and diluted loss per share—Weighted average shares outstanding				
Weighted average shares outstanding	739,096	739,096	739,096	739,096
Basic and diluted (loss) per share:				
Continuing operations	$ (0.19)	$ (0.72)	$ (1.76)	$ (2.49)
Discontinued operations	(0.03)	(0.03)	(0.10)	(0.13)
Basic and diluted (loss) earnings per share	$ (0.22)	$ (0.75)	$ (1.86)	(2.62)

NOTE 7—SEGMENT INFORMATION

For the periods presented herein, the Company has operated 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 8—COMMITMENTS AND CONTINGENCIES

Legal Proceedings

Each of Real Industry and SGGH, and formerly Real Alloy, have historically 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.