

May 10, 2024



Fellow Shareholders,

Although it's only been eight weeks since my last communication, I am pleased to report that the Elah deal pipeline has gotten as full as we have seen it in quite some time. I am a naturally curious person and always try to solve for the "why" in a given situation, but the reason is not obvious. We have not experienced any significant new developments in the capital markets, nor monetary/fiscal policy during this period, and yet deal volume is up. More importantly, the quality of the targets is high and the business owners we are talking to appear as though they would make excellent partners.

While the opportunities are wide ranging in terms of industry (which is arguably the standard for Elah), the common theme of our top handful of current leads is a desire by these business owners to create a significant public company over time. Our tax assets are quite valuable, but if we can simultaneously unlock the value of our public structure with a great company that deserves to be public, then we believe we will have maximized the value of our vehicle for shareholders.

Admittedly, we have gotten very close to a match several times in the past and have been on the unfortunate end of circumstances changing at the final moment. With this in mind, we are pushing multiple deals forward simultaneously. They won't all get to the finish line, but we hope to be able to tell you more about at least one in the coming months.

As for our first quarter financial report which is enclosed, we are reporting a net loss of (\$0.4) million, an improvement year over year and sequentially from the fourth quarter primarily driven by a reversal of previously accrued transaction expenses that resulted in negative professional fees for the quarter. These reversals are one-time in nature. Everything else is consistent with prior periods and our budget.

Thank you as always for your support.

Regards,

***Kyle Ross***

CEO



## Elah Holdings, Inc.

*Principal Address:*  
4514 Cole Avenue, Suite 1600  
Dallas, Texas 75205

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

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805-435-1255

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

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

Stockholder Inquiries: [stock@elahholdings.com](mailto:stock@elahholdings.com)

### Quarterly Report For the Period Ending: March 31, 2024 (the "Reporting Period")

#### **Outstanding Shares**

The number of shares outstanding of our common stock was:

739,096 as of May 10, 2024

739,096 as of December 31, 2023

#### **Shell Status**

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934): Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period: Yes: ☐ No: ☒

#### **Change in Control**

Indicate by check mark whether a Change in Control of the company has occurred during this reporting period: Yes: ☐ No: ☒

#### **1) Name and address(es) of the issuer and its predecessors (if any)**

Current name of the issuer and any names used by predecessor entities, along with the dates of the name changes: Elah Holdings, Inc. (May 9, 2018 – present); Real Industry, Inc. (June 1, 2015 – May 9, 2018); Signature Group Holdings, Inc. (June 11, 2010 to June 1, 2015)

Current State and Date of Incorporation or Registration: Delaware, January 2, 2014 (following a holding company reorganization and reincorporation from a Nevada corporation, originally incorporated 1972)

Standing in this jurisdiction (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years: N/A

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception: N/A

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months: N/A

Address of the issuer's principal executive office: Elah Holdings, Inc., 4514 Cole Avenue, Suite 1600, Dallas, Texas 75205

Address of the issuer's principal place of business:

☒ Check box if principal executive office and principal place of business are the same address

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒

Yes: ☐

## 2) Security Information

### Transfer Agent

Name: Computershare Investor Services  
Phone: (800) 522-6645  
Email: [www-us.computershare.com/Investor](http://www-us.computershare.com/Investor)  
Address: Standard Mail: P.O. Box 43006, Providence, RI 02940-3006;  
Overnight: 150 Royall Street, Suite 101, Canton, MA 02021

### Publicly Quoted or Traded Securities:

#### **Common Stock:**

Trading symbol:	ELLH
Exact title and class of securities outstanding:	Common Stock*
CUSIP:	28413L 105
Par or stated value:	\$0.001 par value
Total shares authorized:	2,450,000 Common as of May 10, 2024
Total shares outstanding:	739,096 Common as of May 10, 2024
Total number of shareholders of record:	188 (incl. known DTC participant accounts) as of May 10, 2024

\* Each share of common stock has a right attached in connection with the Company's Third Amended and Restated Rights Agreement, dated as of November 2, 2023, with Computershare, Inc., as rights agent (the "Rights Agreement"). See discussion below under subsection (A) of "Security Description" in this Disclosure Statement.

Elah has no additional classes of publicly quoted or traded securities.

### Other Classes of Authorized or Outstanding Equity Securities:

#### **Series A Junior Participating Preferred Stock:**

Exact title and class of the security:	Series A Junior Participating Preferred Stock**
Par or stated value:	\$0.001 par value
Total shares authorized:	5,000 Preferred as of May 10, 2024
Total shares outstanding:	None as of May 10, 2024
Total number of shareholders of record:	N/A

\*\* Issuable only in connection with the Rights Agreement. See discussion below under subsection (B) of "Security Description" in this Disclosure Statement.

#### **Blank Check Preferred Stock:**

Exact title and class of the security:	Preferred Stock
Par or stated value:	\$0.001 par value
Total shares authorized:	45,000 Preferred as of May 10, 2024
Total shares outstanding:	None as of May 10, 2024 (none designated as of May 10, 2024)
Total number of shareholders of record:	N/A

### Security Description:

#### **A. For common equity, describe any dividend, voting and preemption rights:**

**Voting Rights.** Each share of our common stock has one vote on all matters submitted for action by the stockholders.

**Dividend Rights.** Subject to any preferential rights of any then outstanding preferred stock (none are currently outstanding), all shares of our common stock are entitled to share equally in any dividends that the Company's Board of Directors (the "Board") may declare from legally available sources. The decision to pay dividends is made by our Board and is dependent on our earnings, management's assessment of future capital needs, and other factors. We have not historically paid a dividend, and we do not expect to pay any cash dividends on our common stock in the foreseeable future.

*Liquidation Rights.* Upon liquidation, dissolution or winding up of the Company, after payment in full of the amounts required to be paid to holders of any then outstanding preferred stock, all shares of our common stock are entitled to share equally (together with holders of any class or series of stock entitled to participate with the common stock in the distribution of assets) in the assets available for distribution to stockholders after payment or provision for payment of all of the Company's debts and liabilities.

*Transfer Restrictions.* Each of the Company's Third Amended and Restated Certificate of Incorporation, as amended (the "Certificate") and the Company's Rights Agreement contain transfer restrictions intended to prevent an "ownership change" within the meaning of Section 382 of the Internal Revenue Code ("Section 382") and thereby preserve the Company's ability to use its net operating losses (tax loss carryforwards). The Certificate prohibits, without Board approval: (i) acquisitions of Company securities if such purchaser's direct, indirect or constructive ownership would exceed 4.9% of the Company's then-current outstanding common stock, (ii) acquisitions of Company securities by persons then directly, indirectly or constructively owning more than 4.9% of the Company's then-current outstanding stock, and (ii) until May 9, 2023, transfers of stock by persons then directly, indirectly or constructively owning more than 4.9% of the Company's then-current outstanding stock.

The Rights Agreement provides that the Board can trigger the rights thereunder upon (i) acquisitions by persons or groups if such persons or groups would beneficially own more than 5% of the Company's then-current outstanding stock after such acquisition or transaction, (ii) tender offers or (iii) exchange offers, in each instance except as exempted under the Rights Agreement. To effectuate the mechanics of the Rights Agreement, one right attaches to each share of the Company's common stock, and once the protections of the Rights Agreement are triggered, each right entitles the holder to purchase one one-thousandth of a share of Series A Junior Participating Preferred Stock, thus allowing the holder to purchase at a heavily reduced price shares of the Company's common stock or, in the event of a unauthorized merger or business acquisition, the equity of a counterparty. Alternatively, once triggered, the Board may elect to exchange each outstanding right for one share of common stock or one-thousandth of a share of Series A Junior Participating Preferred Stock, or, for a limited period after trigger, to redeem the rights at \$0.001 per right. Copies of the Certificate and the Rights Agreement (including a full summary thereof at Exhibit C thereto) are available under the "Corporate Documents" section of the Company's website at <http://www.elahholdings.com/CorporateDocuments/default.aspx>.

*Other Matters.* The rights, preferences and privileges of holders of our common stock are subject to the terms of any series of preferred stock that may be issued in the future. The Company's common stock does not have preemption rights.

**B. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions:**

*Series A Junior Participating Preferred Stock.* Of the 50,000 shares of the Company's Capital Stock authorized for issuance as preferred stock, 5,000 shares have been designated as Series A Junior Participating Preferred Stock, and no shares are currently outstanding. The Series A Junior Participating Preferred Stock exists to facilitate the tax benefit protections of the Rights Agreement, discussed in response to subsection (A) above.

*Blank Check Preferred.* The Certificate authorizes the Board to issue up to 45,000 "blank check" shares of preferred stock in one or more series, from time to time, and, with respect to each series, without stockholder approval, determine the designations and the powers, preferences and rights, and the qualifications, limitations and restrictions thereof, including the voting rights, dividend rights, redemption rights and terms, liquidation preferences, and conversion or exchange rights.

**C. Describe any other material rights of common or preferred stockholders:** Please refer to the Company's responses to subsections (A) and (B) above.

**D. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report:** N/A

**3) Issuance History**

**A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period**

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☒ Yes: ☐

## **B. Promissory and Convertible Notes**

Indicate by check mark whether there are any outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities: No: ☒ Yes: ☐

### **4) Issuer's Business, Products and Services**

#### **A. Summarize the issuer's business operations.**

Elah Holdings, Inc. 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, 2023, 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.

#### **B. Please list any subsidiaries, parent company, or affiliated companies.**

The Company's direct subsidiaries are SGGH, LLC and Cosmedicine, LLC; all of the Company's subsidiaries are discontinued operations. SGGH, LLC, 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.

#### **C. Describe the issuers' principal products or services: N/A**

### **5) Issuer's Facilities**

The Company does not maintain any facilities or own real property and is not a party to any lease. Our employees work remotely, and to the extent any employee utilizes office space from time to time, it is paid for on a month-to-month basis.

**6) All Officers, Directors, and Control Persons of the Company**

The table below sets forth certain information regarding beneficial ownership of the Company's common stock as of May 10, 2024 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 10, 2024, or will become exercisable within 60 days after May 10, 2024, are deemed outstanding, but such shares are not deemed outstanding for purposes of computing the percentage ownership of any other person.

<b>Names of All Officers, Directors or Control Persons</b>	<b>Affiliation with Company (e.g. Officer Title/Director/Owner of 5% or more)</b>	<b>Residential Address (City / State Only)</b>	<b>Number of shares owned</b>	<b>Share type/class</b>	<b>Ownership Percentage of Class Outstanding (* Less than 1%)</b>	<b>Notes, including Names of Control Person(s) if a Corporate Entity</b>
Kyle Ross	Chief Executive Officer, President, Chief Investment Officer	Los Angeles, CA	4,332	Common	*	Shares reported include (i) 1,161 shares and (ii) 3,171 options to purchase shares that have vested in full (exercise price of \$64.29/share). These stock options vested over a three-year period, with full vesting in May 2021 (the "Option Terms").
Michael Hobey	Chief Financial Officer, EVP, Treasurer	Barcelona, Spain	1,775	Common	*	Shares reported include (i) 295 shares and (ii) 1,480 options to purchase shares that have vested in full (exercise price of \$64.29/share). These stock options vested on the Option Terms.
Kelly G. Howard	General Counsel, EVP, Corporate Secretary	Oak Hill, VA	2,968	Common	*	Shares reported include (i) 219 shares and (ii) 2,749 options to purchase shares that have vested in full (exercise price of \$64.29/share). These stock options vested on the Option Terms.
C. Clark Webb	Chairman of the Board; 5% beneficial holder	Dallas, TX	185,514	Common	25.10%	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.
Robert H. Alpert	Director; 5% beneficial holder	Dallas, TX	184,439	Common	24.95%	Shares represent the 210 Shares discussed above.
Randolph E. Brown	Director	Dallas, TX	22,123	Common	2.99%	Shares held by The Randolph E. Brown 5X5 Trust.
Richard A. Shapiro	Director	Stamford, CT	2,538	Common	*	Shares held in personal account.
Douglas Tabor	Director	Dallas, TX	35,750	Common	4.83%	Shares include (i) 25,750 shares held directly, and (ii) 10,000 shares held indirectly through Texas Time Express.
<b>All Directors &amp; Officers as a Group</b>		--	<b>255,000</b>	<b>Common</b>	<b>34.50%</b>	
210/RELY Partners, LP	5% holder	Dallas, TX	184,439	Common	24.95%	Please see the discussion of the 210 Shares above. <i>Contact Info:</i> Caryn Peeples, 210 Capital, 4514 Cole Avenue, Suite 1600, Dallas, TX 75205
Goldman Sachs BDC, Inc.	5% holder	New York, NY	111,650	Common	15.11%	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. (“GSBDC”); (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. (“GSMMLC”, and such three entities, the “GS Purchasers”). Subsequently, GSAM informed the Company that as of October 12, 2020, GSMMLC merged with and into GSBDC and GSBDC holds all ELLH shares formerly held by GSMMLC. 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. <i>Contact Info:</i> Peter Lim, GSAM, 200 West Street, New York, NY 10282.
Goldman Sachs Private Middle Market Credit LLC	5% holder	New York, NY	69,386	Common	9.39%	
OCM Opps 7b Real Holdings, LLC	5% holder	Los Angeles, CA	59,785	Common	8.09%	
						This is a fund owned by Oaktree Capital Management, LLC. <i>Contact Info:</i> Henry Orren, Oaktree Capital Management, LLC, 333 S. Grand Avenue, 28th Floor, Los Angeles, CA 90071.

## 7) Legal/Disciplinary History

A. None of the persons or entities listed above have, in the past 10 years, been the subject of:

1. An indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;
3. A finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;
4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above;
5. An order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities; or
6. A U.S. Postal Service false representation letter, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S. mail.

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None; for more information on legal matters relating to the Company and its subsidiaries, please refer to Note 8 "Commitments and Contingencies – Legal Proceedings" of our interim financial statements for the fiscal quarter ended March 31, 2024.

## 8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers:

Accountant or Auditor (Please note: Quarterly financial statements are unaudited.)

Name: Christopher Krogh  
Firm: Baker Tilly US, LLP  
Address: 11150 Santa Monica Blvd; Ste 600  
Los Angeles, CA 90025  
Phone: (818) 981 2600  
Email: christopher.krogh@bakertilly.com

The Company utilizes internal resources for its securities counsel and investor relations:

### Securities Counsel

Name: Kelly G. Howard, General Counsel  
Firm: Elah Holdings, Inc.  
Address: 1934 Old Gallows Road,  
Suite 350, #T09301  
Tysons Corner, Virginia 22182  
Phone: 805-835-1255  
Email: stock@elahholdings.com

### Investor Relations

Name: Michael Hobey, Chief Financial Officer  
Firm: Elah Holdings, Inc.  
Address: 4514 Cole Avenue, Suite 1600  
Dallas, Texas 75205  
Phone: 805-835-1255  
Email: ir@elahholdings.com

### All other means of Investor Communication:

X (Twitter): @elah\_inc

LinkedIn: [www.linkedin.com/company/elah-holdings-inc/](http://www.linkedin.com/company/elah-holdings-inc/)

The Company's Press Releases are posted to <http://www.elahholdings.com/press-releases/default.aspx>



**9) Disclosure & Financial Information**

A. This Disclosure Statement was prepared by Kelly G. Howard, General Counsel, Employee of the Issuer.

B. The following financial statements were prepared in accordance with: ☐ IFRS ☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name	Title	Relationship to the Issuer	Qualifications
Kyle Ross	Chief Executive Officer, President, Chief Investment Officer	Employee	Mr. Ross has been the Chief Executive Officer, President, and Chief Investment Officer of the Company since May 2018. Previously, Mr. Ross held the CEO, President and CIO roles and was a member of the Board of the Company (then called Real Industry) from August 2016 to November 2017. Mr. Ross served as the Company's Chief Financial Officer from March 2011 to August 2016. Mr. Ross was part of the team that sponsored the Company's predecessor entity, Fremont General Corporation's ("Fremont") reorganization process in bankruptcy, joining the reorganized entity as an Executive Vice President in June 2010. Prior to participating in the Fremont bankruptcy, Mr. Ross was a cofounder of Signature Capital Partners, LLC, a special situations investment firm formed in 2004. Mr. Ross was directly involved in all of Signature Capital's investment activities. Mr. Ross began his career with the investment banking firm Murphy Noell Capital where he was directly involved in more than 20 transactions, including both healthy and distressed mergers and acquisitions, capital raises, and debt restructurings. Mr. Ross holds a Bachelor of Science degree and a Bachelor of Arts degree from the Haas School of Business and the College of Letters and Science, respectively, at the University of California, Berkeley.
Michael Hobey	Chief Financial Officer, EVP, Treasurer	Employee	Mr. Hobey has been the Chief Financial Officer of the Company since May 2018. Previously, Mr. Hobey served as President, Interim CEO and CFO of the Company (then called Real Industry) through its November 2017 to May 2018 restructuring period. Mr. Hobey was CFO of the Company from September 2016 to November 2017. Prior to that, he served as CFO of the Company's former subsidiary, Real Alloy and, prior to its acquisition by Real Industry in February 2015, Mr. Hobey served as the CFO of the Global Recycling & Specification Alloys business unit of Aleris. Mr. Hobey joined Aleris in June 2006 as Vice President, Corporate Development and was named Vice President and Treasurer in July 2009. Before joining Aleris, he served as Vice President in the Investment Banking Division at Citigroup Global Markets and held various positions with McDonnell Douglas and Boeing immediately following college. Mr. Hobey holds a Bachelor of Science degree in Mechanical Engineering from Brown University and a Master of Business Administration degree from the Sloan School of Management at the Massachusetts Institute of Technology.
Laura Contreras	Controller	Contractor	Ms. Contreras has served as the Company's Controller since mid 2018. She has over 25 years' experience in financial and operational management, with expertise with a variety of industries and serving companies in a wide range of stages (including growth, preparation for sale, evaluation of strategic alternatives or distress). Outside of the Company, she has served, <i>inter alia</i> , as the Chief Financial Officer of Cambelt International, Tropicale Foods, FocalPoint Partners and North American Breaker (a former subsidiary of the Company until January 2015), and the interim CFO at numerous entities in transition, distress or bankruptcy. Ms. Contreras holds a Bachelor of Arts degree in Accounting from Colorado State University, Metropolitan State Campus, has received her CPA certification and is an Enrolled Agent.

The Company's interim unaudited financial statements for the fiscal quarter ended March 31, 2024 are provided at Appendix A to this Disclosure Report. The Company's prior audited financial statements, including for fiscal years ended December 31, 2023 and 2022, and the Company's prior unaudited quarterly statements, including for the fiscal quarters ended March 31, 2023, June 30, 2023, and September 30, 2023, are also available on the OTCIQ website, as well as available on the Company's website, [www.elahholdings.com](http://www.elahholdings.com), under "Financial Releases."

**10) Issuer Certifications**

*Principal Executive Officer:*

I, Kyle Ross, certify that:

1. I have reviewed this disclosure statement for Elah Holdings, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: 5/10/2024

/s/ Kyle Ross

Kyle Ross, Chief Executive Officer

*Principal Financial Officer:*

I, Michael J. Hobey, certify that:

1. I have reviewed this disclosure statement of Elah Holdings, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: 5/10/2024

/s/ Michael J. Hobey

Michael J. Hobey, Chief Financial 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 interim 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; 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; 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 international conflict, supply chain disruptions and related matters (such as U.S. economic performance) on our business, our stock price or our ability to negotiate, finance and consummate a transaction; the impact of upcoming legislation or national elections; the ability of the Company to classify, preserve and utilize the net operating loss tax carryforwards (NOLs); 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.

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## **IMPORTANT NOTE REGARDING THESE FINANCIAL STATEMENTS**

These condensed consolidated interim financial statements with footnotes for the fiscal quarter ended March 31, 2024 (“Q1 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 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. In addition, as a result of rounding, some of the financial tables included in this financial report may not foot.

\* \* \*

### **Appendix A: Unaudited Financial Statements for the Three Months Ended March 31, 2024**

**APPENDIX A**

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2024**

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**ELAH HOLDINGS, INC.  
CONSOLIDATED BALANCE SHEETS**

(\$ in thousands, except per share and par value amounts)

	<b><u>March 31, 2024</u></b>	<b><u>December 31, 2023</u></b>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 8,741	\$ 9,252
Prepaid expenses and other current assets	33	134
Current assets of discontinued operations	401	405
Total current assets	<u>9,175</u>	<u>9,792</u>
Other noncurrent assets	124	167
<b>TOTAL ASSETS</b>	<b><u>\$ 9,299</u></b>	<b><u>\$ 9,959</u></b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Trade payables	\$ 114	\$ 147
Accrued liabilities	323	513
Total current liabilities	<u>437</u>	<u>660</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 437</u></b>	<b><u>\$ 660</u></b>
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, Series A Junior Participating and Blank Check; \$ 0.001 par value; 50,000 shares authorized; none issued or outstanding	-	-
Common Stock, \$0.001 par value; at March 31, 2024 and December 31, 2023, 2,450,000 shares authorized, 739,096 shares issued and outstanding	1	1
Additional paid-in capital	36,978	36,978
Accumulated deficit	<u>(28,117)</u>	<u>(27,680)</u>
Total stockholders' equity	<u>8,862</u>	<u>9,299</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 9,299</u></b>	<b><u>\$ 9,959</u></b>

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	
	March 31, 2024	March 31, 2023
Revenues	\$ 3	\$ 4
Selling, general and administrative expenses	613	604
Other operating expense, net	(192)	17
Operating loss	(418)	(617)
Loss from continuing operations before income taxes	(418)	(617)
Income tax expense	-	-
Loss from continuing operations	(418)	(617)
(Loss) Earnings from discontinued operations, net of income taxes	(19)	(24)
Net Loss	<u>\$ (437)</u>	<u>\$ (641)</u>
LOSS PER SHARE:		
Net loss	(437)	(641)
Basic and diluted (loss) earnings per share:		
Continuing operations	(0.57)	(0.84)
Discontinued operations	(0.02)	(0.03)
Basic and diluted (loss) per share	<u>\$ (0.59)</u>	<u>\$ (0.87)</u>

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

**ELAH HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	<b>Preferred Stock</b>		<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
(In thousands, except shares)	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>			
Balance, December 31, 2021	—	\$ —	739,096	\$ 1	\$ 36,976	\$ (22,905)	\$ 14,072
Net loss	—	—	—	—	—	(2,353)	(2,353)
Share-based compensation expense	—	—	—	—	2	—	2
Balance, December 31, 2022	—	\$ —	739,096	\$ 1	\$ 36,978	\$ (25,258)	\$ 11,721
Net loss	—	—	—	—	—	(2,422)	(2,422)
Balance, December 31, 2023	—	\$ —	739,096	\$ 1	\$ 36,978	\$ (27,680)	\$ 9,299
Net loss	—	—	—	—	—	(437)	(437)
Balance, December 31, 2023	—	\$ —	739,096	\$ 1	\$ 36,978	\$ (28,117)	\$ 8,862

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

**ELAH HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(\$ in thousands)	<b>Three Months Ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Cash flows from operating activities:		
Net loss from continuing operations	\$ (418)	\$ (617)
(Loss) Earnings from discontinued operations	(19)	(24)
Net cash (used in) provided by operating activities:		
Share-based compensation expense	-	-
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	102	38
Current assets of discontinued operations	4	(1)
Other noncurrent assets	43	17
Trade payables	(33)	60
Accrued liabilities	(190)	(199)
Net cash (used in) provided by operating activities	(511)	(726)
Net change in cash and cash equivalents	(511)	(726)
Cash and cash equivalents, beginning of period	9,252	11,575
Cash and cash equivalents, end of period	<u>\$ 8,741</u>	<u>\$ 10,849</u>

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 consolidated 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. Our legacy assets include a participation interest in a pool of commercial mortgages (reported in Continuing Operations) and subordinated residential mortgage backed securities (reported in Discontinued Operations). 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, 2023, 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, with the completion of its court- and stockholder-approved plan of reorganization (the “Plan”) under Chapter 11 of Title 11 of the United States Code (the Bankruptcy Code), Real Industry qualified to “go dark” from periodic reporting with the Securities and Exchange Commission and voluntarily deregistered its common stock under the Securities Act of 1934. For additional information on the Chapter 11 cases of Real Industry and its prior subsidiary Real Alloy Holding, Inc., 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.

*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 March 31, 2024 and March 31, 2023, 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 March 31, 2024 and March 31, 2023, 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 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 March 31, 2024 and March 31, 2023, there were no assets or liabilities carried at fair value on a recurring or non-recurring basis. As of March 31, 2024 and March 31, 2023, cash and cash equivalents and prepaid expenses were the only financial assets reported by the Company in continuing operations and there were no financial liabilities other than accounts payable and accrued 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 \$235.3 million on its U.S. deferred tax assets as of December 31, 2023. 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 March 31, 2024, the majority of SGGH's approximately \$0.4 million in assets were cash and cash equivalents, and it maintained

negligible liabilities. Additionally, it owns several subordinated residential mortgage backed securities (“RMBS”) that have been valued at zero since 2008 as the cash flows received are not estimable nor predictable.

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 three months ended March 31, 2024 may change in subsequent periods. There was no income tax expense or benefit for the three months ended March 31, 2024 or for the three months ended March 31, 2023.

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 2017 through 2022 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 seven years regarding this matter.

As of March 31, 2024, 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, 2023. 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 \$327.7 million before valuation allowances. Utilization of the NOLs and tax credits may be subject to substantial annual limitation due to “change of ownership” provision of the Internal Revenue Code of 1986. The annual limitation may result in expiration of net operating losses and credit carryforwards before utilization.

#### **NOTE 5—EQUITY**

As of March 31, 2024 and March 31, 2023, the Company’s total issued and outstanding common stock was 739,096 shares. As of March 31, 2024 and March 31, 2023 the Company had an aggregate 8,120 options to purchase shares of Common Stock outstanding, and no other outstanding equity awards. 7,400 of these stock options were issued to the Company’s executive officers on January 24, 2019. By December 31, 2023, all 7,400 of these options have vested. The options have an exercise price of \$64.29 per share. 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 for the risk-free rate, no dividends assumed and volatility of 50% which was based upon the Company’s historic volatility. Options to purchase 720 shares of common stock outstanding were issued to a Company employee January 22, 2021. These options vested in full on January 22, 2022. The options have an exercise price of \$79.15 per share. The Company valued the option grant at approximately \$30 thousand using the Black Scholes methodology based on a ten year life, the 10 year US Treasury rate at date of issue for the risk-free rate, no dividends assumed and volatility of 50% which was based upon the Company’s historic volatility. The Company recognized no expense related to all outstanding options in the three months ended March 31, 2024 and March 31, 2023, respectively. No options were exercised, converted, forfeited or expired during the three months ended March 31, 2024 or March 31, 2023.

#### **NOTE 6—LOSS PER SHARE**

For the three months ended March 31, 2024 and 2023, 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 March 31, 2024 and 2023 quarterly reporting periods, respectively.

The impact of all outstanding vested and 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 from vested options at March 31, 2024 and March 31, 2023 were each 8,120.

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 months ended March 31, 2024 and 2023:

(In thousands, except share and per share amounts)	Three Months Ended	
	March 31, 2024	March 31, 2023
Loss from continuing operations	\$ (418)	\$ (617)
(Loss) Earnings from discontinued operations, net of income taxes	(19)	(24)
Net loss	(437)	(641)
Numerator for basic and diluted loss per share	<u>\$ (437)</u>	<u>\$ (641)</u>
Denominator for basic and diluted loss per share—Weighted average shares outstanding		
Weighted average shares outstanding	739,096	739,096
Basic and diluted (loss) earnings per share:		
Continuing operations	\$ (0.57)	\$ (0.84)
Discontinued operations	(0.02)	(0.03)
Basic and diluted loss per share	<u>\$ (0.59)</u>	<u>\$ (0.87)</u>

## 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*

The Company and its predecessors 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 have been asserted and may be asserted in any such future actions and proceedings. 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 such matters will be, what the timing of the ultimate resolution of such matters will be, or what the eventual loss related to such 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.

Management does not believe that judgments or settlements arising from pending or threatened legal matters, individually or in the aggregate, could 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 any matters, some of which are beyond the Company's control, and the very large or indeterminate damages sought any possible matter, an adverse outcome 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.