

SIGNATURE GROUP HOLDINGS INC
Form 10-Q
July 05, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-08007

SIGNATURE GROUP HOLDINGS, INC.
(Exact Name of Registrant as Specified in its Charter)

Nevada

95-2815260

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

15303 Ventura Blvd., Ste 1600
Sherman Oaks, California 91403

(805) 435-1255

(Address of Principal Executive Offices)(Zip Code)

(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90days. Yes No

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company)

reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

The number of shares outstanding of the registrant's common stock as of June 27, 2011 was 112,639,905 shares.

SIGNATURE GROUP HOLDINGS, INC.
QUARTERLY REPORT ON FORM 10-Q
For the Quarterly Period Ended September 30, 2010

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EXPLANATORY NOTE

Signature Group Holdings, Inc. (“Signature,” formerly Fremont General Corporation (“Fremont”), or “Company”, “we,” “us” or “our”) is filing this Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2010 (the “Form 10-Q”) as part of its efforts to become current in its filing obligations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). This Form 10-Q is being filed contemporaneously with the Company’s Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2010, and June 30, 2010, and the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which have not been previously filed.

On June 18, 2008 (the “Petition Date”), Fremont filed a voluntary petition for relief under Chapter 11 of Title 11 of the U.S. Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Central District of California, Santa Ana Division (the “Bankruptcy Court”). Prior to filing for bankruptcy protection, Fremont was not current in its annual and quarterly periodic reporting requirements under Section 13 of the Exchange Act and did not file its Annual Report on Form 10-K for the fiscal year ended December 31, 2007 nor its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008. While under the jurisdiction of the Bankruptcy Court, Fremont did not file subsequent Annual Reports on Form 10-K for the fiscal years ended December 31, 2008 and 2009, nor its Quarterly Reports on Form 10-Q for the quarterly periods ended June 30, 2008, September 30, 2008, March 31, 2009, June 30, 2009, September 30, 2009 and March 31, 2010 (collectively, the “Prior Delinquent Filings”).

Fremont emerged from bankruptcy on June 11, 2010 and our new management team and Board of Directors immediately set upon a corporate initiative to return the Company to compliance with its Exchange Act reporting obligations. With a focus on preparing the Prior Delinquent Filings, the Company was not able to file with the Securities and Exchange Commission (“SEC”) its Annual Report on Form 10-K for the fiscal year ended December 31, 2010 as well as its Quarterly Reports for the quarterly periods ended June 30, 2010; September 30, 2010; and March 31, 2011.

On May 17, 2011, Signature filed a Comprehensive Annual Report on Form 10-K (the “Comprehensive Form 10-K”) that included, in one comprehensive filing, business and financial information for the fiscal years ended December 31, 2009, 2008 and 2007; selected, unaudited quarterly financial information of the Company for the fiscal years 2009 and 2008, which had not been previously filed with the SEC; as well as certain disclosures of subsequent events pertaining to material events occurring up until the date of filing of the Comprehensive Form 10-K.

For a more complete understanding of the matters involving the Company, this Form 10-Q should be read together with the Comprehensive Form 10-K as well as the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, and June 30, 2010, and the Company’s Annual Report on Form 10-K for the year ended December 31, 2010 that were filed simultaneously with this Form 10-Q.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Signature Group Holdings, Inc.
 Debtor-In-Possession (for the period June 18, 2008 through June 11, 2010)
 Consolidated Balance Sheets

(Dollars and shares in thousands, except per share amounts)	September 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 50,950	\$ 355,698
Investment securities, available for sale	2,104	-
Loans held for investment, net	1,987	2,132
Premises and equipment, net	2,527	2,623
Income taxes receivable	25,066	25,160
Other assets	657	3,435
Assets of discontinued operations	62,244	88,132
TOTAL ASSETS	\$ 145,535	\$ 477,180
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	\$ 39,000	\$ -
Warrant liability	4,677	-
Liabilities subject to compromise	-	293,366
Other liabilities	6,453	2,015
Liabilities of discontinued operations	14,022	90,652
TOTAL LIABILITIES	64,152	386,033
Commitments and contingencies (Note 16)		
SHAREHOLDERS' EQUITY		
Preferred stock, \$0.01 par value; 10,000 and 2,000 shares authorized at September 30, 2010 and December 31, 2009, respectively; none issued or outstanding 2010 and December 31, 2009, respectively; none issued or outstanding	-	-
Common stock, \$0.01 par value; 190,000 and 150,000 shares authorized at September 30, 2010 and December 31, 2009, respectively; 111,880 and 78,380 shares issued and outstanding at September 30, 2010 and at December 31, 2009, respectively	1,119	784
Treasury stock	(630)	-
Additional paid-in capital	444,470	423,039
Accumulated deficit	(363,570)	(332,056)
Deferred compensation	-	(620)
Accumulated other comprehensive loss	(6)	-
TOTAL SHAREHOLDERS' EQUITY	81,383	91,147
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 145,535	\$ 477,180

See accompanying notes to consolidated financial statements.

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Signature Group Holdings, Inc.

Debtor-In-Possession (for the period June 18, 2008 through June 11, 2010)

Consolidated Statements of Operations

(Unaudited)

(Dollars in thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Interest income	\$ 62	\$ 250	\$ 237	\$ 1,041
Interest expense	892	1,192	3,189	3,483
Net interest expense	(830)	(942)	(2,952)	(2,442)
Provision for loan losses	-	-	38	-
Net interest expense after provision for loan losses	(830)	(942)	(2,990)	(2,442)
NON-INTEREST INCOME:				
Change in fair value of warrant liability	249	-		