

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 March 31, 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 90 days. 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) Smaller Reporting Company

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 March 31, 2010

TABLE OF CONTENTS

	Page
PART I – FINANCIAL INFORMATION	1
Item 1. <u>Financial Statements</u>	1
<u>Consolidated Balance Sheets</u>	1
<u>Consolidated Statements of Operations</u>	2
<u>Consolidated Statements of Changes in Shareholders' Equity</u>	3
<u>Consolidated Statements of Cash Flows</u>	4
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risks</u>	42
Item 4. <u>Controls and Procedures</u>	42
PART II – OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	43
Item 1A. <u>Risk Factors</u>	44
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	44
Item 3. <u>Defaults Upon Senior Securities</u>	44
Item 4. <u>Reserved</u>	44
Item 5. <u>Other Information</u>	44
Item 6. <u>Exhibits</u>	44

Table of Contents

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 months ended March 31, 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 June 30, 2010, and September 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 June 30, 2010, and September 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.

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Signature Group Holdings, Inc.

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

Consolidated Balance Sheets

	March 31, 2010 (Unaudited)	December 31, 2009
(Dollars and shares in thousands, except per share amounts)		
ASSETS		
Cash and cash equivalents	\$ 352,178	\$ 355,698
Loans held for investment, net	2,074	2,132
Premises and equipment, net	2,589	2,623
Income taxes receivable	24,631	25,160
Other assets	3,269	3,435
Assets of discontinued operations	83,848	88,132
TOTAL ASSETS	\$ 468,589	\$ 477,180
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Liabilities subject to compromise	\$ 294,512	\$ 293,366
Other liabilities	2,996	2,015
Liabilities of discontinued operations	90,290	90,652
TOTAL LIABILITIES	387,798	386,033
Commitments and contingencies (Note 12)		
SHAREHOLDERS' EQUITY		
Preferred stock, \$0.01 par value; 2,000 shares authorized; none issued or outstanding	-	-
Common stock, \$1.00 par value; 150,000 shares authorized; 78,380 shares issued and outstanding at March 31, 2010 and December 31, 2009	78,380	78,380
Additional paid-in capital	345,459	345,443
Accumulated deficit	(342,412)	(332,056)
Deferred compensation	(636)	(620)
TOTAL SHAREHOLDERS' EQUITY	80,791	91,147
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 468,589	\$ 477,180

See accompanying notes to consolidated financial statements.

Table of Contents

Signature Group Holdings, Inc.

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

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended	
	March 31,	
(Dollars in thousands, except per share amounts)	2010	2009
Interest income	\$95	\$375
Interest expense	1,166	1,137
Net interest expense	(1,071)	(762)
Provision for loan losses	38	-
Net interest expense after provision for loan losses	(1,109)	(762)
NON-INTEREST INCOME:		
Other	86	-
Total non-interest income	86	-
NON-INTEREST EXPENSE:		
Professional fees	12	788
Compensation	511	312
Insurance	848	602
Other	307	74
Total non-interest expense	1,678	1,776
Loss from continuing operations before reorganization items and income taxes	(2,701)	(2,538)
Reorganization items, net	2,920	2,227
Loss from continuing operations before income taxes	(5,621)	(4,765)
Income tax expense	-	-
Loss from continuing operations	(5,621)	(4,765)
Loss from discontinued operations, net of income taxes	(4,735)	