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

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

FORM 10-K

R ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 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)

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act:

(Title of Each Class)
Common Stock, $0.01 par value

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
£ Yes R No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
£ Yes R No

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 R 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. £

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) R Smaller Reporting Company

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

The aggregate market value of the voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the Registrant's most recently completed second fiscal quarter, June 30, 2010: $60,540,781

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 R No

The number of shares of common stock outstanding as of June 27, 2011

Common Stock, $0.01 Par Value — 112,639,905 shares

DOCUMENTS INCORPORATED BY REFERENCE

None

ANNUAL REPORT ON FORM 10-K
For the Year Ended December 31, 2010

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EXPLANATORY NOTE

Signature Group Holdings, Inc. (“Signature,” formerly Fremont General Corporation (“Fremont”), or “Company”, “we,” “us” o “our”) is filing this Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (this “Annual Report”) 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 Annual Report is being filed contemporaneously with the Company’s Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2010, June 30, 2010, and September 30, 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 (the “Commission”) its Annual Report on Form 10-K for the fiscal year ended December 31, 2010 or its Quarterly Reports on Form 10-Q 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 (“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 Commission; 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.

With the filing of this Annual Report and the simultaneous filings of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010, the Company will have its Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 that remains to be filed with the Commission for the Company to become current in its filing obligations under the Exchange Act. The Company expects to be able to make its last delinquent filing during the third quarter of 2011.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements in this report, including, without limitation, matters discussed under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” should be read in conjunction with the financial statements, related notes, and other detailed information included elsewhere in this Annual Report. We are including this cautionary statement to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Certain statements that are not historical fact are forward-looking statements. Certain of these forward-looking statements can be identified by the use of words such as “believes,” “anticipates,” “expects,” “intends,” “plans,” “projects,” “estimates,” “assumes,” “may,” “should,” “will,” or other similar expre forward-looking statements involve known and unknown risks, uncertainties and other important factors, which could

cause actual results, performance or achievements to differ materially from future results, performance or achievements. These forward-looking statements are based on our current beliefs, intentions and expectations. These statements are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause changes in our financial condition or results of operations or could cause actual results to differ materially from those forward-looking statements include, but are not limited to:

- general economic conditions may be worse than expected;
- competition among other companies with whom we compete may increase significantly;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;

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- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting our business or Fremont's prior business related to residential mortgage lending and servicing, which are now a part of our discontinued operations;
- we could lose key personnel or spend a greater amount of resources attracting, retaining and motivating key personnel than we have in the past;
- our ability to successfully implement internal controls and procedures that remediate the material weakness in our internal control over financial reporting and ensure timely, effective and accurate financial reporting;
- changes in accounting policies and practices, as may be adopted by regulatory agencies, including without limitation the Financial Accounting Standards Board, the Commission and the Public Company Accounting Oversight Board;
- changes in our organization, compensation and benefit plans;
- the impact of new litigation matters, or changes in litigation strategies brought against us in our business or Fremont's prior business related to residential mortgage lending and servicing;
- changes in the financial condition or future prospects of issuers of debt or equity securities that we own; and
- other factors, risks and uncertainties described in this Annual Report under Item 1A - "Risk Factors," as may be supplemented in our other filings with the Commission.

All forward looking statements set forth herein are qualified by these cautionary statements and are made only as of the date hereof. We undertake no obligation to update or revise the information contained herein including, without limitation, any forward-looking statements whether as a result of new information, subsequent events or circumstances, or otherwise, unless otherwise required by law.

PART I

Item 1. Business

A. OVERVIEW

Signature Group Holdings, Inc., formerly known as "Fremont General Corporation", is an externally managed financial services company that seeks to become a diversified business enterprise that is intended to generate strong, risk-adjusted return on equity while protecting shareholder capital. We presently operate in two primary business lines: (i) Special Situation Lending and (ii) Strategic Acquisitions. Additionally, we maintain and are managing certain assets related to Fremont's former businesses, which include a portfolio of subprime residential real estate mortgages, residential real estate, commercial real estate investments and litigation claims under fidelity insurance bonds Fremont held ("Legacy Assets"). The Legacy Assets are being managed to maximize cash recoveries and value for our shareholders and will be redeployed into our long term business strategy over time. The Company also has significant federal and state net operating loss carryforwards ("NOLs"), estimated to be approximately $882.7 million and $998.6 million, respectively, as of December 31, 2010. The Company has established a full valuation allowance against its NOLs in the consolidated balance sheets. The NOLs are further discussed in Note 11 Income Taxes in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report.

After a nearly two year reorganization process, Fremont emerged from bankruptcy proceedings and filed Amended and Restated Articles of Incorporation with the Office of the Secretary of the State for the State of Nevada on June 11, 2010 (the "Effective Date"), which, among other things, changed Fremont's name to Signature Group Holdings, Inc. Previously, on May 25, 2010, the Bankruptcy Court had entered an order, as amended (the "Confirmation Order"), confirming Signature Group Holdings, LLC's Fourth Amended Chapter 11 Plan of Reorganization of Fremont General Corporation, Joined by James McIntyre as Co-Plan Proponent, dated May 11, 2010, as amended (the "Plan"). See "B. Recent History" in Item 1 of this Annual Report for additional information related to Fremont's bankruptcy proceedings and related events.

Since the Effective Date, the business and operations of the Company have been under new management. Our business plan and strategic initiatives are based upon the business plan that was included in the Plan, which was confirmed by the Bankruptcy Court and was approved by 69.6% of the Company's then outstanding common shares, 88.7% of its then outstanding 9% Trust Originated Preferred Securities (the "TOPrS"), and a majority of all other impaired creditor classes. With the exception of the management of the Legacy Assets, we have no plans to operate in the banking or consumer mortgage lending businesses that Fremont and FIL previously conducted. Signature remains a financial services company and plans to continue providing financing for various commercial purposes.

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Our business is primarily funded by the asset base of our reorganized company. On the Effective Date, and pursuant to the Plan, the Company distributed approximately $280.8 million to Fremont's creditors. Additionally, pursuant to various settlement agreements related to residential loan repurchase liabilities, and with Bankruptcy Court approval, Fremont paid out an additional $28.3 million during the weeks leading up to the Effective Date. After factoring in these significant distributions, the Company's assets and shareholders' equity at June 30, 2010 were approximately $157.8 million and $90.9 million, respectively.

To manage our business affairs, we entered into an Interim Investment Management Agreement dated June 11, 2010 ("Interim Management Agreement") with Signature Capital Advisers, LLC ("SCA"), a management company that is owned and managed by experienced professionals with backgrounds and experience in commercial finance, distressed debt acquisition, merchant banking and private equity. SCA's principals and employees, who include Craig Noell, our Chief Executive Officer; Kenneth Grossman, our Executive Vice President; Kyle Ross, our Executive Vice President and interim Chief Financial Officer; David Collett, our Senior Vice President and Treasurer, and Thomas Donatelli, who is an executive of SCA, have an established track record of identifying, structuring, and managing transactions in our targeted business lines. We believe these principals are well known in the business communities in which we seek to source and transact business. See "F. Management of Signature" in Item 1 of this Annual Report for a summary of the services SCA provides to us and the terms of the Interim Management Agreement.

Signature is a Nevada corporation that was incorporated in 1972. Our corporate office is located at 15303 Ventura Blvd, Ste 1600, Sherman Oaks, CA 91403 and our phone number is (805) 435-1255. Signature's common stock is quoted on the Pink OTC Markets, Inc. OTC Exchange under the trading symbol "SGGH."

B. RECENT HISTORY

Prior to its bankruptcy filing, Fremont operated as a financial services-holding company. Fremont's operations were conducted primarily through its subsidiary, Fremont Investment and Loan ("FIL"), which was a California industrial bank regulated by the California Department of Financial Institutions ("DFI") and the Federal Deposit Insurance Corporation ("FDIC"). FIL was a significant participant in the residential and commercial mortgage lending industries and offered certificates of deposit and savings and money market deposit accounts through 22 retail banking branches in California.

On February 27, 2007, Fremont and FIL received a proposed Cease and Desist Order from the FDIC (the "Order") due, in part, to the deterioration in the subprime mortgage market, which had a material adverse impact on its business and results of operations. The Order called for Fremont to make a variety of changes designed to restrict the level of lending in its subprime residential mortgage and commercial real estate business, to adopt a Capital Adequacy Plan to maintain adequate Tier-1 leverage capital in relation to its risk profile, to provide for enhanced regulatory oversight, and to mandate the retention of qualified management acceptable to the FDIC and the DFI. On March 7, 2007, Fremont formally consented to the proposed Order issued by the FDIC, without admitting to any of the allegations contained in the Order. Fremont entered into a Final Order with the DFI on April 13, 2007, which was substantially similar in content to the Order (the "DFI Order" and, along with the Order, the "Orders").

In response to the Orders, FIL: (i) ceased originating subprime residential real estate loans and, in several transactions, sold a substantial portion of its subprime residential real estate loan portfolio; and (ii) sold a substantial portion of its commercial real estate loan portfolio and related lending platform although it retained a significant participation interest in the commercial real estate loan portfolio sold.

Notwithstanding FIL's efforts to comply with the Orders, on March 26, 2008, the FDIC issued a Supervisory Prompt Corrective Action Directive (the "Directive") to Fremont, which gave Fremont 60 days to either recapitalize FIL or accept an offer for FIL to be acquired by another depository institution. In April 2008, Fremont announced terms of

an agreement with CapitalSource, Inc. ("CapitalSource"), whereby CapitalSource, through a to-be-organized California industrial bank, agreed to purchase a substantial portion of FIL's remaining assets, including all branches, and assume 100% of its deposits (the "CapitalSource Transaction"). The CapitalSource Transaction was entered into to comply with the requirements of the Directive.

On the Petition Date, Fremont filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Fremont continued to operate its business as a debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court for nearly two years. During such period (i) the CapitalSource Transaction was completed in July 2008; (ii) FIL relinquished its federal deposit insurance coverage from the FDIC, surrendered its California industrial bank charter to the DFI and, in connection with these matters, changed its name to Fremont Reorganizing Corporation ("FRC"); (iii) Fremont and FIL entered into several material litigation settlements; (iv) Fremont and FIL resolved and settled over one billion dollars in claims filed against FIL relating to potential repurchase obligations of the representation and warranties FIL provided to counterparties that had purchased the residential real estate loans FIL originated during the years 2002 through 2007; (v) Fremont achieved a significant recovery from settling an insurance claim equaling the policy limits of $10.0 million; and (vi) Fremont was the beneficiary of a significant change in Section 382 of the Internal Revenue Code of 1986, as amended (the "Tax Code") that allowed the Company to carryback its NOLs generated in 2008 and record an income tax benefit of $48.4 million during the year ended December 31, 2009, which primarily related to the $24.8 million income tax refund filed with the Internal Revenue Service ("IRS") in the fourth quarter of 2009 and approximately $23.8 million in reversals of income tax provisions related to the resolution of tax matters previously accrued.

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The actions taken and events occurring during the bankruptcy proceedings provided the basis for Fremont to successfully reorganize itself on the Effective Date. As of the Effective Date, the common equity shareholders of Fremont became the holders of a majority of the common equity in Signature. See "E. Events Related to Our Plan of Reorganization" in Item 1 of this Annual Report for additional information about the material transactions and events as of or following the Effective Date.

C. BUSINESS STRATEGY

We intend to create a broad based and profitable enterprise that provides various types of capital in what is commonly referred to as the "middle market," or companies with annual revenues of $25 million to $500 million. We believe there is a particularly acute need for 'special situation' financing under current market conditions, but also believe that there is a continuing opportunity in all market conditions. We also plan to acquire operating businesses and specialized assets that we believe will generate high profit margins or have the ability to generate such margins in the near future and that are able to be acquired at low valuation multiples due to what we believe to be a particular element of a target company's business or industry that is in transition or otherwise misunderstood by the marketplace. As our strategy is implemented, we expect to take advantage of our NOLs.

In all of our activities, we describe our strategy as 'opportunistic,' a term we use to mean that we do not approach potential prospects or transactions with any preconceived parameters with respect to a target company's size, historical operating performance, industry segment, geographic location or any other particular limiting characteristic. Rather, we evaluate them with a focus on structures that are designed to produce high returns on capital relative to the underlying risks and we seek to manage our assets to maximize our profit and capital returns without regard to a pre-set realization event or holding period. We believe our strategy provides us with a considerable competitive advantage over other financial service companies, financial institutions, lenders and equity investors who tend to employ a more formulaic approach. Our business may be conducted through one or multiple subsidiaries that will be owned by the Company. We do not believe that our business and operations will result in the Company being deemed an "investment company" under the Investment Company Act of 1940. See "Risk Factors" in Part 1A of this Annual Report for more information.

With respect to the Legacy Assets, which relate to Fremont's prior business activities that are classified as discontinued, we are seeking to maximize our recoveries and manage the associated liabilities in a cost effective manner. Ultimately, we will redeploy the cash generated from the Legacy Assets in our longer term business strategy.

D. OPERATING SEGMENTS

Until we monetize the Legacy Assets, whether through sale, collection, settlement or other means, and resolve any liabilities associated thereto, we will report our financial performance under both the continuing and discontinued operating segments. All of our activities related to our Special Situation Lending and Strategic Acquisition business lines, as well as ongoing, general corporate functions are included in the 'continuing' operating segment. All of our activities related to the Legacy Assets, and associated liabilities, as well as the prosecution and defense, as applicable, of litigation matters related to Fremont's prior business activities are included in the 'discontinued' operating segment.

Continuing Operations: As of December 31, 2010, Signature's continuing operations had approximately $78.3 million in assets, or 57.8% of the Company's total assets. The assets of our continuing operations consisted primarily of $70.4 million in cash and equivalents and $4.2 million in commercial loans held for investment and investment securities available for sale. Since the Effective Date, our primary source of income from our continuing operations has been interest income from cash and cash equivalents, investment securities, available for sale and loans held for investment, net.

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To achieve our strategic goals and implement our business plan, we are operating in two primary business lines: (i) Special Situation Lending; and (ii) Strategic Acquisitions.

Special Situation Lending. In our Special Situation Lending business line, we are focusing on providing senior secured and junior secured debt financing to middle market companies in the form of newly originated commercial and industrial loans, leases, and real estate mortgages in healthy and distressed situations. We also look to acquire similarly structured debt instruments as well as, on occasion, corporate bonds, trade claims, and other structured debt instruments, which may be performing, sub-performing or non-performing. Generally, the debt obligations acquired will be made at a discount to par value, or unpaid principal balance.

Strategic Acquisitions. In our Strategic Acquisition business line, we provide capital to middle market companies whereby we obtain a significant equity interest in a company either through the direct purchase of a controlling interest, and in some cases all or substantially all of its equity, or through a structured debt transaction that results in our obtaining a significant equity interest from a debt-for-equity conversion, bankruptcy or foreclosure event, or other transactions. We may also acquire specialized assets such as product or brand licenses, royalty streams, subscriber bases or divisions of larger companies. Our acquisitions may involve companies operating in healthy or distressed situations.

Recent Transaction Activity. During the second half of 2010, although significant management time and effort was directed toward returning the Company to compliance with its Exchange Act reporting requirements, we began implementing our new business strategy and deployed capital in two opportunities in our Special Situation Lending business line. The first transaction was the acquisition in July 2010 of litigation claims, in the form of estate bonds, related to a financial institution that had been seized by the FDIC and liquidated. The second transaction was the acquisition in September 2010 of a performing corporate bond at a discount to the outstanding principal balance. During the first quarter of 2011, we deployed capital in a third opportunity in our Special Situation business line by acquiring through our newly formed subsidiary, Signature Credit Partners, Inc., the defaulted senior secured debt of a manufacturing company at a discount to the outstanding principal balance. Also during the first quarter of 2011, we closed our first transaction in our Strategic Acquisitions business line by acquiring through our newly formed subsidiary, Cosmed, Inc. ("Cosmed"), certain assets and assuming certain liabilities of Costru Company, LLC ("Costru"). Cosmed, which does business under the trade name CosmedicineTM, is a high margin, branded, consumer products company. Signature currently owns 92% of the outstanding common stock of Cosmed, with the remaining 8% of the outstanding stock being held by the former owners of Costru. In total, we have deployed approximately $9.0 million since the Effective Date in our new business strategy. See "G. Recent Developments" in Item 1of this Annual Report for more information about our transactions in 2011.

Discontinued Operations: As of December 31, 2010, Signature's discontinued operations had approximately $57.3 million in assets, or 42.2% of the Company's total assets. The assets of our discontinued operations consisted primarily of a $106.6 million portfolio of subprime residential real estate loans that had an estimated fair value of approximately $38.9 million at December 31, 2010; $7.0 million in residential real estate owned, net ("REO"), which is the result of foreclosure actions associated with the residential real estate loan portfolio; and $5.5 million in commercial real estate investments.

We do not plan to hold our residential real estate loan portfolio until maturity, nor the other assets from our discontinued operations over the long term. We regularly investigate options for maximizing the value of these assets, including through direct sale transactions of these assets, joint ventures, securitizations, or other options that may present themselves. Given current market conditions and the stabilization of the performance of these assets in 2010, including cash flow generation as well as our outlook on future recovery values, we are not currently seeking a disposition strategy. In particular, over the final three quarters of 2010, the percentage of our subprime residential real estate loans in our loan portfolio that were classified "current" in terms of payment performance, or within 60 days,

increased as a percentage of the total residential real estate loan portfolio's unpaid principal balance from 51.0% to 55.6% and in number of loans from 55.5% to 60.5%. For the fiscal year ended December 31, 2010, the Company recorded total interest income of $4.5 million and total principal payments of $7.0 million from our residential real estate loan portfolio. The residential real estate loan portfolio's yield, defined as interest income received as a percentage of the average estimated fair value of the portfolio, was approximately 10% for fiscal year 2010.

As for our REO, during the course of 2010, we sold 88 properties and generated net cash recoveries, after fees and expenses, of approximately $9.9 million, resulting in a gain of $0.6 million. We believe our ongoing efforts to monetize our REO properties through individual sales is economically superior to other alternatives, such as a bulk sales or joint venture arrangements and results in superior recoveries for the Company. Our in-house servicing personnel work to add value to our REO properties prior to sale through repair efforts to damaged REO properties where we determine that the return on the investment for such repairs is justified, as well as by submitting insurance claims on damaged REO properties, when appropriate. We believe that our hands-on approach in evaluating each REO property is the appropriate value maximizing strategy at this time.

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The largest liability associated with Signature's discontinued operations at December 31, 2010 is a residential loan repurchase reserve. At December 31, 2010, our repurchase reserve liability was $8.9 million. This liability represents estimated losses we may experience from repurchase claims, both known and unknown, based on the representations and warranties FIL provided to counterparties that had purchased the residential real estate loans FIL had originated during 2002 through 2007. Management estimates the likely range of FIL's potential loan repurchase liability based on an number of factors, including, but not limited to, the timing of such claims given when the loan was originated; the quality of the counterparties' documentation supporting such claims; the number and involvement of cross defendants, if any, related to such claims; and a time and expense estimate if a claim were to result in litigation. Signature had approximately $100.0 million in outstanding repurchase claims at December 31, 2010. See Note 20 Discontinued Operations of the Notes to Consolidated Financial Statements included in Item 8 and "Risk Factors" in Item 1A of this Annual Report for more information about the Company's repurchase reserve liability.

Within discontinued operations are expenses and liabilities associated with various litigation matters that the Company is involved in which pertain to Fremont's prior business activities. See "Legal Proceedings" in Item 3 of this Annual Report for more information about the legal proceedings in which we are involved. The Company is also a plaintiff in four cases related to mortgage fraud, which are not described in Item 3, whose activities account for a significant portion of the Company's professional expenses, included in the statement of operations of discontinued operations, for the year ended December 31, 2010.

E. EVENTS RELATED TO OUR PLAN OF REORGANIZATION

On May 25, 2010, the Bankruptcy Court entered the Confirmation Order confirming the Plan, which was binding on all shareholders and creditors of Fremont on the Effective Date. The Confirmation Order and the Plan provided for a number of material transactions and events as of or following the Effective Date, which are summarized below.

Consolidations of Fremont Subsidiaries. On the Effective Date, Fremont completed a two step merger transaction in which Fremont General Credit Corporation ("FGCC"), a wholly owned subsidiary of Fremont, merged with and into Fremont (the "FGCC Merger") and then FRC, formerly known as FIL, merged with and into Fremont (the "FRC Merger"), with Fremont as the surviving corporation in both mergers. The FGCC Merger was consummated in accordance with the terms and conditions of the Plan of Merger between Fremont and FGCC dated June 11, 2010 (the "FGCC Merger Plan"), and the FRC Merger was consummated pursuant to the Plan of Merger between Fremont and FRC dated June 11, 2010 ("FRC Merger Plan"). Pursuant to the Confirmation Order, the new members of the Board of Directors and shareholders of Fremont, now known as Signature, were deemed to approve and adopt both the FGCC Merger Plan and the FRC Merger Plan in accordance with Nevada law. Following the consummation of the FGCC Merger and the FRC Merger on the Effective Date, the assets of FGCC and FRC became the assets of Signature and any existing liabilities of FGCC and FRC, any guarantees by FGCC or FRC of any obligation of Fremont and any joint and several liabilities of FGCC and FRC became obligations of Signature. All of the stock of FGCC and FRC was canceled and all intercompany claims and obligations of Fremont, FGCC and FRC were eliminated.

Signature Common Stock Investment, Warrants Issuance and Registration Rights. Pursuant to the Plan, a series of accredited investors including several of Signature's Executive Officers and members of the Board of Directors: Craig Noell, Kenneth Grossman, John Nickoll and Robert Schwab, as well as former Board of Director members Robert Peiser and Richard Rubin (the "Signature Investors") purchased an aggregate of 12.5 million shares of Signature's common stock for an aggregate of $10.0 million in cash pursuant to the terms of subscription agreements between the Company and each of the Signature Investors. In accordance with the Plan, Signature's common stock was issued and sold to the Signature Investors without registration in reliance on the exemption set forth in Section 4(2) of the Securities Act of 1933, as amended ("Securities Act").

Additionally, pursuant to the Plan, Signature issued warrants to purchase an aggregate of 15 million shares of Signature's common stock (the "Warrants") to Signature Group Holdings, LLC, an investment management company owned by Craig Noell and Kyle Ross; Kenneth Grossman; and NWRA Capital Partners LLC (collectively, the "Warrant Investors") for an aggregate cash purchase price of $300,000. The Warrants have a term of 10 years and an exercise price of $1.03 per share. The Warrants vest 20% on the Effective Date and 20% in annual installments until the Warrants are fully vested on the fourth anniversary of the Effective Date. The $300,000 purchase price for the Warrants is payable as the Warrants vest. Accordingly, the Warrant Investors paid an aggregate amount of $60,000 on the Effective Date and will pay $60,000 in the aggregate on each subsequent vesting installment. The Warrants were issued to the Warrant Investors without registration in reliance on the exemption set forth in Section 4(2) of the Securities Act. The Warrants include customary terms that provide for certain adjustments of the exercise price and the number of shares of common stock to be issued upon exercise of the Warrants in the event of stock splits, stock dividends, pro rata distributions and certain fundamental transactions. In addition, the Warrants are also subject to "full ratchet" anti-dilution protection. This anti-dilution provision provides that if Signature issues new shares of common stock during the term of the Warrants at a per share purchase price of less than the $1.03 exercise price of the Warrants, then the exercise price of the Warrants will be automatically reduced to the lowest per share purchase price of any shares of common stock issued during the term of the Warrants. Certain securities issuances by the Company will not trigger this full ratchet protection. The Company valued the Warrants at issuance date and December 31, 2010 at $5.1 million and $5.7 million, respectively, using a lattice option pricing model.

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In connection with the issuance and sale of the Signature common stock and the Warrants, Signature, the Signature Investors and the Warrant Investors entered into a registration rights agreement (the "Registration Rights Agreement"). Under the Registration Rights Agreement, Signature is required to use commercially reasonable efforts to register the resale of the shares of common stock issued to the Signature Investors and issuable to the Warrant Investors upon the exercise of Warrants in accordance with the requirements of the Securities Act pursuant to a resale shelf registration statement on Form S-3 or Form S-1, if the Company is not eligible to use Form S-3. Signature intends to file such registration statement as soon as practicable after Signature achieves compliance with all of its Exchange Act reporting obligations. Regardless of when any such registration statement is filed or declared effective, the shares of common stock issued to non-affiliate Signature Investors (but not the shares issuable upon a cash exercise of the Warrants) may be resold immediately and without restriction in reliance upon Rule 144 promulgated under the Securities Act to the extent such safe harbor provision is available.

Amended and Restated Articles and Amended and Restated Bylaws. Pursuant to the Plan, Signature adopted its Amended and Restated Articles of Incorporation, which, among other things, changed the corporation name to Signature Group Holdings, Inc., and its Amended and Restated Bylaws, which were effective as of the Effective Date. The Amended and Restated Articles of Incorporation also changed the par value of each share of Signature's common stock from $1.00 per share to $0.01 per share. Additionally, the number of authorized shares of Signature's common stock and preferred stock was increased to 190,000,000 and 10,000,000, respectively. In order to preserve certain tax benefits of Signature, Signature's Amended and Restated Bylaws impose certain restrictions on the transfer of Signature's common stock and other equity securities (the "Tax Benefit Preservation Provision"). The Tax Benefit Preservation Provision established a trading restriction on any holders of five percent or more of Signature's common stock in order to reduce the risk that any change in ownership might limit the Company's ability to utilize the NOLs under Section 382 of the Tax Code. The transfer restrictions apply until the earlier of (i) the repeal of Section 382 of the Tax Code, or any successor statute if Signature's Board determines that the Tax Benefit Provision is no longer necessary to preserve the tax benefits to Signature; (ii) the beginning of a taxable year of Signature in which Signature's Board determines that no tax benefits may be carried forward; or (iii) such other date as the Signature Board shall fix in accordance with the Amended and Restated Bylaws. For additional information, refer to "Tax Attribute Preservation Provision" in Item 5 of this Annual Report.

The Company's common stock and additional paid-in capital accounts for all periods presented in the consolidated financial statements and notes thereto, which are included in Item 8 of this Annual Report, have been retroactively adjusted to reflect the change in par value of common stock on the Effective Date.

Distributions. Pursuant to the Plan, on the Effective Date, Signature paid claims aggregating approximately $280.8 million to satisfy Allowed Claims, as defined in the Plan, and which are identified in the table below:

(Dollars in thousands)	Distribution Amount
Class 1 (Allowed secured claims)	$ 8
Class 2 (Priority non-tax)	-
Class 3A (Non-note general unsecured creditors)	49,059
Class 3B (Senior Notes)	186,782
Class 3C (TOPrS)	45,000
Total	$ 280,849

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In addition to the Allowed Claims identified above, the Company paid an additional $2.7 million on the Effective Date in professional fees to five firms that had filed aggregate claims of approximately $4.9 million. See "G. Recent Developments" in Item 1 of this Annual Report for additional information regarding settlements with professional firms.

Senior Notes Settlement. On the Effective Date, the holders of the Company's 7.875% Senior Notes due 2009 (the "Senior Notes") were paid $186.8 million, which amount equaled 100% of the outstanding principal balance plus accrued and unpaid interest as of the Petition Date using the contractual, 7.875% interest rate, plus accrued and unpaid interest from Petition Date through Effective Date using the federal judgment rate ("FJR") of 2.51% plus an additional $1.5 million (the "Senior Note Settlement"). The additional $1.5 million payment was made in an attempt to settle potential litigation that was likely to occur over the payment of post petition interest at FJR as opposed to the 7.875% contractual rate. In accordance with the settlement payment, the Senior Notes were cancelled. On the Effective Date and subject to the requirements of the Plan, the Senior Notes and the Senior Notes Indenture by and between the trustee and Fremont, dated March 1, 1999, as supplemented or otherwise modified (the "Senior Notes Indenture") were deemed automatically cancelled and discharged.

TOPrS Settlement. On the Effective Date, the TOPrS issued by Fremont General Financing I, a statutory business trust (the "TOPrS Trust") pursuant to the Amended and Restated Declaration of Trust dated March 6, 1996 (the "Amended and Restated Declaration of Trust"), were extinguished, and TOPrS holders as of the Effective Date became entitled to receive a pro rata share of each of the following amounts as settlement of their claims:

$45.0 million in cash (the "Cash Consideration"), subject to charging liens of Wells Fargo Bank, NA, in its capacity as indenture trustee to the TOPrS (the "TOPrS Trustee") described below;

$39.0 million in new notes payable maturing December 31, 2016, bearing 9.0% annual interest, payable quarterly commencing September 30, 2010 (the "Notes Payable") and continuing until the principal thereof is paid or made available for payment; and

21 million shares of Signature common stock.

On June 11, 2010, Signature paid the Cash Consideration to the TOPrS Trustee. The TOPrS Trustee distributed $43.0 million to the TOPrS holders and retained $2.0 million as a charging lien pending the resolution of its fees in the bankruptcy case. On June 17, 2011, the TOPrS Trustee released $1.6 million of the charging lien and distributed such amount to the holders of the TOPrS; the remaining $0.4 million is expected to be distributed no later than September 30, 2011.

On June 25, 2010, Signature issued the 21 million shares of Signature's common stock to the TOPrS holders. The shares were distributed through the Depository Trust Company ("DTC") at the request of the TOPrS Trustee for the convenience of the TOPrS holders, with each holder of TOPrS receiving its pro rata portion of the aggregate shares issued.

On July 16, 2010, Signature issued the Notes Payable. The indenture, dated June 11, 2010 (the "Notes Payable Indenture"), pursuant to which the Notes Payable were issued was qualified under the Trust Indenture Act of 1939 under cover of Form T-3 filed with the Commission on June 24, 2010, and became effective on July 15, 2010. Wells Fargo Bank, NA is serving in the capacity as indenture trustee to the Notes Payable ("Notes Payable Trustee") pursuant to the Notes Payable Indenture.

In connection with the TOPrS Settlement, the 9% Junior Subordinated Debentures dated March 6, 1996 (the "Junior Subordinated Debentures"), which were issued by Fremont in connection with the TOPrS transaction, the Indenture

with respect to the Junior Subordinated Debentures, dated March 6, 1996 (the "TOPrS Indenture"), the Amended and Restated Declaration of Trust and the TOPrS were each deemed extinguished, cancelled and of no further force or effect, and all obligations of the indenture trustee for the Junior Subordinated Debentures and Signature under any agreements, indentures, or certificates of designation governing the Junior Subordinated Debentures and TOPrS were discharged as of the Effective Date, except that the Junior Subordinated Debentures, TOPrS and the TOPrS Indenture continue in effect until such time that the TOPrS Trustee for the Junior Subordinated Debentures completes all distributions pursuant to the Plan, including the remaining sums due that are currently subject to the charging lien noted above.

On May 17, 2011, Signature received a notice of default from the Notes Payable Trustee for not satisfying a covenant to file with the Notes Payable Trustee its periodic reports required to be filed under the Exchange Act with the Commission. Signature has until August 15, 2011 to cure this default under the Notes Payable Indenture. With the filing of this Annual Report and the simultaneous filings of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010, Signature will have cured the reporting delinquency set forth in the Notes Payable Trustee's notice of default.

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Litigation and Loan Repurchase Settlements. During Fremont's bankruptcy proceedings, a number of settlements related to litigation matters and loan repurchase claims were reached resulting in the Company paying a total of $118.6 million. Of that amount, $36.5 million was paid on the Effective Date, which is included in the Class 3A (non-note general unsecured creditors) distributions that are identified in the table above. The payments made on the Effective Date related to the following material litigation matters:

$5.0 million paid related to a Stipulation and Agreement with the State of California Insurance Commissioner (the "Commissioner"), as statutory liquidator of Fremont Indemnity Company, an indirect subsidiary of Fremont ("Fremont Indemnity") and as statutory conservator of Fremont Life Insurance Company in Conservation, an indirect subsidiary of Fremont ("Life");

$2.0 million paid related to a stipulation and agreement with The Enron Creditors Recovery Corporation ("Enron"), as representatives of Enron Corporation's bankruptcy estate;

$22.0 million paid related to a trilateral stipulation and agreement with seven former officers and directors of Fremont and/or Fremont Indemnity and the Commissioner, as statutory liquidator of Fremont Indemnity; and

$7.0 million paid related to a Final Stipulation and Agreement of Payment, Settlement and Release of Certain Claims with The Bank of New York.

All of these litigation settlements were entered into prior to fiscal year 2010. For additional information, refer to Note 2 Significant Events, Including Chapter 11 Bankruptcy Proceedings of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report.

From January 1, 2010 through the Effective Date, Fremont entered into three residential loan repurchase settlement agreements. The Company paid approximately $28.3 million prior to the Effective Date with respect to such repurchase settlements. These settlements not only were consistent with the economics of FIL's prior repurchase claim settlements, but also avoided complex commercial litigation between the counterparties and Fremont, or, potentially the plan proponents involved in Fremont's bankruptcy proceedings. In the third and fourth quarters of 2010, Signature did not enter into any litigation or loan repurchase settlement agreements. See Note 20 Discontinued Operations of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report for more information about the Company's repurchase reserve liability.

Unpaid Claims. Signature did not pay approximately $17.2 million in claims filed with the Bankruptcy Court as of the Effective Date (the "Unpaid Claims"). Signature has subsequently resolved $2.9 million in claims related to voluntary withdrawal and paid $3.0 million to various claimholders during the third quarter of 2010. We are actively seeking the voluntary withdrawal of, the settlement of, or have plans to object to all other Unpaid Claims in the Bankruptcy Court. Subsequent to the Effective Date and after the claims bar date, Signature received an additional $2.7 million in claims. Signature does not believe it has any liability associated with these claims. If we are unsuccessful in such objections or are unable to negotiate substantially reduced settlements with the claimholders of the remaining Unpaid Claims and Signature is obligated to pay these amounts, it could have a material adverse affect on our financial condition and results of operations. See "Risk Factors" in Item 1A of this Annual Report.

Termination of SERP Plans and Receipt of Proceeds. On July 14, 2010, Signature made a demand (the "Demand") on Merrill Lynch Trust Company, FSB as trustee ("Merrill Lynch") to terminate the following retirement plans held by Merrill Lynch and remit the property held thereby to Signature: (i) the Fremont General Corporation 2003 Excess Benefit Plan ("Excess Benefit Plan"); (ii) the Fremont General Corporation Supplemental Executive Retirement Plan, as amended ("SERP"); and (iii) the Fremont General Corporation Supplemental Executive Retirement Plan II, as amended ("SERP II," and together with SERP and Excess Benefit Plan, collectively, the "SERP Plans"). The Demand was made in

conjunction with acknowledgement letters received by Signature from all remaining beneficiaries in the SERP Plans waiving any right to or claims against the SERP Plans as result of the treatment and distributions such beneficiaries received in accordance with the distributions made on or about the Effective Date.

On July 22, 2010, Signature received funds from Merrill Lynch in the total amount of $11.7 million, which reflected the net proceeds remaining in the SERP Plans after liquidation (the "Net Proceeds"). All equity interests in Signature held by the SERP Plans were not liquidated but were instead held and placed into a separate account in the name of Signature (such equity interests, the "Remaining Shares"). Both the Net Proceeds and Remaining Shares are assets of Signature. In December 2010, the Board of Directors approved the cancellation and retirement of the Remaining Shares, which reduced the Company's outstanding share count by 91,645 to 112,104,768 as of December 31, 2010.

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Substantial Contribution Claims. Pursuant to the Plan, Signature was obligated to pay all Allowed Claims, which included payments of expenses of plan proponents and other parties in interest who the Bankruptcy Court deemed had made substantial contributions in Signature's progress toward reorganization ("Substantial Contribution Payments"). The determination by the Bankruptcy Court relating to such Substantial Contribution Payments was not made until after the Effective Date, so these amounts are separate and apart from the Unpaid Claims described previously. In the fourth quarter of 2010, Signature paid a total of $4.2 million in Substantial Contribution Payments, which represents the full amount of the Substantial Contribution Claims. Included in the $4.2 million was $3.8 million in administrative expense claim payments to affiliates of the Company, including $2.0 million to Signature Group Holdings, LLC, $1.6 million to New World Acquisition, LLC and $0.2 million to James A. McIntyre.

F. MANAGEMENT OF SIGNATURE

Pursuant to the Plan, Signature entered into the Interim Management Agreement on June 11, 2010 with SCA, certain principals of whom subsequently became affiliated with Signature as members of our executive management team See "New Management Team and Board of Directors" below. Under the Interim Management Agreement, SCA acts as the adviser to Signature and manages the assets and operations of Signature, subject to the supervision of Signature's Board of Directors. SCA will also arrange for the acquisition of any equity or debt financing obtained by Signature, subject to the approval of the Board of Directors.

The Interim Management Agreement was to remain in effect until the earlier of the date Signature and SCA enter into a long-term management agreement or December 31, 2010. The Interim Management Agreement was extended by Board action through December 31, 2011. It may be terminated upon sixty (60) days' written notice (i) by the vote of a majority of the outstanding securities of Signature, (ii) by the vote of Signature's Board or (iii) by SCA.

Under the Interim Management Agreement, SCA receives as compensation for its services $525,000 per calendar quarter or such other amount based on the determination of the Board and the consent of SCA (the "Management Fee") paid in advance of each quarter, which is intended to cover the commercially reasonable operating expenses to be incurred by SCA in its management of Signature. SCA will refund the portion of the Management Fee that exceeds its actual expenses or apply such excess to the subsequent period, if applicable. Signature will bear all other costs and expenses of its operations and transactions. Management fees for the year ended December 31, 2010 were $1.1 million.

SCA may enter into sub-advisory agreements with other managers to assist SCA in fulfilling its responsibilities under the Interim Management Agreement. SCA may engage in any other business or render similar or different services to other parties who have a similar business objective as Signature so long as SCA's services to Signature are not impaired thereby. Any manager, partner, officer or employee of SCA who is or becomes a director, officer and/or employee of Signature and acts as such in any business of Signature shall be deemed to be acting in such capacity solely for Signature, and not as a manager, partner, officer or employee of SCA or under the control or direction of SCA, even if paid by SCA. At the date of this filing, the partners or employees of SCA that are directors and/or officers of Signature include Craig Noell, our Chief Executive Officer, Kenneth Grossman, our Executive Vice President, Kyle Ross, our Executive Vice President and interim Chief Financial Officer, and David Collett, our Senior Vice President and Treasurer. The Interim Management Agreement also limits the liability of, and provides indemnification for, SCA and its affiliates for certain actions taken or omitted in connection with the performance of its duties under the Interim Management Agreement.

Under the Interim Management Agreement, SCA has agreed to limit the base salaries for each of Craig Noell, Kenneth Grossman, Thomas Donatelli and Kyle Ross (collectively, "SCA Executives") to $150,000 per annum for such professional's services to Signature from the Effective Date through December 31, 2010 and for each automatic extension thereof. The Signature Board may approve bonuses to the SCA Executives directly or pursuant to

Signature's incentive plans as in effect from time to time, if any.

SCA operates under established procedures with the Company whereby the approval of a majority of the Board of Directors is required for all corporate initiatives in excess of $8.0 million, whether capital deployment, capital raising, or other activities of such size.

New Management Team and Board of Directors. Signature emerged from bankruptcy proceedings with a new Board of Directors and, in conjunction with the resignations of Fremont's senior executive officers as discussed below, a new management team. Our new management team and Board of Directors are made up of an experienced and seasoned group of financial and operating professionals who have extensive experience to implement Signature's new business plan and manage the Legacy Assets.

Executive Officers. Signature's executive officers, including Messrs. Noell, Grossman, Ross and Collett, are partners or employees at SCA, our manager. Craig Noell and Kenneth Grossman are also members of our Board of Directors. See Part III – Item 10 of this Annual Report for biographical and additional information concerning the experience, qualifications, attributes and skills of each executive officer.

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Board of Directors. Pursuant to the Plan, on the Effective Date, Signature increased the size of its Board of Directors to nine (9) members and appointed Michael Blitzer, Kenneth Grossman, John Koral, Norman Matthews, John Nickoll, Craig Noell, Robert Peiser, Richard Rubin and Robert Schwab as new members of the Board of Directors. Since the Effective Date, the composition of the Signature Board of Directors has changed with the resignations of Messrs. Matthews, Rubin, Blitzer and Peiser in January 2011, February 2011, April 2011 and May 2011, respectively. In April 2011, the Signature Board of Directors appointed three new members, Deborah Hicks Midanek, Steven Gidumal and Patrick E. Lamb to fill vacancies on the Board of Directors. Aside from Craig Noell and Kenneth Grossman, the other six members of our Board of Directors as of the date of the filing of this Annual Report are considered "independent" under both New York Stock Exchange (the "NYSE") and NASDAQ Stock Market "Independence Rules." The Signature Board made such determinations based on the fact that such directors have not had, and currently do not have, any material relationship with the Company or its affiliates or any executive officer of the Company or his affiliates, that would currently impair their independence, including, without limitation, any such commercial, industrial, banking, consulting, legal, accounting, charitable or familial relationship. See Part III – Item 10 of this Annual Report for biographical and additional information concerning the experience, qualifications, attributes and skills of each member of our Board of Directors as of December 31, 2010 and as of the date of the filing of this Annual Report.

Former Fremont Senior Management and Board of Directors. In connection with Fremont's emergence from bankruptcy proceedings its senior executive officers, including Richard A. Sanchez, Interim President and Chief Executive Officer, Thea K. Stuedli, Executive Vice President and Chief Financial Officer and Donald E. Royer, Executive Vice President and General Counsel gave notice of their respective resignations on June 4, 2010. The resignations of Mr. Sanchez and Ms. Stuedli became effective July 5, 2010. Mr. Royer delayed effectiveness of his resignation until October 2010 and assumed the roles of acting Chief Operating Officer and interim acting Chief Legal Officer of Signature during this interim period. On December 27, 2010, Signature entered into a Separation, Consulting and Mutual Release Agreement with Mr. Royer (the "Royer Separation Agreement"). Under the Royer Separation Agreement, in return for, among other things, mutual releases between the parties, Mr. Royer received $124,000 for consulting services for the period October 2, 2010 through December 31, 2010, reimbursement of legal expenses incurred, and severance payments totaling $500,000, which shall be paid in four equal quarterly installments on January 1, 2011, April 1, 2011, July 1, 2011 and October 1, 2011. The Royer Separation Agreement also provides for terms upon which Mr. Royer may in the future be called upon to provide Signature with consulting services in a capacity as an independent contractor.

With respect to Mr. Sanchez and Ms. Stuedli, their resignation notices included the identification of potential claims for certain compensation and related benefits pursuant to their respective employment agreements with Fremont and FRC. Signature does not agree with the position taken by the aforementioned former executive officers and intends to dispute any such claims if ultimately made against the Company. Subsequent to the effective date of his resignation, Mr. Sanchez continued to provide management services to Signature and was paid a monthly fee of $50,000 from July through September 2010.

In accordance with the Plan and the Confirmation Order, the members of Fremont's Board of Directors: (i) Stephen H. Gordon, (ii) David S. DePillo, (iii) Richard A. Sanchez, (iv) Barney R. Northcote, (v) Mark E. Schaffer, and (vi) Robert J. Shackleton, each tendered their resignation from the Boards of Fremont, FGCC and/or FRC, and/or their respective subsidiaries, with such resignations effective at 12:01 a.m. on the Effective Date.

G. RECENT DEVELOPMENTS

Notification of Review of Tax Refund. In February 2011, the Internal Revenue Service ("IRS") notified the Company that its $24.8 million refund related to the carryback of its NOLs from the 2008 year to the taxable year periods 2003, 2004, and 2005 was subject to review by the Congressional Joint Committee on Taxation (the "Joint Committee") and a

request was made for the Company to provide certain information regarding the refund. Signature previously received $24.4 million, net of other potential tax liabilities of $0.4 million, on October 6, 2010. One of the pre-requisites to receiving such refund was completion by the IRS of its examination of Fremont's consolidated tax returns for the years ended 2006 and 2007, which were finalized. Shortly after payment of the tax refund, the IRS withdrew its amended proof of claim filed in the Bankruptcy Court noting the claim had been satisfied. Although the Company does not have any reason to believe that the Joint Committee will not approve the full amount of the tax refund, there is no assurance that such approval will be given by the Joint Committee. See "Risk Factors" in Item 1A of this Annual Report.

Settlement with Professionals involved in the Fremont Bankruptcy Case. After the Effective Date, Signature engaged in settlement discussions with seven professional firms involved in the Fremont Bankruptcy Case. In 2011, we have reached settlement with two of the firms whose fees we disputed, resulting in Signature paying $0.4 million in the second quarter of 2011. Between the Effective Date and December 31, 2010, settlements were reached with four of these firms resulting in Signature paying $0.9 million in 2010, which was in addition to the $2.7 million paid to such firms on the Effective Date. The outstanding disputed claims from the last firm that has not settled with Signature as of the date of this filing aggregates approximately $1.2 million. On May 6, 2011, the Bankruptcy Court took the remaining professional fee dispute under submission and indicated it would issue a written decision within 60 days of the hearing.

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Changes in Senior Management and the Board of Directors. On March 21, 2011, the Company appointed David Collett as a Senior Vice President and its Treasurer. During 2011, the composition of the Signature Board of Directors changed with the resignations of Messrs. Matthews, Rubin, Blitzer and Peiser and the appointment of three new members, Ms. Midanek, Mr. Gidumal and Mr. Lamb to fill vacancies on the Board of Directors. See Part III – Item 10 of this Annual Report for biographical and additional information concerning Mr. Collett, the newly appointed directors and the resigning directors.

New Business Initiatives. During the first quarter of 2011, Cosmed, a newly-formed subsidiary of Signature, acquired certain assets and assumed certain liabilities of Costru for consideration totaling $2.7 million. Cosmed, which does business under the trade name CosmedicineTM, manufactures a line of skin care products for women, which is available in retail stores across the country. Signature currently owns 92% of the outstanding common stock of Cosmed, with the remaining 8% of the outstanding shares being held by the former owners of Costru.

During the first quarter of 2011, Signature Credit Partners, Inc., a newly-formed, wholly-owned subsidiary of Signature, purchased $8.4 million in defaulted senior secured debt of a manufacturing company that specializes in retail store fixtures and merchandise displays for $4.3 million. While the senior secured debt is currently in default, it is the Company's current intent to restructure the loan relationship.

COMPETITION

Signature's primary competitors in providing debt financing and equity capital for middle-market companies include commercial and investment banks, public and private funds, commercial finance companies, private equity funds, and high net worth individuals. Additionally, because competition for transactions such as those Signature plans to target generally has increased among alternative capital providers, such as hedge funds, those entities have begun to provide capital in areas they have not traditionally funded, including middle-market companies. Many of Signature's existing and potential competitors are substantially larger and have considerably greater financial, technical, and marketing resources than we do. Furthermore, as Signature is a new market participant in such business lines, we believe most of our competitors have a lower cost of funds and access to funding sources that are not available to Signature.

EMPLOYEES

As of December 31, 2010 and 2009, we employed 25 and 42 employees, respectively. None of our employees are covered by a collective bargaining agreement. Management believes that its relationship with its employees is good. The majority of our day-to-day operations are managed by SCA. See "F. Management of Signature" in Item 1 of this Annual Report for more information about SCA.

AVAILABLE INFORMATION: WEBSITE ACCESS TO PERIODIC REPORTS

The following information can be found on Signature's website at www.signaturegroupholdings.com:

- the most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act that we have filed with the Commission, as soon as reasonably practicable after the reports have been filed with the Commission. Copies of Signature's Form 10-Ks, Form 10-Qs and other reports filed with the Commission can also be obtained from the Commission's website at www.sec.gov;

- information relating to corporate governance at Signature, including our Code of Ethics for Senior Financial Officers and Amended and Restated Code of Conduct (for all employees including executive officers and directors). We intend to disclose on our internet website any amendments to or waivers from these governance documents in

lieu of disclosure on Form 8-K in accordance with Item 5.05(c) of Form 8-K;

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- information about Board committees, including the charters of standing committees of the Board; and
- information relating to transactions in Signature's securities by its directors and executive officers.

Additionally, we will provide copies of any of this information free of charge upon written request to, Signature Group Holdings, Inc., Investor Relations, 15303 Ventura Blvd, Ste. 1600, Sherman Oaks, CA 91403, or by email request to invrel@signaturegroupholdings.com.

Item 1A. Risk Factors

This Annual Report may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements and current results reported herein are not guarantees of future performance or results and there can be no assurance that actual developments and economic performance will be as anticipated by us. Actual developments and/or results may differ significantly and adversely from expected results as a result of significant risks, uncertainties and factors. These listed risk factors are not intended to be exhaustive and the order in which the risk appear is not intended as an indication of their relative weight or importance. These risk factors may be important to understanding any statement in this Annual Report or elsewhere.

A. BUSINESS RISKS

Business risks are risks associated with general business conditions, the economy, and the operations of Signature. Business risks are not risks associated with specific transactions we may be involved in nor are they risks associated with an offering of, or investment in, our common stock. The business risks associated with the business conducted by Fremont until the Effective Date is not presented herein because Signature is not engaged in those businesses.

Signature's financial condition and results of operations will depend on its ability to manage and deploy capital effectively. Our ability to achieve our business and strategic objectives will depend on our ability to effectively manage and deploy our capital, which will depend, in turn, on SCA, as our management company, to identify, evaluate, structure and negotiate transactions, and monitor companies that are consistent with our strategy and business objectives. We cannot assure you that we will achieve our business and strategic objectives.

Accomplishing our business objectives on a cost-effective basis will be largely a function of SCA's handling of its ability to provide competent, attentive and efficient services, its access to transactions offering acceptable terms, and its ability to consummate those transactions. In addition to monitoring the performance of our assets, members of SCA's management team and its professionals may also be called upon to provide managerial assistance to our subsidiary companies in which we hold debt, equity interests or otherwise operate businesses that we acquire through our business lines. These additional demands on the SCA management team may distract management from focusing on our other company assets or operations and slow the rate of our capital deployment.

The results of our operations will depend on many factors, including the availability of opportunities, accessible funding alternatives, and economic conditions. There is no assurance that one or all of these factors will be favorable to us or our business in order to deploy our capital effectively. In addition, changes in the business practices of commercial and investment banks, public and private funds, commercial finance companies, private equity funds, hedge funds, high net worth individuals and governmental agencies in terms of providing debt and equity financing in the middle market or selling loan portfolios and other financial assets may negatively impact our ability to source attractive opportunities to deploy capital. If we cannot successfully operate our business or implement our strategies

as described in this Annual Report, it could negatively impact our financial condition and results of operations.

Even if we are able to grow and build our operations, any failure to manage our growth effectively could have a material adverse effect on our business, financial condition, results of operations and prospects.

Signature's business model depends to a significant extent upon its manager's referral relationships, and its ability to maintain or develop these relationships in the future. We expect that the management team and members of Signature's manager, SCA, will maintain their relationships with financial institutions, private equity and other non-bank investors, investment bankers, commercial bankers, attorneys, accountants and consultants, and we will rely to a significant extent upon these relationships to provide us with potential opportunities in which to provide capital. If the management team and members of our manager fail to maintain their existing relationships or develop new relationships with other sponsors or sources of transaction opportunities, we will not be able to achieve our business and strategic objectives. In addition, individuals or firms with whom the management team and members of our manager have relationships are not obligated to provide us with transaction opportunities, and, therefore, there is no assurance that such relationships will generate business opportunities for us.

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Signature has a new management team, Board of Directors and business strategy with limited operating history. Signature emerged from bankruptcy proceedings in June 2010 with a new management team and Board of Directors, as well as a new business plan and strategy. As a result, Signature is subject to all of the business risks and uncertainties associated with any new business, including the risk that we will not achieve our business objectives. Additionally, prior to the Effective Date, certain members of Signature's management team had not worked together. While the members of Signature's management team have similar professional backgrounds and investment philosophies, there are no assurances that we will have a consensus on every business decision or a common philosophy. Finally, the members of our Board of Directors have not worked together in the past, which we believe to be valuable on one hand, as it provides a broader perspective for the business strategy and initiatives we may be required to evaluate, but this limited history also represents a potential risk in that the Board of Directors may not come to consensus on every business decision or may require additional time to deliberate among potential options for any particular matter, which could result in possible lost business opportunities. In addition, we may have future turnover in the members of our Board of Directors as we have experienced in 2011.

Signature depends on key personnel of SCA to achieve its business and strategic objectives. We depend on the members of the senior management team of our management company, SCA, particularly Craig Noell, Kenneth Grossman, Kyle Ross, Thomas Donatelli, and David Collett to function as Signature's management team and to execute our business plan and strategy and to manage our business and day-to-day operations, including identifying, structuring, closing and monitoring the deployment of our capital. These members of the senior management team of SCA have critical industry experience and relationships that we rely upon to implement our business plan. If we lose the services of one or more of these individuals or the services of SCA, we may not be able to operate our business or identify and manage our business as we planned, and our ability to compete could be harmed, both of which could have a material adverse effect on our business, financial condition and results of operations.

Signature's Interim Management Agreement with SCA is not a long term arrangement and the economic terms are likely to change in the future. Pursuant to the Interim Management Agreement, Signature contracted with SCA to provide general business management for its operations through December 31, 2010 with annual renewals if a revised Management Agreement had not yet been entered into between the parties. The Agreement has been renewed by the Board of Directors through December 31, 2011, unless sooner terminated in accordance with its terms. The Interim Management Agreement has certain beneficial terms for Signature; in particular, a pass-through-of-expenses management fee structure and a salary limitation on the SCA Executives. If we enter into a more permanent management agreement or an alternative compensation arrangement with our executives, we expect it will have a substantially different economic structure, which would likely include compensation structures that may result in increased cost to Signature.

Signature is subject to considerable pending legal proceedings which relate to the prior businesses of Fremont and/or FIL. We are subject to a number of lawsuits seeking monetary damages and injunctive relief which relate to Fremont and/or FIL's business. For a summary of our material legal proceedings, see "Legal Proceedings" in Item 3 of this Annual Report. Additional litigation may be filed against us or disputes may arise in the future concerning matters involving the prior business of Fremont and/or FIL's business or the business which Signature is now beginning to engage. We have been and intend to continue to vigorously defend ourselves in all legal proceedings we are involved in, including the lawsuits described in Item 3, however, the outcome of litigation and other legal matters is always uncertain and could materially adversely affect our liquidity, financial condition and results of operations.

Signature has received repurchase claims relating to certain residential mortgage loan originations sold by FIL and may receive additional claims in the future that, unless withdrawn or settled within the limits of a reserve we have established, could harm our financial condition and results of operations. As of December 31, 2010, Signature had approximately $100.0 million in outstanding repurchase claims associated with the representations and warranties related to the residential real estate mortgages sold by FIL. Signature maintains a loan repurchase reserve for the

estimated losses associated with such loan repurchase demand claims, both known and unknown. While management believes that Signature's $8.9 million loan repurchase reserve liability was sufficient as of December 31, 2010, no assurance can be made that changing facts and circumstances could not cause us to increase such repurchase reserve in future periods or for the Company to experience losses in excess of its repurchase reserve liability. Any material increase in repurchase claim activity, our repurchase reserve or changes in the nature of repurchase claims or changes in our ability to object to, defend, or settle such claims could have a material adverse effect on our financial condition and results of operations.

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Adverse changes in the residential mortgage markets or the regulatory environment governing such markets may affect the value of Signature's residential mortgage loans held for sale or its ability to sell such assets for acceptable prices. As of December 31, 2010, Signature held $106.6 million of unpaid principal balance ("UPB") of residential mortgage loans which were classified as held for sale and carried at a value of $38.9 million, or 36.5% of UPB. The value of residential mortgage loans held for sale depends on a number of factors, including general economic conditions, interest rates, the value of the underlying collateral and legislative and regulatory actions. Adverse changes in the residential mortgage markets, such as those experienced since mid 2007, or legislative and regulatory actions may affect our ability to collect payments from borrowers, foreclose on the underlying collateral, or sell the remaining residential mortgage loans held for sale for acceptable prices. These adverse changes in the residential mortgage markets may have a material adverse effect upon the value of our residential mortgage loans, our financial condition and results of operations.

Signature did not pay approximately $17.2 million in claims filed with the Bankruptcy Court on the Effective Date, which it must resolve before a final decree will be issued. On the Effective Date, Signature did not pay approximately $17.2 million in claims as the claims and/or amounts were in dispute. Subsequent to the Effective Date, Signature resolved $2.9 million in claims related to voluntary withdrawal and paid approximately $3.0 million to certain other claimholders during the third quarter of 2010. As for the remaining claims which Signature does not believe it is liable for, Signature is actively seeking their voluntary withdrawal, plans to object to them in the Bankruptcy Court, or plans to continue to litigate them in the appropriate venues. If Signature is unsuccessful in such objections, such litigation, or is unable to negotiate substantially reduced settlements with the claimholders of the remaining claims, and Signature is obligated to pay these amounts, it could have a material adverse effect on our financial condition and results of operations.

Signature's $24.8 million tax refund related to its 2008 carryback NOL is subject to review of the Joint Committee. Following completion of the IRS examination of Fremont's consolidated tax returns, the Company received a tax refund in the amount of $24.4 million, net of other potential tax liabilities of $0.4 million, related to the carryback 2008 NOL applicable to prior taxable year periods 2003, 2004 and 2005. In February 2011, the IRS notified the Company that the tax refund was subject to review by the Joint Committee, and a request was made for certain information from the Company in connection with its review of the tax refund. Although the Company does not have any reason to believe that the Joint Committee will not approve the full amount of the tax refund, there is no assurance that such approval will given by the Joint Committee and an adverse finding could have a material adverse effect on our financial condition and results of operations.

Signature's inability to control its expenses may adversely affect its financial condition and results of operations. Since emerging from bankruptcy, Signature's sources of revenue have been limited. We continue to have significant operating and non-interest expenses, including compensation and related expense, legal, professional and other outside services, occupancy expense, interest expense, and information technology expense. We also expect that we may have increased expense if we enter into a more permanent management agreement with SCA or an alternative compensation structure with our executives. Although we have significantly reduced our expenses, our inability to further reduce our operating and non-interest expenses may have an adverse affect our financial condition and results of operations.

Signature's ability to utilize its NOLs or recognize tax benefits on future domestic U.S. Tax losses may be limited. Signature's ability to fully utilize its existing federal and state NOLs could be limited or eliminated should Signature (i) undergo an "ownership change" as described under Section 382 of the Tax Code; (ii) be found by the IRS not to be able to avail itself of Section 382(l)(5) of the Tax Code; or (iii) not return to profitability or be only marginally profitable.

Although no assurances can be given that the IRS agrees with our position, as of the Effective Date, we believe the Company met the criteria under Section 382(l)(5) of the Tax Code to be able to utilize the NOLs to offset future income generated by the Company, if any. Such usage, however, is predicated upon the Company not experiencing a future "ownership change." An ownership change is generally defined as greater than 50% change in equity ownership by value over a three-year period. We may experience an "ownership change" in the future as a result of changes in our stock ownership, which would result in a limitation on our ability to utilize our NOLs. Furthermore, since we are relying on Section 382(l)(5) of the Tax Code, if we were to experience an ownership change during a two year period beginning on the Effective Date, we would lose our entire ability to utilize the NOLs. In addition, any changes to tax rules or the interpretation of tax rules could negatively impact our ability to recognize benefits from our NOLs.

As of the Effective Date, we have amended our Amended and Restated Bylaws to provide for restriction on certain transfers of Signature common stock in order to preserve our NOLs. Unless approved by the Board, any attempted transfer of Signature common stock is prohibited and void to the extent that, as a result of such transfer (or any series of transfers) (i) any person or group of persons shall become a "five-percent holder" of Signature (as defined in the Treasury Regulations) or (ii) the ownership interests of any five-percent shareholder shall be increased or decreased. Persons wishing to become a 5% shareholder (or existing 5% shareholders wishing to increase or decrease their percentage share ownership) may request a waiver of the restriction from Signature, and the Board of Directors may grant a waiver in its discretion. On October 23, 2007, Fremont and Mellon Investor Services LLC, as rights agent, entered into a Rights Agreement (the "Rights Agreement"), which also operates to preserve our NOLs. The Rights Agreement provides for a dividend distribution of one preferred share purchase right (a "Right") for each outstanding share of Company common stock. So long as the Rights Agreement is effective and the Rights are attached to the Company common stock, one additional Right, as such number may be adjusted pursuant to the provisions of the Rights Agreement, shall be deemed to be delivered for each share of Company common stock issued or transferred by the Company in the future. Subject to the exceptions and limitations contained in the Rights Agreement, the Rights generally are exercisable only if a person or group acquires beneficial ownership of 5% or more of the Company's common stock or commences a tender or exchange offer upon consummation of which such person or group would beneficially own 5% or more of the Company's common stock, and the Company's Board of Directors affirmatively determines a Distribution Date (as defined in the Rights Agreement) shall occur.

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Finally, our NOLs only have value to the extent we generate profits. If we are unable to generate profits prior to the expiration of the NOLs, or if we are only marginally profitable during such period, we will be limited in our ability to utilize the tax benefits related to our NOLs.

Signature's use of its NOLs in the future may be challenged by the IRS under anti-abuse rules associated with tax avoidance. While Signature believes it is eligible to utilize the full amount of the NOLs under Section 382(l)(5), the IRS can at anytime challenge the use of NOLs in the future under an argument that a transaction or transactions were concluded with the substantial intent of sheltering future tax liabilities. In any situation where the IRS is successful in such a challenge, Signature's ability to utilize its NOLs may be limited, which may have a material adverse impact on Signature's financial condition and results of operations.

Signature's intention to not become an investment company subject the Investment Company Act of 1940 as amended may impose constraints on our operations. We intend to conduct our operations so that we are not required to register as an investment company under the Investment Company Act of 1940, as amended, which we refer to as the Investment Company Act. Section 3(a)(1)(C) of the Investment Company Act defines as an investment company any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40.0% of the value of the issuer's total assets (exclusive of government securities and cash items) on an unconsolidated basis. Excluded from the term "investment securities" are, among other things, securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

We may be compelled to take or refrain from taking actions, to acquire additional income or loss generating assets or to forego opportunities that might otherwise be beneficial to us in order to ensure that we (or one of our subsidiaries) may continue to rely on the applicable exceptions or exemptions under the Investment Company Act. These limitations on our freedom of action could have a material adverse effect on our financial condition and results of operations.

If we fail to maintain an exemption, exception or other exclusion from registration as an investment company, we could, among other things, be required to substantially change the manner in which we conduct our operations either to avoid being required to register as an investment company or to register as an investment company. If we were required to register as an investment company under the Investment Company Act, we would become subject to substantial regulation with respect to, among other things, our capital structure (including our ability to use leverage), management, operations, transactions with affiliated persons (as defined in the Investment Company Act), portfolio composition, including restrictions with respect to diversification and industry concentration, and our financial condition and results of operations may be adversely affected.

We identified a material weakness in our internal control over financial reporting. Failure to achieve and maintain effective internal control over financial reporting could result in our failure to accurately and timely report our financial results. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. Our management has concluded that as of December 31, 2010, we did not maintain an effective overall control environment, which is the foundation for effective internal control over financial reporting. As a result of the sale of substantially all of Fremont's business operations from 2007 to 2008 and the significant reduction in certain other business operations as a result of the bankruptcy proceedings, Fremont experienced considerable turnover of staffing within its accounting operations. Additionally, during the period in which Fremont was in bankruptcy proceedings with limited resources, the Company did not maintain a sufficient number of financial and accounting staff personnel with the appropriate level of accounting knowledge and experience in order to timely provide accurate and reliable financial statements that were

prepared and reviewed in accordance with accounting principles generally accepted in the United States of America. See “Controls and Procedures—Changes In Internal Control Over Financial Reporting” in Item 9A of this Annual Report for further information about the material weakness in our internal control over financial reporting and the effect of this material weakness, including the impact on our accounting functions and policies, as well as our financial reporting.

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While we have taken efforts to improve the number and expertise of staff in our accounting and finance function since emerging from bankruptcy proceedings on the Effective Date, if we fail to further enhance these functions or otherwise fail to identify deficiencies in our internal control over financial reporting in a timely manner, remediate any deficiencies, or identify material weaknesses in the future, we may be unable to report our financial results accurately and on a timely basis. Additional material weaknesses or deficiencies in our internal controls may be discovered in the future. Ineffective internal control over financial reporting also could cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the market value of our equity securities. Even if we are able to report our financial statements accurately and timely, if we do not make all the necessary improvements to address the material weakness, continued disclosure of our material weakness will be required in future filings with the Commission.

In addition, our new business strategy contemplates the acquisition of businesses and the operation of subsidiaries whose financial results will be consolidated into our financial statements and reporting. As a result of these business activities and our future growth, the scope of our internal control over financial reporting will have to expand, which may subject us to increased internal control risks. These subsidiaries and their operations will need to be managed with effective internal control over financial reporting in order for us to produce accurate and timely financial reports. Failure to do so would result in our inability to report our financial results accurately and on a timely basis, which would likely have a negative effect on the market value of our equity securities.

Changes in, and compliance with, laws or regulations governing our operations may adversely affect our business or cause it to alter our business strategy. We and the companies in which we provide capital to or acquire will be subject to regulation at the local, state and federal level. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, any of which could harm us and our shareholders, potentially with retroactive effect. In particular, any changes in domestic and foreign government regulations that affect our ability to collect amounts on our residential real estate loan portfolio assets, or increased costs to service and monitor such assets, or changes to bankruptcy or collection laws could negatively impact our operating results. Additionally, any changes to the laws and regulations may cause us to alter our business strategy in order to avail ourselves of new or different opportunities. Such changes could result in material differences to the strategies and plans set forth in this Annual Report and may result in our business focus shifting from the areas of expertise of our management team to other types of opportunities in which our management team may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations.

In addition, our inability to comply with the federal, state and local statutes and regulations in the business segments, geographic regions and jurisdictions in which we operate could harm us and our shareholders.

Signature's results of operations are significantly dependent on economic conditions and related uncertainties. The results of operations are and will be affected, directly and indirectly, by domestic and international economic and political conditions and by governmental monetary and fiscal policies. Conditions such as inflation, recession, unemployment, volatile interest rates, real estate values, government monetary policy, international conflicts, the actions of terrorists and other factors beyond our control may adversely affect our financial condition and results of operations. Accordingly, we remain subject to the risks associated with prolonged declines in national or local economies.

Signature's success will depend on SCA's ability to attract and retain qualified personnel in a competitive environment. Signature expects SCA will experience competition in attracting and retaining qualified personnel, particularly investment professionals, and Signature may be unable to maintain or grow its business if SCA cannot attract and retain such personnel. SCA's ability to attract and retain personnel with the requisite credentials, experience and skills depends on several factors including, but not limited to, SCA's ability to offer competitive wages, benefits and professional growth opportunities. Many of the entities, including investment funds (such as private equity funds and

mezzanine funds) and traditional financial services companies, with which SCA competes for experienced personnel have greater resources than it has.

The competitive environment for qualified personnel may require Signature and SCA to take certain measures to ensure that SCA is able to attract and retain experienced personnel. Such measures may include increasing the attractiveness of the overall compensation packages, altering the structure of compensation packages through the use of additional forms of compensation, or other steps. The inability to attract and retain experienced personnel could have a material adverse effect on our business.

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Signature operates in a highly competitive market for the transactions it seeks to engage in. A large number of entities compete to source, structure and effectuate the types of transactions that we plan to be involved with in companies operating in the middle market. We compete for opportunities with traditional financial services companies such as commercial and investment banks, business development companies, investment funds (including private equity funds and mezzanine funds) and other sources of funding. Moreover, alternative investment vehicles, such as hedge funds, also provide capital to lower middle market companies. As a result, competition for opportunities in middle market companies is intense. Many of our competitors are substantially larger and have considerably greater financial, technical, and marketing resources than we do. Furthermore, as Signature is a new market participant in such business lines, we believe most of our competitors have a lower cost of funds and access to funding sources that are not available to Signature. These characteristics could allow our competitors to consider a wider variety of opportunities, establish more relationships and offer better pricing and more flexible structuring than we are able to do. We may lose out on transactions if we do not match our competitors' pricing, terms and structure. Or, if we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our capital or may bear substantial risk of capital loss. Notwithstanding the competitive nature of our business, we believe the market opportunity of providing capital in middle market companies is still underserved, but a significant increase in the number and/or the size of capital providers or other competitors in this target market could force us to accept less attractive terms.

Signature's results of operations could vary as a result of the methods, estimates and judgments that we use in applying our accounting policies, including changes in the accounting regulations to be applied. The methods, estimates and judgments that we use in applying our accounting policies have a significant impact on our results of operations. Additionally, when we acquire businesses or engage in other transactions as outlined in our business strategy, we will utilize various methods, estimates, and judgments to account for such transactions. Such methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that leads us to change our methods, estimates and judgments. Changes in those methods, estimates and judgments could significantly affect our results of operations. Likewise, our results of operations may be impacted due to changes in the accounting rules to be applied, such as the increased use of fair value measurement rules, estimate liabilities for repurchase and litigation reserves, and the potential requirement that U.S. registrants prepare financial statements in accordance with International Financial Reporting Standards.

B. RISKS RELATED TO OUR TRANSACTIONS

Strategic acquisitions and joint ventures, or Signature's entry into new business areas, may result in additional risks and uncertainties in its business. Signature expects to grow its business through internal expansion of commercial lending operations as well through strategic acquisitions or joint ventures. When we make strategic acquisitions or enter into joint ventures, we expect to face numerous risks and uncertainties in combining or integrating the relevant businesses and systems including, potentially, the need to combine accounting and data processing systems and management controls and to integrate relationships with customers and business partners. Our participation in any other ventures that we may enter into may subject us to additional risks and uncertainties because we may be dependent upon, and subject us to liability, losses or reputational damage relating to systems, controls and personnel that are not under our control. Conflicts or disagreements between us and the other members of a venture may negatively impact our businesses. Finally, expansions, acquisitions or joint ventures may require significant managerial attention which may be diverted from our other operations. These capital, equity and managerial commitments may impair the operation of our businesses and as a result negatively impact our financial condition and/or operating results.

Providing capital to middle market companies involves a high degree of risk. Companies operating in the middle market, which we generally describe as those with revenues between $25 million and $500 million, generally have (i) less access to capital to fund their business, (ii) high dependence on the management talents and efforts of a small

group of persons, (iii) narrower product lines, smaller market shares, or/or larger customer relationships, and (iv) less publicly available information about their business, operations and financial condition compared to larger companies. These companies would also generally be considered to have ratings that are below investment grade. We are dependent on the ability of SCA's management team and professional staff to obtain adequate information to evaluate the potential returns from providing capital to these companies and to manage our assets accordingly in light of such risks. If they are unable to uncover all material information about these middle market companies that we may transact with, they may not make a fully informed decision, and we may lose all or part of the capital we provide, or be subject to the impact of operating losses associated with such businesses.

The lack of liquidity for the types of transactions we are pursuing may adversely affect our business. We plan to provide capital to companies whose securities are not publicly traded, and whose securities may be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. Given these circumstances, while we do not expect to be able to achieve liquidity in our portfolio over a short-term period, the illiquidity of these capital infusions may make it difficult for us to get our capital back when projected or desired. In addition, if we are required to liquidate all or a portion of our assets quickly, we may realize significantly less than the values shown on our financial statements, which would cause us to suffer losses and potentially adversely affect our business.

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Until we are able to diversify our asset base, we will face concentration risk whereby a loss on one or more of our transactions could have a materially adverse effect on our company. Since the Effective Date, we have provided capital in a limited number of situations in furtherance of our business strategy. Until we have increased the amount of capital deployed in our new business strategy to create a diversified portfolio, a loss on one or more situations would affect us more adversely than such loss would affect a company with a larger and more diverse portfolio.

The companies we provide capital to may incur debt that ranks equally with, or senior to, the capital we provide to such companies. The companies we provide capital to may have, or may be permitted to incur, debt or other capital that ranks equally with, or senior to, the capital we provide them. By their terms, such securities may entitle the holders to receive payment of interest, principal, dividends or other forms of capital on or before the dates on which we would be entitled to receive payments with respect to the capital we may provide. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company we have provided capital to, holders of securities senior to our capital in such company would typically be entitled to receive payment in full before we receive any distribution. After repaying such senior capital, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of other capital ranking equally with the capital we may provide, we would have to share on an equal basis any distributions with other similarly situated capital providers in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Businesses, specialized assets, or loan assets acquired by us may not perform as expected and we may not be able to achieve adequate consideration for dispositions. As part of our business strategy, we may pursue acquisitions of other companies, specialized assets, or loan assets. Such acquisitions may involve numerous risks, including difficulties in integrating the operations, services, products and personnel of the acquired company or specialized asset; the diversion of management’s attention from other business concerns; entering markets in which we have little or no direct prior experience; or the potential loss of key employees of the acquired company. Acquired businesses, specialized assets and loan assets may have credit related risks arising from substantially different underwriting standards associated with those businesses or assets. Furthermore, these acquisitions may result in potentially dilutive issuances of equity securities and the incurrence of additional debt, which could have a material adverse effect on our business, financial condition, and results of operations.

In addition, we may from time to time decide to sell companies or assets. There can be no assurance that we will be successful in completing these transactions. If these transactions are completed, they may reduce the size of our business. There is also no assurance that we will receive adequate consideration for any company or asset dispositions. As a result, our future disposition of businesses or assets could have a material adverse effect on our business, financial condition, and result of operations.

There may be circumstances where our debt capital could be subordinated to claims of other creditors or we could be subject to lender liability claims. Even though we may have structured certain of the capital we provide as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances and based upon principles of equitable subordination as defined by existing case law, a bankruptcy court could subordinate all or a portion of our claim to that of other creditors and transfer any lien securing such subordinated claim to the bankruptcy estate. The principles of equitable subordination defined by case law have generally indicated that a claim may be subordinated only if its holder is guilty of misconduct or where the senior loan is re-characterized as an equity investment and the senior lender has actually provided significant managerial assistance to the bankrupt debtor. We may also be subject to lender liability claims for actions taken by us with respect to a borrower’s business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender’s liability claim, including as a result of actions taken in rendering significant managerial assistance or actions to compel and collect payments from the borrower outside the ordinary course of business.

Second priority liens on collateral securing loans that we make to companies generally will be subject to the actions of, and potentially control of, senior creditors with first priority liens whereby the value of the collateral may not be sufficient to repay in full both the first priority creditors and us. Certain loans that we may make will be secured by a second priority security interest in the same collateral pledged by a company to secure senior debt owed by a company to commercial banks or other traditional lenders. Often the senior lender has procured covenants from the company prohibiting the incurrence of additional secured debt without the senior lender's consent. Prior to and as a condition of permitting the portfolio company to borrow money from us secured by the same collateral pledged to the senior lender, the senior lender will require assurances that it will control the disposition of any collateral in the event of bankruptcy or other default. In many such cases, the senior lender will require us to enter into an "intercreditor agreement" prior to permitting the portfolio company to borrow from us. Typically the intercreditor agreements we are requested to execute expressly subordinate our debt instruments to those held by the senior lender and further provide that the senior lender shall control: (1) the commencement of foreclosure or other proceedings to liquidate and collect on the collateral; (2) the nature, timing and conduct of foreclosure or other collection proceedings; (3) the amendment of any collateral document; (4) the release of the security interests in respect of any collateral; and (5) the waiver of defaults under any security agreement. Because of the control we may cede to senior lenders under intercreditor agreements we may enter, we may be unable to realize the proceeds of any collateral securing some of our loans.

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The value of the collateral securing our loan and debt instruments depends on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of the collateral securing our loan and debt instruments will be sufficient to satisfy the obligations of our borrowers. There is also a risk that such collateral securing our debt may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the borrower and market conditions. If such proceeds are not sufficient to repay amounts outstanding under our loan obligations, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the Company's remaining assets, if any, which may result in the incurrence of losses.

We generally will not control the companies obligated to repay our loans and other debt instruments. We do not expect to control the companies obligated to repay the loans we may make or purchase, even though we may have board representation or board observation rights, and our debt agreements may contain certain restrictive covenants. As a result, we are subject to the risk that a company in which we provide capital may make business decisions with which we disagree and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve our interests as debt holders. Due to the lack of liquidity associated with capital provided to non publicly-traded companies, we may not be able to dispose of our loans in such companies as readily as we would like or at an appropriate valuation. As a result, a borrower may make decisions that could decrease the value of our portfolio holdings.

We may not realize gains from equity securities associated with the loans we provide or the business acquisitions we make. Certain loans that we make or purchase may include warrants or other equity securities and the businesses we acquire will result in Signature obtaining significant equity interests. Equity interests involve a number of significant risks, including the risk of further dilution as a result of additional issuances, inability to access additional capital and failure to pay current distributions. Investments in preferred securities involve special risks, such as the risk of deferred distributions, credit risk, illiquidity and limited voting rights. In addition, we may from time to time make non-control, equity co-investments in companies in conjunction with other investors. Our goal is ultimately to realize gains upon our disposition of such equity interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We also may be unable to realize any value if a company we provide capital to does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests. We expect to seek puts or similar rights to give us the right to sell our equity interests back to the issuer, but we may be unable to exercise these puts rights for the consideration provided or our estimates if the issuer is in financial distress.

Signature may issue shares of common stock as consideration in its acquisition and joint venture transactions, which would result in dilution of our shareholders. In addition to other forms of consideration, we may issue shares of our common stock in connection with future acquisitions or joint venture transactions that we may enter into. The issuance of shares of our common stock in such transactions may result in dilute our then existing shareholders following any such issuance.

C. RISKS RELATED TO AN INVESTMENT IN OUR COMMON STOCK

Investors will not have access to current business, financial and operating information about Signature in order to make an informed investment decision in Signature common stock until all of our prior periodic reports have been filed with the Commission. We have not filed with the Commission our quarterly report on Form 10-Q for the quarter ended March 31, 2011. We expect to file this Form 10-Q with the Commission during the third quarter of 2011. Until the Form 10-Q for the quarter ended March 31, 2011 is filed with the Commission, investors will not have the most recent business, financial and operating information about our company, which will make it difficult for investors to

make an informed investment decision to purchase or sell our securities.

Signature does not expect to be able to access the public U.S. capital markets until all of its periodic reporting with the Commission is up to date. Signature will be unable to register any new common stock with the Commission to access the U.S. public securities markets until it has filed its prior periodic reports and financial statements with the Commission. This precludes Signature from raising debt or equity financing in registered transactions in the U.S. public capital markets to support growth in its business plan.

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Our common stock is quoted on the OTC “pink sheets” market which does not provide investors with a meaningful degree of liquidity. Bid quotations for our common stock are available on the OTC “pink sheets,” an electronic quotation service for securities traded over-the-counter. Bid quotations on the pink sheets can be sporadic and the pink sheets do not provide any meaningful liquidity to investors. An investor may find it difficult to dispose of shares or obtain accurate quotations as to the market value of the common stock. There can be no assurance that our plans to seek listing of our common stock on The NASDAQ Stock Market, the NYSE or another securities exchange once we become current in our filing obligations with the Commission will be successful or that we will be able to satisfy the listing standards of an exchange when we do, and, we cannot provide any assurance as to when we will have filed all of our past periodic reports with the Commission.

The market price of our common stock may fluctuate significantly. The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- changes in earnings or variations in operating results;
- changes in the value of our portfolio of assets;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- changes in accounting principles or changes in interpretations of existing principles, which could affect our financial results;
- changes in legislation or regulatory policies, practices, or actions;
- the commencement or outcome of material litigation involving our company, our general industry or both;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- actual or expected sales of our common stock by our shareholders;
- departure of our management adviser’s key personnel; and
- general economic trends and other external factors.

Certain provisions of our amended and restated bylaws could deter takeover attempts and have an adverse impact on the price of our common stock. Our amended and restated bylaws contain provisions to protect the value of our NOLs. See “Tax Attribute Preservation Provision” in Item 5 of this Annual Report. Such provisions may have the effect of discouraging a third party from making an acquisition proposal for us, which may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price for our common stock.

Our Rights Agreement could discourage, delay or prevent takeover attempts. Attempts to acquire control of the Company may be discouraged, delayed or prevented by the Rights Agreement, which was adopted by Fremont on October 23, 2007 and continues to remain in effect. The Rights Agreement provides for a dividend distribution of a Right for each outstanding share of Company common stock. Each Right entitles the registered holder to purchase from the Company a Unit of Preferred Stock at a price of $12.00 per one one-thousandth of a share, subject to adjustment as provided in the Rights Agreement. Subject to the exceptions and limitations contained in the Rights Agreement, the Rights generally are exercisable if a person or group acquires beneficial ownership of 5% or more of the Company’s common stock or commences a tender or exchange offer upon consummation of which such person or group would beneficially own 5% or more of the Company’s common stock, provided the Company’s Board of Directors affirmatively determines a Distribution Date (as defined in the Rights Agreement) shall occur. In addition the Rights Agreement also provides that, in the event that (i) the Company engages in a merger or other business combination transaction in which the Company is not the surviving corporation, (ii) the Company engages in a merger or other business combination transaction in which the Company is the surviving corporation and the Company’s common stock is changed or exchanged, or (iii) 50% or more of the Company’s assets, cash flow or earning power is sold or transferred, each holder of a Right (except Rights which have previously been voided because they were held

by the acquiring person or entity) shall thereafter have the right to receive, upon exercise, common stock of the acquiring company as set forth in the Rights Agreement. The existence of the Rights Agreement may discourage, delay or prevent a third party from effecting a change of control or takeover of our company that our management and board of directors oppose.

Our pending legal proceedings and other contingent liabilities may limit our ability to use our common stock as currency in potential future transactions. We are subject to a number of lawsuits seeking monetary damages and injunctive relief and have potential other contingent liabilities, including repurchase claims, which relate to the prior businesses and operations of Fremont and FIL. See Item 3 of this Annual Report for more information. The outcome of litigation and other legal matters is always uncertain and could materially adversely affect our financial condition and results of operations, which may limit our ability to utilize our common stock as consideration for potential future acquisition and other transactions in which we may engage.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of the fiscal year ended December 31, 2010, our primary executive and administrative offices are located at 15303 Ventura Blvd., Ste. 1600, Sherman Oaks, CA 91403. Prior to the Effective Date, Fremont's primary executive and administrative offices were located at 175 North Riverview Drive, Anaheim Hills, California 92808, a facility owned by Signature. The Anaheim Hills property is no longer necessary for our operations and was listed for sale during the first quarter of 2011. We consider our Sherman Oaks facility to be adequate for our operating needs.

Item 3. Legal Proceedings

We are involved in a variety of litigation matters in the ordinary course of business involving discontinued operations of Fremont and its subsidiaries, including, but not limited to, matters that may arise out of individual borrower loan mortgage originations, which are included among the Legacy Assets. Signature also anticipates that we will become involved in new litigation matters from time to time in the future under our new business operations. We will incur legal and related costs concerning litigation and may, from time to time, determine to settle some or all of the cases, regardless of our assessment of its legal position. The amount of legal defense costs and settlements in any period will depend on many factors, including the status of cases, the number of cases that are in trial or about to be brought to trial, and the opposing parties' aggressiveness in pursuing their cases and their perception of their legal position.

PENDING LEGAL PROCEEDINGS

The legal proceedings summarized below are ongoing matters and may have an effect on our business and future financial results.

Securities Class Action. In September 2007, three separate complaints seeking class certification were filed in the United States District Court for the Central District of California against Fremont and various officers and directors alleging violations of federal securities laws in connection with published statements by Fremont regarding its loan portfolio and loans held for resale during the period from May 9, 2006 through February 27, 2007. These three class action lawsuits were consolidated into a single proceeding and a consolidated class action complaint was filed on March 3, 2008. On January 9, 2009, the plaintiffs filed a Second Amended Consolidated Class Action Securities Complaint ("SAC"). Fremont was not a named defendant in the SAC because of its Chapter 11 bankruptcy filing. The named defendants in the SAC were former directors and officers of Fremont: Louis J. Rampino, Wayne R. Bailey, Patrick E. Lamb, Kyle R. Walker, Ronald J. Nicolas, Jr. and James A. McIntyre. On November 29, 2009, the plaintiffs filed a Third Amended Consolidated Class Action Securities Complaint ("TAC"). Fremont's potential exposure in this matter arises out of its indemnification agreements and obligations with these individual defendants. On March 29, 2010, the trial court entered an Order Granting Fremont's Motion to Dismiss the TAC with prejudice ("Court Order"). Plaintiffs timely appealed the Court Order to the U.S. Court of Appeals for the Ninth Circuit, and this appeal is currently pending. Fremont has notified its insurance carriers and has requested coverage under its directors and officers insurance policies, in which the primary insurance carrier has accepted coverage under a reservation of rights. Plaintiffs seek an unspecified amount of damages.

Lieberman Matter. In July 2009, legal counsel for the lead plaintiffs in the Securities Class Action litigation matter filed a motion seeking a preliminary injunction and declaratory relief to compel the Massachusetts Attorney General to produce all deposition transcripts and exhibits in Commonwealth v. Fremont Investment and Loan, arguing that, despite the confidentiality order in that matter, the documents sought are public records subject to mandatory

disclosure and that the plaintiffs have a right to the documents pursuant to Massachusetts Public Records Law. The Court denied plaintiff's motion for preliminary injunction without prejudice, and denied plaintiff's motion to intervene in the Massachusetts Attorney General Action. Plaintiff filed timely appeals of both motions. The Massachusetts Attorney General and Signature have stipulated to consolidation of the appeals. On December 6, 2010, oral argument was heard by the Supreme Judicial Court of the Commonwealth of Massachusetts. The Supreme Judicial Court affirmed both the dismissal of Plaintiff's Public Records Law request and the denial of the Plaintiff's motion to intervene. However, the Court remanded the matter to the trial court to further consider whether permissive intervention should be allowed. This matter does not involve a financial claim against Signature.

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ERISA Class Action. From April through June of 2007, six complaints seeking class certification were filed in the United States District Court for the Central District of California against Fremont and various officers, directors and employees by participants in Fremont's Investment Incentive Plan, 401(k) and Employee Stock Ownership Plan (collectively "the Plans") alleging violations of ERISA in connection with Fremont stock held by the Plans. The six complaints were consolidated in a single proceeding. On April 15, 2010, the Court granted the Order for Class Certification under Rule 23(b)(3). On March 22, 2011, Signature entered into a settlement stipulation whereby Signature's insurance carriers will pay $21.0 million to settle the claims of the certified class. On April 25, 2011, the Court granted preliminary approval of the settlement stipulation. The settlement stipulation requires final approval which could take several months before the Court makes a final determination.

Faigin Matter. On January 15, 2009, Alan Faigin, a former General Counsel of Fremont, filed a Complaint against FRC in the California Superior Court, County of Los Angeles. On February 3, 2010 Mr. Faigin filed an amended Complaint alleging wrongful termination, breach of his employment agreement, breach of the implied covenant of good faith and fair dealing, fraud and misrepresentation, negligent misrepresentation and violation of various California labor codes, among other allegations under a "joint employer" theory. In February 2010, a Jury found for Mr. Faigin and awarded him damages in the amount of approximately $1.4 million. Signature is appealing the judgment. Fremont recorded a liability of approximately $1.4 million in the first quarter of 2010 related to this matter. As a requirement of the appeal process, a cash bond was posted by Signature in the amount of approximately $2.0 million with the Court. Appellate briefs have not yet been filed and a hearing date has not yet been scheduled.

Colburn Matter. On December 8, 2009, Gwyneth Colburn, the former Executive Vice President for Fremont's Commercial Real Estate ("CRE") group filed a complaint against FIL and unnamed defendants for breach of contract related to a Management Continuity Agreement executed in August 2003, and extended in August 2007. Plaintiff claims she is owed approximately $2.0 million, 87,183 shares of restricted stock valued at $4.01 per share at the time of Plaintiff's termination effective August 28, 2007, and the value of 36 months' welfare benefits. Ms. Colburn filed a Proof of Claim in the Bankruptcy Proceeding for salary, bonus, and benefits and restricted stock in the amount of $2.6 million. This case is still in the discovery phase. Trial is scheduled to commence in August 2011. Signature intends to defend itself vigorously in this matter.

Whitesell and Stinson Matters. On November 13, 2007, Thomas Whitesell, the former Senior Vice President of Fremont's CRE group, filed a complaint against Fremont and FIL for violations of various California labor codes, intentional misrepresentation, concealment, negligent misrepresentation, false promises, breach of contract, conversion, breach of fiduciary duty, action for declaratory relief, unjust enrichment – quasi-contractual recovery, gross negligence and action for specific performance (the "Whitesell Action"). The complaint seeks compensation for alleged unpaid cash bonuses and stock plan awards totaling $3.0 million. On April 20, 2011, a similar action (the "Stinson Action") was brought against Fremont and FIL by former employees Steve Stinson, Brad R. Burton, Sophia Haliotis, Ronald James Claud, Lee Karny and Scott S. Manlin (collectively with Mr. Whitesell, the "Plaintiffs"). Each of the Plaintiffs filed a Proof of Claim in the Bankruptcy Proceeding for an aggregate claim amount of $3.8 million. Signature intends to defend itself vigorously in these matters.

Cambridge Place Investment Management, Inc. v. Morgan Stanley & Co., Inc. et al. (Cambridge Matter #1). On July 22, 2010, Cambridge Place Investment Management, Inc. ("Cambridge"), as assignee of its investor clients, filed a lawsuit in the Superior Court in the Commonwealth of Massachusetts against over 50 defendants, including the broker/dealers, underwriters, issuers and depositors of approximately 200 Residential Mortgage-Backed Securities ("RMBS") offerings purchased by clients of Cambridge. Cambridge alleges the defendants violated Massachusetts securities laws through untrue statements and material omissions in the RMBS offering documents. The lawsuit alleges that Cambridge clients invested over $2 billion in these RMBS offerings resulting in losses in excess of $1.2 billion. The Complaint names Fremont Mortgage Securities Corporation ("FMSC"), a wholly-owned special purpose subsidiary of Signature, as a depositor of $8 million in one RMBS offering in 2005. The matter has since been

removed to U.S. District Court in Massachusetts. Plaintiff filed a motion to remand the case back to Superior Court in Massachusetts. The Court has not yet issued its final decision on the proper judicial venue. FMSC intends to defend itself vigorously in this matter.

Cambridge Place Investment Management, Inc. v. Morgan Stanley & Co., Inc., et al. (Cambridge Matter #2). On February 11, 2011, Cambridge, as assignee of its investor clients, filed a lawsuit in the Superior Court in the Commonwealth of Massachusetts against over 30 defendants, including the broker/dealers, underwriters, issuers and depositors of approximately 70 RMBS offerings purchased by clients of Cambridge. Cambridge alleges the defendants violated Massachusetts securities laws through untrue statements and material omissions in the RMBS offering documents. The lawsuit alleges that Cambridge clients invested approximately $825 million in these RMBS offerings resulting in losses exceeding $260 million. The Complaint names FMSC, as a depositor of $101.3 million in four RMBS offerings in 2004, 2005 and 2006. The Complaint is pending the outcome of the proper judicial venue dispute in Cambridge Matter #1. FMSC intends to defend itself vigorously in this matter.

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National Credit Union Administration v. RBS Securities, et al.
On June 20, 2011, The National Credit Union Association ("NCUA"), the regulator of federal credit unions, acting as liquidator of U.S. Central Federal Credit Union, filed a lawsuit in the U.S. District Court in Kansas for unspecified damages to be proven at trial against the underwriter, issuers and depositors of 29 RMBS offerings purchased by U.S. Central. NCUA alleges that the defendants violated federal and state securities laws through untrue statements and material omissions in the RMBS offering documents. The lawsuit alleges that U.S. Central invested a total of $1.7 billion in these RMBS offerings. The Complaint names FMSC, as a depositor of $50 million in two RMBS offerings in 2006. FMSC has not yet been served with the complaint, but intends to defend itself vigorously in this matter.

Bankruptcy Professional Fee Disputes. On the Effective Date, Signature disputed a portion of the professional fees sought by seven different firms that were involved during Fremont's bankruptcy proceedings. Between the Effective Date and December 31, 2010, settlements were reached with four of these firms resulting in Signature paying $0.9 million in 2010, in addition to the $2.7 million paid to them on the Effective Date. In 2011, we reached settlements with two other firms whose fees we disputed, resulting in the payment of $0.4 million in the second quarter of 2011. The outstanding disputed claims from the last firm that has not settled with Signature as of the date of this filing aggregates approximately $1.2 million. On May 6, 2011, the Bankruptcy Court took the remaining professional fee dispute under submission and indicated it would issue a written decision within 60 days of the hearing.

Unpaid Claims. On the Effective Date, Signature did not pay approximately $17.2 million in claims filed with the Bankruptcy Court (the "Unpaid Claims"). Signature has subsequently resolved $2.9 million in claims related to voluntary withdrawal and paid $3.0 million to various claimholders during the third quarter of 2010. We are actively seeking the voluntary withdrawal of, the settlement of, or have plans to object to all other Unpaid Claims in the Bankruptcy Court. Subsequent to the Effective Date, and after the claims bar date, Signature received an additional $2.7 million in claims. Signature does not believe it has any liability associated with these claims.

SETTLED AND RESOLVED LEGAL PROCEEDINGS.

Fremont and Signature have been involved in various legal proceedings that were either settled or resolved during and following Signature's emergence from bankruptcy proceedings in June 2010. See "E. Events Related to our Plan of Reorganization" and "G. Recent Developments" in Item 1 of this Annual Report and Note 2 - Significant Events, Including Chapter 11 Bankruptcy Proceedings in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report for more information.

Item 4. (Removed and Reserved)

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

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MARKET INFORMATION

Signature's common stock is quoted on the Pink OTC Markets, Inc. OTC Market ("OTC:PK") under the trading symbol "SGGH." The following table sets forth the high and low bid quotations of the Company's common stock as reported as composite transactions on the OTC:PK. The bid quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	2010		2009	
	High	Low	High	Low
1st Quarter	$0.99	$0.67	$0.09	$0.04
2nd Quarter	0.98	0.71	0.30	0.06
3rd Quarter	0.86	0.65	0.41	0.19
4th Quarter	0.83	0.63	0.80	0.29

On June 27, 2011, the last reported bid quotation of Signature common stock on the OTC:PK was $0.68 per share. There were 1,479 shareholders of record as of June 27, 2011.

DIVIDENDS

There were no cash dividends declared on Signature's common stock for the years ended December 31, 2010 and 2009.

The decision to pay dividends is made quarterly by the Board of Directors and is dependent on the earnings of Signature, management's assessment of future capital needs and other factors. The Company has not paid a dividend since the fourth quarter of 2006.

In June 2010, in connection with the TOPrS Settlement, the Junior Subordinated Debentures were discharged. On July 16, 2010, Signature issued the former TOPrS holders the Notes Payable. The Notes Payable Indenture pursuant to which the Notes Payable were issued was qualified with the Commission on June 24, 2010, and became effective on July 15, 2010. Pursuant to the Notes Payable Indenture, the payment of common stock dividends is subordinate to the payment of the cash distributions on the Notes Payable. In the event of a default under the Notes Payable Indenture, Signature will be precluded from declaring or paying any dividends on its common stock. On May 17, 2011, Signature received a notice of default from the Notes Payable Trustee for not satisfying a covenant to file with the Notes Payable Trustee its periodic reports required to be filed under the Exchange Act with the Commission. Signature has until August 15, 2011 to cure this default under the Notes Payable Indenture. With the filing of this Annual Report and the simultaneous filings of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010, Signature will have cured the reporting delinquency set forth in the Notes Payable Trustee's notice of default.

Signature does not expect to pay any cash dividends on its common stock in the foreseeable future. Signature anticipates that any earnings generated from future operations will be used to finance its operations and growth.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth for each of our equity compensation plans, the number of shares of our common stock subject to outstanding stock options and stock rights, the weighted-average exercise price of outstanding options, and the number of shares remaining available for future award grants as of December 31, 2010 and 2009:

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Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)		Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans, Excluding Securities Reflected in Column (a) (c)	
As of December 31, 2010:					
Equity compensation plans approved by security holders	–		–	9,081,492	(2)
Equity compensation plans not approved by security holders	–		–	–	
Total	–		–	9,081,492	
As of December 31, 2009:					
Equity compensation plans approved by security holders	24,074	(1)	–	9,081,492	(2)
Equity compensation plans not approved by security holders	18,291	(3)	–	–	(3)
Total	42,365		–	9,081,492	

(1) Represents outstanding rights to acquire common stock allocated by the Company in the form of stock units under the SERP, a deferred compensation plan. In February 2008, Fremont made a series of changes to its various benefit plans including freezing further participation in the SERP.

(2) Represents shares available for awards of restricted stock, stock options and other forms of equity awards to officers, employees and directors of the Company. Restricted stock awards are subject to forfeiture until restrictions on the shares lapse under the 2006 Performance Incentive Plan.

(3) Represents outstanding rights to acquire common stock allocated by the Company in the form of stock units under the Excess Benefit Plan, a deferred compensation plan. In February 2008, Fremont made a series of changes to its various benefit plans including freezing further participation in the Excess Benefit Plan.

In conjunction with the reorganization and emergence from bankruptcy, the Excess Benefit Plan, SERP and SERP II plans were terminated and allowed claims were paid to beneficiaries on the Effective Date. See “E. Events Related to our Plan of Reorganization” in Item 1 of this Annual Report for additional information.

ISSUER PURCHASES OF EQUITY SECURITIES

There were no issuer purchases of equity securities during the fourth quarter ended December 31, 2010.

TAX ATTRIBUTE PRESERVATION PROVISION

In order to preserve valuable tax attributes following emergence from bankruptcy, restrictions were included in our Amended and Restated Bylaws on transfers of Signature common stock (the “Tax Attribute Preservation Provision”). Unless approved by the Board, any attempted transfer of Signature common stock is prohibited and void

to the extent that, as a result of such transfer (or any series of transfers) (i) any person or group of persons shall become a "five-percent holder" of Signature (as defined in Treasury Regulation Section 1.382-2T(g)) or (ii) the ownership interests of any five-percent shareholder shall be increased or decreased. Persons wishing to become a 5% shareholder (or existing 5% shareholders wishing to increase or decrease their percentage share ownership) could request a waiver of the restriction from Signature, and the Board of Directors may grant a waiver in its discretion. The Tax Attribute Preservation Provision is meant to reduce the potential for a "change of control" event, which, if it were to occur, would have the effect of limiting to amount of the NOL's usage in a particular year, or eliminate the NOL altogether if such a "change of control" were to occur during the two year period after the Effective Date. See "Risk Factors" in Item 1A of this Annual Report.

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Item 6. Selected Financial Data

Not applicable to smaller reporting companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Signature, formerly known as "Fremont General Corporation", is an externally managed financial services company that seeks to become a diversified business enterprise that is intended to generate strong, risk-adjusted return on equity while protecting shareholder capital. We presently operate in two primary business lines: (i) Special Situation Lending and (ii) Strategic Acquisitions. Additionally, we maintain and are managing certain assets related to Fremont's former businesses, that we refer to as the "Legacy Assets," which include a portfolio of subprime residential real estate mortgages, residential real estate, commercial real estate investments and litigation claims under fidelity insurance bonds. The Legacy Assets are being managed to maximize cash recoveries and value for our shareholders and will be redeployed into our long term business strategy over time. The Company also has significant federal and state NOLs, estimated to be approximately $882.7 million and $998.6 million, respectively, as of December 31, 2010. The Company has established a full valuation allowance against its NOL in the consolidated balance sheets.

After a nearly two year reorganization process, Fremont emerged from bankruptcy proceedings and filed Amended and Restated Articles of Incorporation with the Office of the Secretary of the State for the State of Nevada on June 11, 2010, which, among other things, changed Fremont's name to Signature Group Holdings, Inc. Previously, on May 25, 2010, the Bankruptcy Court had entered an order, as amended, confirming Signature Group Holdings, LLC's Fourth Amended Chapter 11 Plan of Reorganization of Fremont General Corporation, Joined by James McIntyre as Co-Plan Proponent, dated May 11, 2010, as amended. See "B. Recent History" in Item 1 of this Annual Report for additional information related to Fremont's bankruptcy proceedings and related events.

Since the Effective Date, the business and operations of the Company have been under new management. Our business plan and strategic initiatives are based upon the business plan that was included in the Plan, which was confirmed by the Bankruptcy Court and was approved by 69.6% of the Company's then outstanding common shares, 88.7% of its then outstanding TOPrS, and a majority of all other impaired creditor classes. With the exception of the management of the Legacy Assets, we have no plans to operate in the banking or consumer mortgage lending businesses that Fremont and FIL previously conducted. Signature remains a financial services company and plans to continue providing financing for various commercial purposes.

Our business is primarily funded by the asset base of our reorganized company. On the Effective Date, and pursuant to the Plan, the Company distributed approximately $280.8 million to Fremont's creditors. Additionally, pursuant to various settlement agreements related to residential loan repurchase liabilities, and with Bankruptcy Court approval, Fremont paid out an additional $28.3 million during the weeks leading up to the Effective Date. After factoring in these significant distributions, the Company's assets and shareholders' equity at June 30, 2010 were approximately $157.8 million and $90.9 million, respectively.

To manage our business affairs, we entered into an Interim Management Agreement dated June 11, 2010 with SCA.

Presentation of Continuing Operations and Discontinued Operations. The presentation set forth below in this Management's Discussion and Analysis and in the Consolidated Financial Statements present the Company's financial condition and results of operations in two separate categories, which are "continuing operations" and "discontinued operations." The continuing operations present the financial condition and results of operations for the assets, liabilities, businesses and operations that are consistent with Signature's current business strategy. The discontinued

operations present the financial condition and results of operations for the assets, liabilities, businesses and operations that were sold or discontinued by Fremont and FIL prior to the Effective Date. See Note 20 Discontinued Operations of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report for more information about the Company's discontinued operations.

Presentation of Financial Information Due to Fremont's Bankruptcy Proceedings. For the fiscal year 2009 and through June 11, 2010, the Company's financial results reflect the impact of filing a voluntary petition for relief under the Bankruptcy Code in June 2008. During the year ended December 31, 2010 and 2009, the Company's results of operations include reorganization items which are direct costs incurred by Fremont operating as a debtor-in-possession during bankruptcy proceedings up until the Effective Date and by Signature subsequent to the Effective Date. These items include professional fees, trustee fees and other expenses incurred directly related to the bankruptcy filing, gains or losses resulting from activities of the reorganization process and interest earned on cash accumulated while in bankruptcy. All liabilities incurred prior to the Petition Date were considered liabilities "subject to compromise", unless they were fully secured by collateral. The liabilities that were "subject to compromise" include the Senior Notes, the Junior Subordinated Debentures, accrued interest payable, income taxes payable and other accounts payable and accrued expenses. These liabilities represent estimates of known or potential pre-petition claims that were resolved or expected to be resolved in connection with the Chapter 11 case. Liabilities of deferred compensation plans for SERP, SERP II and the Excess Benefit Plan is not considered a liability subject to compromise as this liability was fully secured by its deferred compensation plan assets. See "Critical Accounting Policies—Accounting for Reorganization" below for additional information.

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Material Weakness in Internal Control Over Financial Reporting. As of December 31, 2010, the Company's internal control over financial reporting was not effective and it was determined that there was a material weakness. The Company is currently working to remediate the material weakness in its internal control over financial reporting. See Item 9A, “Controls and Procedures” of this Annual Report for more information about the Company’s assessment of its internal control over financial reporting and the related material weakness, as well as the Company’s continuing efforts to remediate such weakness. Notwithstanding the assessment that the Company’s internal control over financial reporting was not effective and that there was a material weakness as discussed in Item 9A of this Annual Report, the Company believes that the consolidated financial statements contained in this Annual Report and discussed in this Management’s Discussion and Analysis, fairly and accurately present the financial position, results of operations and cash flows for each of the years ended December 31, 2010 and 2009 in all material respects.

CONSOLIDATED FINANCIAL PERFORMANCE REVIEW

The following is a summary of significant operating results during the years presented for our continuing operations and discontinued operations:

Continuing Operations:

- Net loss from continuing operations of $25.4 million as compared to $18.3 million for 2009.
  - Net interest expense of $3.7 million as compared to $3.5 million for 2009.
  - Non-interest expense of $9.3 million as compared to $5.7 million for 2009.
  - Reorganization items, net of $11.9 million as compared to $9.4 million for 2009.

Discontinued Operations:

- Net loss from discontinued operations of $14.1 million as compared to $5.7 million for 2009.
  - Non-interest income of $1.4 million as compared to $29.2 million for 2009.
    - Gain on loans held for sale of $4.0 million as compared to $30.9 million for 2009.
  - Non-interest expense of $19.4 million as compared to $87.9 million for 2009.
    - Compensation expense of $6.4 million as compared to $10.3 million for 2009
    - Litigation expense of $1.3 million as compared to $49.3 million for 2009.
    - Insurance expense of $3.5 million as compared to $8.9 million for 2009
    - Restructuring charges of zero as compared to $4.8 million for 2009.

CHANGES IN CONSOLIDATED FINANCIAL CONDITION

The following table presents selected components of the Company’s consolidated balance sheets as of December 31, 2010 and 2009:

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(Dollars in thousands)	December 31,	
(Debtor-In-Possession for the Period June 18, 2008 through June 11, 2010)	2010	2009
Cash and cash equivalents	$70,424	$355,698
Investment securities, available for sale	2,184	-
Loans held for investment, net	1,967	2,132
Premises and equipment, net	2,348	2,623
Income taxes receivable	797	25,160
Other assets	563	3,435
Assets of discontinued operations	57,261	88,132
TOTAL ASSETS	$135,544	$477,180
LIABILITIES		
Notes payable	$39,000	$-
Warrant liability	5,700	-
Liabilities subject to compromise	-	293,366
Other liabilities	2,033	2,015
Liabilities of discontinued operations	15,090	90,652
TOTAL LIABILITIES	61,823	386,033
TOTAL SHAREHOLDERS' EQUITY	73,721	91,147
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$135,544	$477,180

December 31, 2010 compared to December 31, 2009

General

Total assets decreased by 71.6% to $135.5 million at December 31, 2010 as compared to $477.2 million at December 31, 2009, Changes in total assets primarily included a $285.3 million decrease in cash and cash equivalents, a $24.4 million decrease in income taxes receivable, and a $30.9 million decrease in assets of discontinued operations. Total liabilities decreased by 84.0% to $61.8 million at December 31, 2010 as compared to $386.0 million at December 31, 2009, primarily as a result of a $293.4 million decrease in liabilities subject to compromise and a $75.6 million decrease in liabilities of discontinued operations. The decrease in total liabilities was partially offset by an increase in notes payable and warrant liability of $39.0 million and $5.7 million, respectively.

Total shareholders' equity decreased to $73.7 million at December 31, 2010 from $91.1 million at December 31, 2009. The decrease in shareholders' equity is primarily related to the $39.5 million net loss for the year ended December 31, 2010, partially offset by a $21.8 million increase in shareholders' equity primarily related to a $16.8 million increase in common stock for the issuance of 21 million shares to the TOPrS holders associated with the TOPrS Settlement and a net $5.0 million increase in common stock related to the purchase of 12.5 million shares of common stock of the Company by the Signature Investors and the Warrants issued to the Warrant Investors to purchase an aggregate 15 million shares of common stock of the Company. See E: "Events Related to our Plan of Reorganization" in Item 1 of this Annual Report. The net loss for the year ended December 31, 2010 is discussed in more detail below under "Results of Consolidated Operations."

Cash and cash equivalents

Cash and cash equivalents decreased to $70.4 million at December 31, 2010 from $355.7 million at December 31, 2009. The decrease in cash and cash equivalents during the year ended December 31, 2010 was primarily attributable to $280.8 million in distributions to satisfy Allowed Claims, as defined in the Plan, on the Effective Date and $28.3 million in settlements paid related to repurchase reserve matters during the weeks leading up to the Effective Date. See "E. Events Related to our Plan of Reorganization" in Item 1 of this Annual Report. Additionally, cash and cash equivalents decreased as a result of operating costs during the year including reorganization expenses associated

with legal and professional costs related to the Chapter 11 bankruptcy proceedings. The decreases in cash and cash equivalents were partially offset by $10.1 million in proceeds from the issuance of common shares and the Warrants on the Effective Date and a $24.4 million tax refund, net of $0.4 million in other potential tax liabilities, received in October 2010. See Note 4 – Cash and Cash Equivalents in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report for additional information concerning our cash and cash equivalents.

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Investment securities, available for sale
Investment securities, available for sale increased to $2.2 million at December 31, 2010 as compared to zero at December 31, 2009. During the third quarter of 2010, the Company purchased $2.0 million in 10% corporate bonds, maturing in March 2012, for $1.8 million. Additionally, the Company purchased $3.3 million in estate bonds of an institution seized by the FDIC for $0.4 million. These investment securities are classified as available for sale and are carried at their estimated fair value.

Loans held for investment, net
Loans held for investment, net decreased to $2.0 million consisting of $2.0 million in unpaid principal balance, net of $48 thousand in allowance for loan losses at December 31, 2010 as compared to $2.1 million consisting of $2.1 million in unpaid principal balance, net of $10 thousand in allowance for loan losses at December 31, 2009. The decrease is primarily related to principal repayments.

Loans held for investment consist of a participation interest in a pool of adjustable rate multi-family mortgage loans. As of December 31, 2010, non-accrual loans totaled $38 thousand or 1.9% of unpaid principal balance as compared to $38 thousand or 1.8% for the previous year. The weighted average yield on loans held for investment was 5.68% at December 31, 2010 as compared to 5.64% for the previous year.

Premises and equipment, net
Premises and equipment decreased to $2.3 million at December 31, 2010 as compared to $2.6 million at December 31, 2009. Premises and equipment, net primarily includes a commercial building located in Anaheim Hills, California and related improvements. The decrease is primarily attributable to depreciation on this commercial building and write-downs of the remaining premises and equipment at this location.

Income taxes receivable
Income taxes receivable decreased to $0.8 million at December 31, 2010 as compared to $25.2 million at December 31, 2009. The decrease in income tax receivable is primarily related to the receipt of an IRS tax refund of $24.4 million, net of other potential tax liabilities, related to a refund application filed with the IRS. In February 2011, the IRS notified the Company that the $24.8 million refund was subject to review by the Joint Committee and a request was made on the Company for certain information regarding the refund.

Other assets
Other assets decreased to $0.6 million at December 31, 2010 as compared to $3.4 million at December 31, 2009. The $2.8 million decrease is primarily related to the extinguishment of the TOPrS issued by the TOPrS Trust as a result of the settlement with the holders of the TOPrS. The TOPrS Settlement resulted in the elimination of the Company’s $3.1 million equity investment in the TOPrS Trust at the time the TOPrS were extinguished.

Notes payable
Notes payable increased to $39.0 million at December 31, 2010 as compared to zero at December 31, 2009. In conjunction with the TOPrS Settlement, the Junior Subordinated Debentures totaling $103.1 million were extinguished and the holders of the TOPrS were entitled to receive a pro rata share of (a) $45.0 million in cash, subject to a charging lien of the TOPrS Trustee, (b) $39.0 million in Notes Payable, and (c) 21 million shares of Signature common stock. The Notes Payable matures in December 2016 and bears interest at 9.0% annually, paid quarterly beginning September 30, 2010. As a result of the TOPrS Settlement, the Company recognized a $3.5 million gain, included in reorganization items, net in the consolidated statements of operations, based on the difference between the carrying amount of the TOPrS and settlement amounts. See “E. Events Related to our Plan of Reorganization” in Item 1 of this Annual Report. Prior to the Effective Date, the $103.1 million in Junior Subordinated Debentures was included in “Liabilities Subject to Compromise.”

Warrant liability

Warrant liability increased to $5.7 million at December 31, 2010 as compared to zero at December 31, 2009. Pursuant to the Plan, Signature issued the Warrants, which were exercisable for an aggregate of 15 million shares of Signature common stock to the Warrant Investors for an aggregate cash purchase price of $0.3 million.

The Warrants include a ratchet anti-dilution protection provision which provides for a reduction in the exercise price of the Warrants if any common stock (or equivalents) of the Company are issued at a price per share less than the exercise price during the term of the Warrants. The Warrants can also be adjusted due to future equity offerings undertaken by the Company with exercise pricing set at the then-current market price of the related shares or the contractual terms of other equity-linked financial instruments issued in a subsequent period. Accordingly, equity treatment is not allowed and the Warrants are required to be classified as a derivative liability and re-measured at fair value at each reporting period. The Company valued the Warrants at issuance date and December 31, 2010 at $5.1 million and $5.7 million, respectively, using a lattice option pricing model. The $0.6 million change in fair value is included in non-interest income in the consolidated statements of operations. See “E. Events Related to our Plan of Reorganization” in Item 1 of this Annual Report.

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Liabilities subject to compromise
Liabilities subject to compromise decreased to zero at December 31, 2010 as compared to $293.4 million at December 31, 2009. The decrease is primarily related to the Company's emergence from bankruptcy and settlement of claims, pursuant to the Plan on the Effective Date. The claims settled primarily included distributions of $186.8 million for the Senior Notes, $45.0 million related to the restructuring of the Junior Subordinated Debentures, and $49.1 million for general unsecured creditors.

Liabilities subject to compromise primarily consisted of Senior Notes, Junior Subordinated Debentures and other accrued liabilities that existed at the Petition Date. Senior Notes totaled $166.5 million and had an interest rate of 7.875% per annum with a maturity date in 2009. The Junior Subordinated Debentures totaled $103.1 million and had an interest rate of 9.0% per annum with a maturity date in 2026. The Senior Notes were settled and the Junior Subordinated Debentures were restructured on the Effective Date as further described in "E. Events Related to our Plan of Reorganization" in Item 1 of this Annual Report

Assets and liabilities of discontinued operations held for sale
Assets of discontinued operations decreased to $57.3 million at December 31, 2010 as compared to $88.1 million at December 31, 2009. Liabilities of discontinued operations decreased to $15.1 million at December 31, 2010 as compared to $90.7 million at December 31, 2009. See discussion of "Changes in Financial Condition - Discontinued Operations" below.

CHANGES IN RESULTS OF CONSOLIDATED OPERATIONS

The following table presents selected components of the Company's consolidated statements of operations for the years ended December 31, 2010 and 2009.

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(Dollars in thousands) (Debtor-In-Possession for the Period June 18, 2008 through June 11, 2010)	Year Ended December 31, 2010	 2009
Interest income	$ 353	$ 1,195
Interest expense	4,057	4,675
Net interest expense	(3,704)	(3,480)
Provision for loan losses	38	-
Net interest expense after provision for loan losses	(3,742)	(3,480)
Non-interest income	(509)	351
Non-interest expense:		
Professional fees	3,134	1,077
Compensation	2,009	1,315
Insurance	1,894	2,416
Management fee	1,063	-
Other	1,214	938
Non-interest expense	9,314	5,746
Loss from continuing operations before reorganization items and income taxes	(13,565)	(8,875)
Reorganization items, net	11,868	9,378
Loss from continuing operations before income taxes	(25,433)	(18,253)
Income taxes	-	-
Loss from continuing operations	(25,433)	(18,253)
Loss from discontinued operations, net of income taxes	(14,052)	(5,710)
Net loss	$ (39,485)	$ (23,963)

Year Ended December 31, 2010 compared to Year Ended December 31, 2009

General
Net loss increased $15.5 million to $39.5 million for the year ended December 31, 2010 as compared to a net loss of $24.0 million for the year ended December 31, 2009. The increase in net loss is primarily related to an $8.3 million increase in loss from discontinued operations to $14.1 million for the year ended December 31, 2010, a $3.6 million increase in non-interest expenses to $9.3 million, and a $2.5 million increase in reorganization items, net to $11.9 million for the year ended December 31, 2010.

Net interest expense
Net interest expense increased $0.2 million to $3.7 million for the year ended December 31, 2010 as compared to $3.5 million for the year ended December 31, 2009. The increase is primarily related to a $0.8 million reduction in interest income, partially offset by a $0.6 million reduction in interest expense.

Interest income decreased $0.8 million to $0.4 million for the year ended December 31, 2010. The decrease in interest income is primarily due to a reduction in investment interest on cash and cash equivalents. Cash and cash equivalents declined significantly in 2010 primarily attributable to the $280.8 million in distributions to satisfy Allowed Claims, as defined in the Plan, on the Effective Date.

Interest expense decreased $0.6 million to $4.1 million for the year ended December 31, 2010. Interest expense for Senior Notes declined to $2.0 million for the year ended December 31, 2010 as compared to $4.5 million for the previous year. The $2.5 million decrease in interest expense is due to the Senior Notes Settlement on the Effective Date. Interest expense of $2.0 million was accrued from January 1, 2010 through June 10, 2010 and paid on the Effective Date along with an additional $6.9 million in post-petition interest expense accrued on the Senior Notes. According to the Senior Notes Settlement, interest was accrued using the FJR of 2.51% as opposed to the contractual rate of 7.875%. See “E. Events Related to our Plan of Reorganization” in Item 1 of this Annual Report for

further information on the settlement of Senior Notes. Partially offsetting the $2.5 million decrease in interest on Senior Notes was an increase of $1.9 million in interest on Notes Payable. In July 2010, Signature issued Notes Payable totaling $39.0 million as part of the restructuring of the Junior Subordinated Debentures pursuant to the TOPrS Settlement. The Notes Payable mature December 2016 and bear interest at a 9.0% annual rate. See "E. Events Related to our Plan of Reorganization" in Item 1 of this Annual Report for further information on the settlement of TOPrS.

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Non-interest income

Non-interest income decreased $0.9 million to an expense of $0.5 million for the year ended December 31, 2010 as compared to income of $0.4 million for the year ended December 31, 2009. The decrease in non-interest income is primarily due to a $0.6 million loss on the change in fair value of the Warrant liability, which was primarily the result of a downward price adjustment in the exercise price of the Warrants due to the Warrants' ratchet provision being triggered when new common equity shares of the Company were issued at a lower price than the stated exercise price of the Warrants. The Warrants are classified as a derivative liability and re-measured at fair value each reporting period using a lattice option pricing model. The estimated value of the Warrants at December 31, 2010 was $5.7 million as compared to $5.1 million on the Effective Date.

Non-interest expense

Non-interest expense increased $3.6 million to $9.3 million for the year ended December 31, 2010 as compared to $5.7 million for the year ended December 31, 2009. The increase in non-interest expense is primarily related to a $0.7 million increase in compensation expense, a $2.1 million increase in professional fees and a $1.1 million increase in management fees, partially offset by a $0.5 million decrease in insurance expense, as described more fully below.

Professional fees

Professional fees increased $2.1 million to $3.1 million for the year ended December 31, 2010 as compared to $1.1 million for the previous year. The increase is primarily related to increased legal, consulting and audit fees associated with the reorganized company including the preparation of the Comprehensive Form 10-K. A majority of the professional fees incurred during 2009 and prior to the Effective Date in 2010 were primarily related to incremental costs directly associated with the bankruptcy and are recorded as reorganization items, net in the consolidated statements of operations. See "Reorganization items, net" below for additional details. Other professional fees associated with discontinued operations are discussed within "Changes in Results of Operations – Discontinued Operations" below.

Compensation

Compensation expense increased $0.7 million to $2.0 million for the year ended December 31, 2010 as compared to $1.3 million for the previous year. The increase is primarily related to personnel costs associated with the ongoing operations including the reorganized company subsequent to the Effective Date.

Insurance

Insurance expense decreased $0.5 million to $1.9 million for the year ended December 31, 2010 as compared to $2.4 million for the previous year. The decrease is primarily related to new director and officer liability policies associated with Signature, the reorganized company, subsequent to the Effective Date.

Management fee

Management fee increased $1.1 million to $1.1 million for the year ended December 31, 2010 as compared to zero for the previous year. Pursuant to the Interim Management Agreement, SCA receives as compensation for its services $0.5 million per calendar quarter or such other amount based on the determination of the Board and the consent of SCA for its management of Signature.

Reorganization items, net

Reorganization items, net increased $2.5 million to $11.9 million for the year ended December 31, 2010 as compared to $9.4 million for the previous year. The increase is primarily related to $14.0 million in professional and legal fees associated with the reorganization, $1.5 million related to the settlement of Senior Notes, partially offset by a $3.5 million gain on extinguishment of debt related to the settlement of the Junior Subordinated Debentures and $0.1 million in interest income on cash accumulated in bankruptcy during the year ended December 31, 2010 as compared to $10.2 million in professional and legal fees partially offset by $0.8 million in interest income on cash accumulated

in bankruptcy during the previous year.

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Reorganization items are expense or income items that were incurred or realized by the Company as a result of the bankruptcy. These items include professional fees, trustee fees and other expenses incurred directly related to the bankruptcy filing, gains or losses resulting from activities of the reorganization process and interest earned on cash accumulated by the Company while in bankruptcy. See Note 19 — Debtor-in-Possession Financial Information in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report for further detail on reorganization items, net.

Loss from discontinued operations, net of income taxes

Loss from discontinued operations, net of income taxes increased $8.3 million to a loss of $14.1 million for the year ended December 31, 2010 as compared to $5.7 million for the previous year. The increase in loss from discontinued operations is primarily related to a decrease of $27.9 million in non-interest income and a $48.5 million decrease in income tax benefit, partially offset by a $68.5 million reduction in non-interest expense. See discussion of "Changes in Results of Operations - Discontinued Operations" below for additional detail.

CHANGES IN FINANCIAL CONDITION - DISCONTINUED OPERATIONS

The following table presents selected components of the Company's balance sheets for its discontinued operations at December 31, 2010 and 2009.

(Dollars in thousands)	December 31,	
(Debtor-In-Possession for the Period June 18, 2008 through June 11, 2010)	2010	2009
Cash and cash equivalents	$568	$525
FHLB stock	2,051	2,146
Loans held for sale, net	38,938	53,409
Commercial real estate investments	5,484	9,072
Note receivable	1,639	-
Accrued interest receivable	403	528
Real estate owned, net	7,003	7,037
Premises and equipment, net	778	1,410
Assets held in trust for deferred compensation plans	-	11,792
Other	397	2,213
Total assets of discontinued operations	$57,261	$88,132
Repurchase reserve	$8,873	$37,200
Accounts payable and accrued expenses	5,379	2,967
Liabilities of deferred compensation plans	-	11,819
Liabilities subject to compromise	-	37,732
Other	838	934
Total liabilities of discontinued operations	$15,090	$90,652

December 31, 2010 compared to December 31, 2009

FHLB stock

FHLB stock remained flat at $2.1 million at December 31, 2010 as compared to $2.1 million at December 31, 2009. As a former member of the FHLB of San Francisco, FIL was required to purchase and hold stock in the FHLB to satisfy membership and borrowing requirements. This stock is restricted in that it can only be sold to the FHLB or to another member institution, and all sales of FHLB stock must be at par. The FHLB of San Francisco announced that it temporarily suspended their stock repurchase activities and the payment of stock dividends for a period of time as part of a capital preservation policy. In accordance with the FHLB of San Francisco capital plan as amended and

restated effective March 2009, the FHLB of San Francisco has defined the redemption period for capital stock to be five years following a member's written notice of the member's intention to withdraw from membership in the FHLB. Based on the surrender of FIL's bank charter in July 2008, the Company estimates that the remaining FHLB stock will be redeemed in 2013, subject to any amendments to the FHLB of San Francisco capital plan. During 2010, the FHLB of San Francisco resumed repurchases of stock at reduced levels. During the second and third quarter of 2010, $80 thousand and $16 thousand, respectively, of FHLB stock was redeemed at par.

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Loans held for sale, net

Loans held for sale primarily consist of first lien subprime residential mortgage loans originated by Fremont in periods prior to March 31, 2007. Residential real estate loans held for sale, net totaled $38.9 million consisting of $106.6 million in UPB, net of $67.8 million in valuation allowance or 37% of UPB at December 31, 2010, as compared to $53.4 million consisting of $140.6 million in unpaid principal balance, net of $87.7 million in valuation allowance or 38% of UPB at December 31, 2009. The decrease is primarily related to $11.2 million in net transfers of loans held for sale to REO as a result of foreclosures and $7.0 million in borrower pay-offs and principal payments, partially offset by $3.7 million in reductions to the valuation allowance primarily attributable to an increase in estimated fair value related to a decrease in delinquent loans partially offset by an increase in loss severities during 2010. There were no loans sold during the years ended December 31, 2010 and 2009.

As of December 31, 2010, non-accrual loans totaled $45.3 million or 43% of unpaid principal balance as compared to $67.3 million or 48% of unpaid principal for the previous year. The weighted average yield on residential real estate loans held for sale, as a percentage of the aggregate portfolio's UPB, was 4.15% at December 31, 2010 as compared to 2.99% for the previous year.

Commercial real estate investments

Commercial real estate investments primarily consist of a participation in community development projects and similar types of loans and investments which FIL previously maintained for compliance under the Community Reinvestment Act.

Commercial real estate investments, net decreased to $5.5 million at December 31, 2010 as compared to $9.1 million at December 31, 2009. The decrease is primarily related to $3.5 million in sales of commercial real estate investments in December 2010. Net proceeds of $3.5 million were received and were comprised of $1.9 million in cash and a non-interest bearing note of $1.9 million with a fair value of $1.6 million. The resulting discount on the note receivable is recognized as interest income over the term of the note. The Company did not record any gain or loss on the sale.

Note receivable

Note receivable increased to $1.6 million at December 31, 2010 as compared to zero at December 31, 2009. Note receivable is related to the sale of a commercial real estate investment in December 2010 whereby the Company received $1.9 million in cash and a non-interest bearing note of $1.9 million with a fair value of $1.6 million. The resulting discount of $0.3 million will be recognized as interest income over the term of the note.

Real estate owned, net (REO)

REO includes property acquired through foreclosure or deed in lieu of foreclosure and is recorded at fair value less estimated costs to sell at acquisition date. REO totaled $7.0 million, net of valuation reserves of $1.2 million, at December 31, 2010 as compared to $7.0 million, net of valuation reserves of $1.4 million, at December 31, 2009. Loans held for sale transferred to REO, at estimated fair value less selling costs, totaled approximately $11.2 million and valuation reserves declined by $0.2 million during the year ended December 31, 2010. The increases were offset by REO sales totaling approximately $11.4 million. The number of REO properties increased to 60 properties at December 31, 2010 as compared to 51 properties at December 31, 2009.

Premises and equipment, net

Premises and equipment, net decreased to $0.8 million at December 31, 2010 as compared to $1.4 million at December 31, 2009. The decrease is attributable to $0.3 million in depreciation and $0.5 million in write-downs on remaining premises and equipment.

Assets held in trust for deferred compensation plans