

SIGNATURE GROUP HOLDINGS, INC.  
Form DEFR14A  
June 10, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. 1)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**SIGNATURE GROUP HOLDINGS, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Dear Stockholder:

On behalf of the Board of Directors and management of Signature Group Holdings, Inc. (the Company), you are cordially invited to attend the 2013 Annual Meeting of Stockholders of the Company (the Annual Meeting), which will be held at the Sheraton Gateway Los Angeles Hotel, 6101 W. Century Boulevard, Los Angeles, California 90045, on July 16, 2013, beginning at 2:00 p.m. Pacific Time. The accompanying Notice of Annual Meeting and proxy statement are designed to answer your questions and provide you with important information regarding our Board of Directors and senior management, and provide you with information about the items of business which will be acted upon at the Annual Meeting.

As you may already know, we are pleased to inform you that the proxy contest is over. The Company's proposed slate of director nominees is the result of a settlement between the Company and the stockholder group comprised of New Signature, LLC, Charlestown Capital Advisors, LLC, Bouchard 10S LLC, Duart Holdings LLC, Raj Maheshwari, Craig T. Bouchard, Malcolm MacLean IV, Clifford Nastas, and Lee Smith. The terms of the Settlement Agreement between the two parties are described in more detail in the enclosed proxy statement. The parties have agreed on, and recommend the election of, the following slate of director nominees at the annual meeting: Craig T. Bouchard, Peter C.B. Bynoe, Patrick E. Lamb, Raj Maheshwari and Philip G. Tinkler. We believe this settlement is in the best interests of all stockholders of the Company, as we will avoid the further expense of a proxy contest and will be able to now focus our attention on growing the Company and creating value for all stockholders.

Our Board of Directors has determined that the matters to be considered at the Annual Meeting are in the best interests of the Company and its stockholders. For the reasons set forth in the proxy statement, the Board of Directors strongly recommends that you vote (i) **FOR** the director nominees specified under Proposal 1; (ii) **FOR** approval of the amendment of the Amended and Restated Articles of Incorporation to increase the number of authorized shares of common stock of the Company under Proposal 2; (iii) **FOR** the ratification of the appointment of Squar, Milner, Peterson, Miranda & Williamson, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013 under Proposal 3; (iv) **FOR** approval, by advisory vote, of the compensation of our named executive officers under Proposal 4; (v) for **ONE YEAR** with respect to the frequency of conducting future advisory votes on the compensation of our named executive officers under Proposal 5; and (vi) **FOR** adjournment of the Annual Meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to approve Proposal 2. All of these proposals will be listed in the proxy card included with the enclosed proxy statement that you receive for the Annual Meeting.

We encourage you to attend the Annual Meeting in person if it is convenient for you to do so. If you are unable to attend, it is important your shares be represented and voted at the Annual Meeting. We urge you to read the enclosed proxy statement and then sign, date and return the enclosed proxy card (or follow the instructions in the enclosed proxy card to vote by telephone or via the Internet), at your earliest convenience.

If you need assistance in voting, you should contact our proxy solicitor, Innisfree M&A Incorporated, by calling (888) 750-5834. Banks and brokerage firms should call Innisfree at (212) 750-5833.

On behalf of the Board of Directors, we look forward to greeting in person as many of our stockholders as possible.

Sincerely,

Craig T. Bouchard

Chief Executive Officer and Chairman of the Board

June 10, 2013

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held July 16, 2013**

The 2013 Annual Meeting of Stockholders of Signature Group Holdings, Inc. (the Annual Meeting), a Nevada corporation, will be held at the Sheraton Gateway Los Angeles Hotel, 6101 W. Century Boulevard, Los Angeles, California 90045, on July 16, 2013, beginning at 2:00 p.m. Pacific Time, for the following purposes:

1. To elect the following five directors to the Board of Directors, each to hold such office until the next annual meeting of stockholders or until his successor has been elected and qualified: Craig T. Bouchard, Peter C.B. Bynoe, Patrick E. Lamb, Raj Maheshwari and Philip G. Tinkler;
  2. To approve an amendment to the Amended and Restated Articles of Incorporation to increase the number of authorized shares of common stock of the Company from 190,000,000 shares to 665,000,000 shares;
  3. To ratify the selection of Squar, Milner, Peterson, Miranda & Williamson, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013;
  4. To approve, by advisory vote, the compensation of our named executive officers, as described in the proxy statement accompanying this notice;
  5. To conduct an advisory vote on the frequency of conducting future advisory votes on the compensation of our named executive officers;
  6. To adjourn the Annual Meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to approve Proposal 2; and
  7. To transact such other business as may properly come before the Annual Meeting, and any adjournment or postponement thereof.
- Our Board of Directors recommends that you vote **FOR** the election of each of the director nominees with respect to Proposal 1, for **ONE YEAR** with respect to Proposal 5, and **FOR** each of the other proposals.

Only stockholders of record at the close of business on May 29, 2013 (the Record Date) will be entitled to notice of, and to vote at, the Annual Meeting. Please vote in one of the following ways:

**Vote by Telephone:** You can vote your shares by telephone by calling the toll-free number indicated on your proxy card on a touch-tone telephone 24 hours a day. Easy-to-follow voice prompts enable you to vote your shares and confirm that your instructions have been properly recorded. If you are a beneficial owner, or you hold your shares in street name, please check your voting instruction card or contact your bank, broker or nominee to determine whether you will be able to vote by telephone.

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Vote by Internet: You can also vote via the Internet by following the instructions on your proxy card. The website address for Internet voting is indicated on your proxy card. Internet voting also is available 24 hours a day. If you are a beneficial owner, or you hold your shares in street name, please check your voting instruction card or contact your bank, broker or nominee to determine whether you will be able to vote via the Internet.

Vote by Mail: If you choose to vote by mail, complete, sign, date and return your proxy card in the postage-paid envelope provided. Please promptly mail your proxy card to ensure that it is received prior to the Annual Meeting.

**Your vote is very important.** Whether or not you plan to attend the Annual Meeting, you are urged to read the enclosed proxy statement and then vote your proxy card promptly by telephone, via the Internet, or by completing, signing, dating and returning the enclosed proxy card in the postage-paid envelope provided. If you are the beneficial owner or you hold your shares in street name, please follow the voting instructions provided by your bank, broker, or other nominee. You may revoke your proxy at any time prior to the Annual Meeting. Only the latest validly executed proxy that you submit will be counted. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy. However, in order to vote your shares in person at the Annual Meeting, you must be a stockholder of record on the Record Date or hold a legal proxy from your bank, broker or other holder of record permitting you to vote at the Annual Meeting.

If you have any questions or need assistance in voting your shares of Signature common stock, please contact our proxy solicitor, Innisfree M&A Incorporated ( Innisfree ) by calling (888) 750-5834. Banks and brokerage firms should call Innisfree at (212) 750-5833.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
ANNUAL MEETING TO BE HELD ON JULY 16, 2013**

**The proxy statement, the proxy card and related proxy materials for this Annual Meeting and Signature's Annual Report on Form 10-K for the year ended December 31, 2012 (the Annual Report ) are available over the Internet at [www.signaturegroup Holdings.com](http://www.signaturegroup Holdings.com).**

Only the latest validly executed proxy that you submit will be counted. To obtain directions to the Annual Meeting, contact Innisfree at (888) 750-5834.

By Order of the Board of Directors

Craig T. Bouchard

Chief Executive Officer and Chairman of the Board

Sherman Oaks, California

June 10, 2013

**SIGNATURE GROUP HOLDINGS, INC.**

**PROXY STATEMENT**

**FOR THE 2013 ANNUAL MEETING OF STOCKHOLDERS**

Our Board of Directors is soliciting proxies to be voted at our 2013 Annual Meeting of Stockholders (the Annual Meeting ) on July 16, 2013, at 2:00 p.m. Pacific Time, and at any adjournment or postponement thereof, for the purposes set forth in the attached Notice of Annual Meeting of Stockholders (the Notice ). This proxy statement and the proxies solicited hereby are being first sent or delivered to stockholders on or about June 12, 2013.

As used in this proxy statement, the terms Signature, Company, we, us and our refer to Signature Group Holdings, Inc. and the terms Board of Directors and the Board refer to the Board of Directors of Signature.

**INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

***Why did I receive these proxy materials from Signature?***

The Board of Directors has made these materials available to you on the Internet or has delivered printed versions of these materials to you by mail in connection with the solicitation by the Board of Directors of proxies for use at the Annual Meeting, which will be held on July 16, 2013 at 2:00 p.m. Pacific Time, at the Sheraton Gateway Los Angeles Hotel, 6101 W. Century Boulevard, Los Angeles, California 90045. We made these materials available to stockholders beginning on or about June 10, 2013 on the SEC website and the Company's website. We will begin mailing the proxy statement and the proxies solicited hereby to stockholders beginning on or about June 12, 2013. Our stockholders are invited to attend the Annual Meeting and are requested to vote on the proposals described in this proxy statement using the instructions on the proxy card.

***What is the status of the prior proxy materials filed with the SEC by the Company and the other shareholder group?***

On May 2, 2013, New Signature, LLC, Charlestown Capital Advisors, LLC, Bouchard 10S LLC, Duart Holdings LLC, Raj Maheshwari, Craig T. Bouchard, Steven Gidumal, Malcolm MacLean IV, Clifford Nastas and Lee Smith and their director nominees (collectively, the Gold Slate Parties ) filed proxy materials with the SEC in support of their director nominations. On May 15, 2013, the Company filed its definitive proxy materials with the SEC. On June 4, 2013, the Company and certain of its affiliates (the Company Parties ) and New Signature, LLC, Charlestown Capital Advisors, LLC, its wholly owned fund, Charlestown Jupiter Fund, LLC, Bouchard 10S LLC, Duart Holdings LLC, and certain members of the Gold Slate Parties' director nominees (the New Signature Parties ) entered into a settlement agreement (the Settlement Agreement ) to resolve this proxy contest. As a result of this settlement, these proxy materials and the proxies solicited hereby will be the only materials that you will receive. For additional information regarding the Settlement Agreement, see Background of the Solicitation in Proposal 1: Election of Directors and the Company's Current Report on Form 8-K, which was filed with the SEC on June 5, 2013.

***Who is entitled to vote?***

Stockholders who own shares of our common stock, at the close of business on May 29, 2013 (the Record Date ), are entitled to vote on matters that come before the Annual Meeting. As of the Record Date, we had 121,676,840 shares of common stock outstanding and expected to be entitled to vote at the Annual Meeting. Each share of common stock is entitled to one vote.



***What is included in these proxy materials?***

These materials include:

The Notice;

This proxy statement; and

Our Annual Report, which includes our audited consolidated financial statements.

If you were mailed a full set of proxy materials or requested printed versions of these materials by mail, these materials also include the proxy card for the Annual Meeting.

***What am I voting on at the Annual Meeting?***

Stockholders will be voting on the following proposals at the Annual Meeting:

Proposal 1 the election of the following five directors to serve until the next annual meeting of stockholders or until their successors have been elected and qualified: Craig T. Bouchard, Peter C.B. Bynoe, Patrick E. Lamb, Raj Maheshwari and Philip G. Tinkler;

Proposal 2 the approval of an amendment to the Amended and Restated Articles of Incorporation to increase the number of authorized shares of our common stock from 190,000,000 to 665,000,000;

Proposal 3 the ratification of the selection of Squar, Milner, Peterson, Miranda & Williamson, LLP ( Squar Milner ) as our independent registered public accounting firm for the fiscal year ending December 31, 2013;

Proposal 4 the approval, by advisory vote, of the compensation of our named executive officers as described in this proxy statement;

Proposal 5 the advisory vote on the frequency of conducting future advisory votes on the compensation of our named executive officers; and

Proposal 6 the approval to adjourn the Annual Meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to approve Proposal 2.

We may also transact such other business as may properly come before the Annual Meeting, and any adjournment or postponement thereof.

***What constitutes a quorum for the Annual Meeting?***

The presence of the owners of a majority of the shares eligible to vote at the Annual Meeting is required in order to hold the Annual Meeting and conduct business. Presence may be in person or by proxy. You will be considered part of the quorum if you voted by telephone, via the Internet or by properly submitting a proxy card or voting instruction form by mail, or if you are present and vote at the Annual Meeting.

***How does the Board recommend that I vote?***

The Board recommends that you vote your shares (i) FOR each of the director nominees specified under Proposal 1; (ii) FOR approval of an amendment of the Amended and Restated Articles of Incorporation to increase the number of authorized shares of our common stock under

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Proposal 2; (iii) FOR the ratification of the appointment of Squar Milner as our independent registered public accounting firm for the fiscal year ending December 31, 2013 under Proposal 3; (iv) FOR approval, by advisory vote, of the compensation of our named executive officers under Proposal 4; (v) for ONE YEAR with respect to the frequency of conducting future advisory votes on the compensation of our named executive officers under Proposal 5; and (vii) FOR adjournment of the Annual Meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to approve Proposal 2.

***How do I vote for the Board's recommended nominees and the various other proposals?***

Only stockholders of record at the close of business on the Record Date will be entitled to notice of, and to vote at, the Annual Meeting. Please vote in one of the following ways:

**Vote by Telephone:** You can vote your shares by telephone by calling the toll-free number indicated on your proxy card on a touch-tone telephone 24 hours a day. Easy-to-follow voice prompts enable you to vote your shares and confirm that your instructions have been properly recorded. If you are a beneficial owner, or you hold your shares in street name, please check your voting instruction card or contact your bank, broker or nominee to determine whether you will be able to vote by telephone.

**Vote by Internet:** You can also vote via the Internet by following the instructions on your proxy card. The website address for Internet voting is indicated on your proxy card. Internet voting also is available 24 hours a day. If you are a beneficial owner, or you hold your shares in street name, please check your voting instruction card or contact your bank, broker or nominee to determine whether you will be able to vote via the Internet.

**Vote by Mail:** If you choose to vote by mail, complete, sign, date and return your proxy card in the postage-paid envelope provided. Please promptly mail your proxy card to ensure that it is received prior to the Annual Meeting.

By submitting a proxy, you are legally authorizing another person to vote your shares on your behalf. We urge you to promptly vote your proxy **FOR** each of the Board's nominees and the other proposals recommended by the Board by telephone, via the Internet, or by completing, signing, dating and returning the enclosed proxy card in the postage-paid envelope. If you vote your proxy by telephone, via the Internet, or submit your executed proxy card by mail, but you do not indicate how your shares are to be voted, then your shares will be voted in accordance with the Board's recommendations set forth in this proxy statement.

**If You Hold Your Shares in Street Name :**

If you hold your shares in street name, through a bank, broker or other holder of record (*i.e.*, a custodian), your custodian is considered the stockholder of record for purposes of voting at the Annual Meeting. Your custodian is required to vote your shares on your behalf in accordance with your instructions. If you do not give instructions to your custodian, your custodian is permitted to vote your shares with respect to routine matters, such as the approval of an amendment to the Amended and Restated Articles of Incorporation to increase the number of authorized shares of common stock under Proposal 2 and the ratification of the appointment of Squar Milner as our independent registered public accounting firm under Proposal 3. However, if you do not give instructions to your custodian, your custodian will **NOT** be permitted to vote your shares with respect to non-routine matters. All other matters up for stockholder consideration (*i.e.*, Proposals 1, 4, 5 and 6) at the Annual Meeting are considered non-routine matters. Accordingly, if you do not give your custodian specific instructions on Proposals 1, 4, 5 or 6, then your shares will be treated as broker non-votes and will not be voted on the proposal(s) for which you did not provide instructions. When the vote is tabulated for any particular matter, broker non-votes, if any, will only be counted for purposes of determining whether a quorum is present. Accordingly, we urge you to promptly give instructions to your custodian to vote **FOR** Proposals 1, 4 and 6 and for **ONE YEAR** on Proposal 5 by using the voting instruction card provided to you by your custodian. You will be given the option of voting by telephone, via the Internet, by mail or in person. Please note that if you intend to vote your street name shares in person at the Annual Meeting, you must provide a legal proxy from your custodian at the Annual Meeting.

***What is required to approve each proposal?***

**Proposal 1:** Directors are elected by a plurality of votes cast at the Annual Meeting. Therefore, the five nominees who receive the most votes will be elected. Any shares not voted (whether by withheld vote, broker non-vote, or otherwise) are not counted in determining the outcome of the election of directors.

**Proposal 2:** The proposal to amend the Amended and Restated Articles of Incorporation to increase the number of authorized shares of our common stock requires the affirmative vote of the holders of a majority of the

outstanding shares of our common stock for approval. Therefore, the failure to vote, either by proxy or in person, will have the same effect as a vote against the approval of the proposal. Abstentions also will have the same effect as a vote against the approval of the proposal. The proposed amendment is a routine item upon which brokerage firms may vote in their discretion on behalf of their clients if such clients have not furnished voting instructions.

**Proposal 3:** The ratification of Squar Milner as our independent registered public accounting firm for the fiscal year ending December 31, 2013 will be approved if the votes cast favoring the proposal exceed the votes cast opposing it. Any shares not voted (whether by abstention, broker non-vote, or otherwise) would not be included in the vote totals and, as such, will have no effect on the outcome of this proposal.

**Proposal 4:** The compensation of our named executive officers will be approved, by advisory vote, if the votes cast favoring the proposal exceed the votes cast opposing it. Any shares not voted (whether by abstention, broker non-vote, or otherwise) would not be included in the vote totals and, as such, will have no effect on the outcome of this proposal.

**Proposal 5:** There is no threshold vote that must be obtained for the advisory vote on the frequency of conducting advisory votes on the compensation of our named executive officers. Stockholders will be able to specify whether they prefer a vote every one, two or three years. Stockholders also may abstain. The Company will consider the frequency that receives the highest number of votes to be the frequency that is preferred by stockholders. Therefore, any shares not voted (whether by abstention, broker non-vote, or otherwise) will have no effect on the outcome of this proposal.

**Proposal 6:** The proposal regarding the adjournment of the Annual Meeting will be approved if the votes cast favoring the proposal exceed the votes cast opposing it. Any shares not voted (whether by abstention, broker non-vote, or otherwise) would not be included in the vote totals and, as such, will have no effect on the outcome of this proposal.

**Other Matters:** Approval of any unscheduled matter, such as a matter incident to the conduct of the Annual Meeting, would require the affirmative vote of a majority of the votes cast. Any shares not voted (whether by abstention, broker non-vote, or otherwise) are not counted in determining the outcome of the vote.

#### ***Can I change my vote?***

You can change your vote by revoking your proxy at any time before it is exercised at the Annual Meeting in one of four ways:

vote again by telephone or via the Internet;

complete, sign, date and return the enclosed proxy card with a later date before the Annual Meeting;

vote in person at the Annual Meeting; or

notify the Corporate Secretary, Chris Manderson, in writing before the Annual Meeting that you are revoking your proxy. Only the latest validly executed proxy that you submit will be counted.

#### ***How can I attend the Annual Meeting?***

You are invited to attend the Annual Meeting only if you were a stockholder as of the close of business on the Record Date or if you hold a valid proxy for the Annual Meeting. In addition, if you are a stockholder of record (owning shares of common stock in your own name), your name will be verified against the list of registered stockholders on the Record Date prior to your being admitted to the Annual Meeting. If you are not a stockholder

of record but hold shares through a bank, broker or nominee (in street name), you should provide proof of beneficial ownership on the Record Date, such as a recent account statement or a copy of the voting instruction card provided by your bank, broker or nominee.

***Why did I receive only one set of proxy materials although there are multiple stockholders at my address?***

If one address is shared by two or more stockholders, companies and intermediaries (such as brokers) are permitted to use a delivery practice called householding, pursuant to which only one set of proxy materials will be sent to that address but a separate proxy card is included for each stockholder. This reduces printing and postage costs. Once you have received notice from the Company or your broker that it will be householding communications to your address, householding will continue until you are notified otherwise or until you provide contrary instructions. If you share an address with another stockholder and have received only one set of voting materials, you may write or call us to request to receive a separate copy of these materials at no cost to you. Similarly, if you share an address with another stockholder and have received multiple copies of our proxy materials, you may write or call us to request future delivery of a single copy of these materials. The address and phone number of the Company is: ATTN: Corporate Secretary, Signature Group Holdings, Inc., 15303 Ventura Blvd., Suite 1600, Sherman Oaks, CA 91403, (805) 435-1255. If you are a beneficial owner of shares held in street name, you can request or cancel householding by contacting your bank, broker, or nominee.

***What is the deadline for submitting proposals for next year's annual meeting or to nominate individuals to serve as directors?***

You may submit proposals, including director nominations, for consideration at future stockholder meetings.

Stockholders who wish to submit proposals for inclusion in the Company's proxy statement for the 2014 annual meeting of stockholders, pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act), must submit their proposals so that they are received at our principal executive offices no later than the close of business on February 12, 2014, which is 120 calendar days prior to the anniversary of this year's proxy mailing date. A stockholder who wishes to submit a proposal under Rule 14a-8 must qualify as an eligible stockholder and meet other requirements of the Securities and Exchange Commission (the Commission or SEC).

Pursuant to the Company's Amended and Restated Bylaws, if a stockholder wishes to submit a proposal that is not intended to be included in our proxy statement under Rule 14a-8 of the Exchange Act, or wishes to nominate an individual for election to the Board, the stockholder must provide timely notice to the Company. To be timely, the stockholder proposal or nomination must be mailed and received by, or delivered to, the secretary of the Company not later than the close of business on the 90th day prior to the anniversary date of the most recent annual meeting of stockholders or, if the date of the annual meeting of stockholders is more than 30 days earlier or later than such anniversary date, then not later than the close of business on the 75th day prior to the anniversary date of the most recent annual meeting of stockholders, or, if no annual meeting of stockholders was held the previous year, no later than ten (10) days following the date notice of the annual meeting of stockholders is first given.

As a result, any notice given by a stockholder pursuant to these provisions of the Amended and Restated Bylaws (and not pursuant to the Commission Rule 14a-8) must be received no later than April 17, 2014, unless the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the this year's Annual Meeting. In that case, we must receive proposals not later than the close of business on the later of (i) the 75th day prior to such annual meeting or (ii) if no annual meeting of stockholders was held the previous year, no later than ten (10) days following the date notice of the annual meeting is first given. To be in proper form, a stockholder's notice must include the specified information concerning the proposal as described in the Amended and Restated Bylaws. A copy of the Amended and Restated Bylaws may be obtained from the Corporate Secretary by written request, and also is available on our corporate website at [www.signaturegroupholdings.com](http://www.signaturegroupholdings.com).

Nominations for director candidates for consideration by the Board's Governance, Nominating and Compensation Committee, or such similar committee as may be in effect at that time, should include the information specified in our Amended and Restated Bylaws, which includes, among other matters, as to each person whom the stockholder proposes to nominate: (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person and (D) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder.

Stockholder proposals and nominations must be in writing and should be directed to our Corporate Secretary, Chris Manderson, at our principal executive offices: Signature Group Holdings, Inc., 15303 Ventura Blvd., Suite 1600, Sherman Oaks, CA 91403.

***How may I communicate with the Board of Directors or the nonemployee directors on the Board?***

You may contact any member of the Board of Directors by writing to the member c/o Signature Group Holdings, Inc., 15303 Ventura Blvd., Suite 1600, Sherman Oaks, CA 91403. You may also send an email to the Board at [invrel@signaturegroupholdings.com](mailto:invrel@signaturegroupholdings.com). Each communication should specify the applicable director or directors to be contacted as well as the general topic of the communication. Our Corporate Secretary will be primarily responsible for collecting, organizing and monitoring communications from stockholders and forwarding such communications to the intended recipients where appropriate. We generally will not forward to the directors a stockholder communication that is determined to be primarily commercial in nature, that relates to an improper or irrelevant topic, or that requests general information about Signature. Concerns about accounting or auditing matters or communications intended for nonemployee directors should be sent to the attention of the Chair of the Audit Committee at the email address above. Our directors may at any time review a log of all correspondence received by Signature that is addressed to the independent members of the Board and request copies of any such correspondence.

***Who do I contact with additional questions?***

We have retained Innisfree to act as proxy solicitor. If you have additional questions or need assistance voting your shares of Common Stock, you should contact Innisfree at:

Innisfree M&A Incorporated

501 Madison Avenue

New York, New York 10022

Stockholders Call Toll-Free: (888) 750-5834

Banks and Brokerage Firms, Please Call: (212) 750-5833

### **PROPOSAL 1: ELECTION OF DIRECTORS**

Five directors are to be elected at the Annual Meeting. All directors are elected annually and hold office until the next annual meeting of stockholders, and until their successors are duly elected and qualified, or until their earlier death, resignation or removal. Our Board of Directors has selected and approved the following persons as nominees for election at the Annual Meeting: Craig T. Bouchard, Peter C.B. Bynoe, Patrick E. Lamb, Raj Maheshwari and Philip G. Tinkler. Each nominee for election has agreed to serve if elected, and we do not know of any reason why any nominee would be unable to serve as a director. If any nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of such other person as the Board may nominate. The Board recommends that you use the enclosed proxy card (or follow the directions set forth in the proxy card to vote by Telephone or via the Internet) to vote FOR each of the Board's five (5) nominees for director.

### **BACKGROUND OF THE SOLICITATION**

On April 19, 2012, the Company filed a preliminary proxy statement with the SEC announcing its initial slate of director nominees, which was comprised of: G. Christopher Colville, John Koral, Patrick E. Lamb, Robert Schwab and Philip G. Tinkler (collectively the White Slate).

On April 23, 2013, Charlestown Capital Advisors, LLC and its wholly owned fund, Charlestown Jupiter Fund, LLC, notified the Board of Directors that they were nominating five (5) alternative director nominees (the Notice), who were comprised of: Craig T. Bouchard, Steven Gidumal, Malcolm F. MacLean IV, Raj Maheshwari and Clifford D. Nastas (collectively, the Gold Slate). The Notice was timely submitted and in compliance with the advance notice provisions of the Company's Amended and Restated Bylaws. On April 26, 2013, the Company acknowledged receipt of these nominations and requested the completion of standard Director & Officer Questionnaires for review by the Board's Governance, Nominating and Compensation Committee by May 3, 2013. On May 2, 2013, the Gold Slate Parties filed proxy materials with the SEC in support of the Gold Slate.

The Governance, Nominating and Compensation Committee and the Board of Directors considered each member of the Gold Slate Parties carefully and determined not to include any of them in the Board's slate of director nominees. The White Slate initially included Robert Schwab, who previously served as a director of Signature from 2010 until August 2012. Once it became apparent that the Annual Meeting would involve a contested election, Mr. Schwab and the Company mutually decided after further discussions to remove Mr. Schwab from the White Slate. The Company appreciates Mr. Schwab's consideration and time. The Governance, Nominating and Compensation Committee considered several candidates to replace Mr. Schwab on the Board's slate of director nominees and selected Peter C.B. Bynoe as the new director nominee. On May 15, 2013, the Company filed a definitive proxy statement with the SEC, announcing its amended slate of director nominees, which was comprised of: Peter C.B. Bynoe, G. Christopher Colville, John Koral, Patrick E. Lamb and Philip G. Tinkler (collectively the Amended White Slate).

### **The Settlement Agreement**

On June 4, 2013, the Company Parties determined that it was in the best interests of all stockholders to end the proxy contest and entered into the Settlement Agreement with the New Signature Parties. Pursuant to the terms of the Settlement Agreement, the Board of Directors appointed Craig T. Bouchard to serve as both Chairman of the Board and Chief Executive Officer, effective immediately, G. Christopher Colville resigned as interim Chief Executive Officer and as a director of the Company. Further, the parties agreed, among other things, upon the new slate of director nominees to be presented by the Company for election at the Annual Meeting (Craig T. Bouchard, Peter Bynoe, Patrick Lamb, Raj Maheshwari and Philip Tinkler), and that, the New Signature Parties would withdraw the Gold Slate, support the revised slate of director nominees, and vote in favor of the other Company proposals included in this proxy statement. The Settlement Agreement also provides that following the Annual Meeting, the Board will terminate the Governance, Nominating and Compensation

Committee and will create a separate Compensation Committee and Nominating and Corporate Governance Committee. In addition, the Settlement Agreement provides for a restricted period during which the New Signature Parties (and their affiliates) are restricted from taking certain actions with respect to the election of directors of the Company (such as soliciting proxies or written consents, among other things). The restricted period began on June 4, 2013 and ends immediately after the Annual Meeting. The Company has confirmed that the Settlement Agreement and the parties' performance of the Settlement Agreement will not trigger a distribution of its right pursuant to the Company's Rights Agreement dated October 23, 2007, as amended, between the Company and Mellon Investor Services LLC. Finally, the Company has agreed that it will reimburse the actual out-of-pocket expenses of the New Signature Parties incurred prior to June 4, 2013 in connection with the Annual Meeting and the related actions and events, up to \$250,000. Concurrently with the Settlement Agreement, the Company entered into an Employment Agreement, Restricted Stock Agreement, and Option Agreement with Mr. Bouchard in connection with his appointment as the Company Chief Executive Officer. For additional information about the Settlement Agreement or the agreements with Mr. Bouchard, see the Company's Current Report on Form 8-K, which was filed with the SEC on June 5, 2013.

The Board believes that the election of the Board's five (5) director nominees is important to the future success of Signature and is in the best interests of all of Signature's stockholders.

### **Background Information on Director Nominees**

Set forth below is certain information, as of June 7, 2013, regarding each director nominee, including information regarding the experience, qualifications, attributes or skills of each nominee that led to the Board of Directors' conclusion that the person should serve on the Board.

*Craig T. Bouchard (Age 59):* Effective as of June 4, 2013, Mr. Bouchard was appointed to serve as the Company's Chairman of the Board and Chief Executive Officer. Mr. Bouchard is also Chairman of the Board and Chief Executive Officer of Cambelle-Inland, LLC, an entity created in 2013 through which Mr. Bouchard manages certain investment activities in China. Prior to founding Cambelle-Inland, LLC, in 2010, Mr. Bouchard founded Shale-Inland, a leading master distributor of stainless steel pipe, valves and fittings, and stamped and fabricated parts to the US energy industry with revenues approaching \$1 billion. Mr. Bouchard served as the Chief Executive Officer and later as the Chairman of the Board of Shale-Inland through 2012. Before founding Shale-Inland, Mr. Bouchard was President and Vice Chairman of Esmark, Inc., a publicly traded company on the NASDAQ. Mr. Bouchard co-founded Esmark, Inc. in 2004. Mr. Bouchard was named a finalist for the 2005 Ernst & Young Entrepreneur of the Year Award in Illinois. His team later crafted the first and only hostile reverse tender merger on Wall Street, successfully replacing 9 directors of Wheeling Pittsburg Corporation in 2007. In doing so, Esmark became the nation's fifth largest steel company. During Mr. Bouchard's tenure, Esmark's revenues grew from \$4 million to over \$3 billion. The company was one of the highest appreciating stocks on the NASDAQ or the NYSE for the full year 2008. The story was told in *America for Sale*, Copyright 2009, Craig T. Bouchard and James V. Koch (ABC-CLIO). From 1998-2003, Mr. Bouchard was the President and Chief Executive Officer of New York based NumeriX, a risk management software company commanding a leading market share on Wall Street. Mr. Bouchard holds a Bachelors degree from Illinois State University, a Masters Degree in Economics from Illinois State University, and an MBA from the University of Chicago. He has been a member of the Board of Trustees of Boston University and the Foundation of the University of Montana. He is currently a member of the Board of the Department of Athletics at Duke University. Mr. Bouchard holds United States Patent No. 4,212,168, *Power Producing Dry-Type Cooling Systems*, and has authored, with James V. Koch, the book *The Caterpillar Way. Lessons in Leadership, Growth and Stockholder Value*, Copyright 2013, (McGraw Hill, November 2013; www.craigbouchard.com).

The Board will benefit from Mr. Bouchard's significant executive experience in a variety of industries, including risk management, strategic planning, raising capital, financial engineering, a distinctive record of business successes and considerable experience in growing his companies both organically and through accretive acquisitions.



*Peter C.B. Bynoe (Age 62):* Since February 2009, Mr. Bynoe has served as a partner and Chief Operating Officer of Loop Capital LLC, a full-service investment banking firm based in Chicago, where he had been Managing Director since February 2008. As Chief Operating Officer, Mr. Bynoe oversees the firm's mergers and acquisitions practice in the utility and power sector. Mr. Bynoe also currently serves as a Senior Counsel in the Chicago office of the international law firm DLA Piper US LLP. From March 1995 until December 2007, Mr. Bynoe was a senior Partner at DLA Piper US LLP and served on its Executive Committee. Mr. Bynoe has also been a principal of Telemat Ltd., a consulting and project management firm, since 1982. Since 2004, Mr. Bynoe has been a director of Covanta Holding Corporation, an internationally recognized owner of energy-from-waste and power generation projects. Since 2007, Mr. Bynoe has been a director of Frontier Communications Corporation (formerly known as Citizens Communication Corporation), a telephone, television and internet service provider, and was formerly a director of Rewards Network Inc., a provider of credit card loyalty and rewards programs, from 2003 to May 2008. Mr. Bynoe served as the Executive Director of the Illinois Sports Facilities Authority, a joint venture of the City of Chicago and State of Illinois created to develop the new Comiskey Park for the Chicago White Sox and was Managing General Partner of the National Basketball Association's Denver Nuggets. Mr. Bynoe also served as a consultant to the Atlanta Fulton County Recreation Authority and the Atlanta Committee to Organize the Olympic Games in preparation for the 1996 Summer Olympic Games. Mr. Bynoe holds Juris Doctor and Master of Business Administration degrees from Harvard University and is a member of the Illinois Bar and a registered real estate broker.

The Board will benefit from Mr. Bynoe's extensive legal and financial expertise, his background in infrastructure projects, his public sector service and his extensive knowledge of public policy issues. Mr. Bynoe's service as a board member for other public and private companies will also enable him to provide valuable insight and perspective on governance matters, mergers and acquisitions activity and the utilization of net operating loss carryforwards, of which Covanta reported approximately \$392 million as of December 31, 2012.

*Patrick E. Lamb (Age 53):* Mr. Lamb has served as a director of Signature since 2011. He is the Chief Financial Officer for the Los Angeles Clippers of the National Basketball Association and has served in that capacity since July 2007. Mr. Lamb has over 20 years of chief financial officer experience in various public and public subsidiary entities, specifically in the financial services arena, including banking, commercial finance, commercial and residential real estate, capital markets and insurance, as well as experience in public accounting. From 2004 to July 2007, Mr. Lamb served as the Senior Vice President, Treasurer, Chief Financial Officer and Chief Accounting Officer of the Company, when it was known as Fremont General Corporation (Fremont). Prior to that, Mr. Lamb served as Vice President-Finance for Fremont and as the Chief Financial Officer of Fremont Financial Corporation, a subsidiary of the Company. Before joining Fremont, Mr. Lamb worked at Ernst & Whinney (now Ernst & Young) in San Francisco, serving primarily in the financial services industries in various audit and consulting engagements. Mr. Lamb holds Bachelor of Science and Master in Accounting degrees from the Marriott School of Management at Brigham Young University. Mr. Lamb also serves on two advisory boards for the Marriott School of Management at Brigham Young University.

*Raj Maheshwari (Age 50):* Mr. Maheshwari is Managing Director of Charlestown Capital Advisors, LLC, a private merchant banking company specializing in financial advisory/merchant banking services (including mergers and acquisitions advisory) to public and private market emerging companies. Under Mr. Maheshwari's tenure, Charlestown Capital has been a mergers and acquisitions advisor to Esmark, Inc., a steel company that was sold to OAO Severstal of Russia in August, 2008 for \$1.3 billion. Charlestown Capital continues to be a financial advisor to The Bouchard Group, the founders of Esmark, Inc. and to their successor companies. In 2011, Charlestown Capital led the successful reorganization of Meruelo Maddux Properties (subsequently renamed EVOQ Properties), a commercial real estate company based in Los Angeles under Chapter 11 of the U.S. Bankruptcy Code. Charlestown Capital, under Mr. Maheshwari's leadership, has been a strategic mergers and acquisitions advisor to emerging companies in a variety of sectors. In particular, Charlestown assisted in Shale-Inland's acquisitions of Main Steel in 2011 and HDSupply IPVF in 2012. Charlestown Capital has also advised Akela Pharmaceuticals, LTS Lohmann, Artevea Digital, among other emerging companies, in their mergers and acquisitions activities. From 1999 to August, 2005, Mr. Maheshwari was a Portfolio Manager and Managing

Director at Weiss Peck and Greer Investments ( WPG ) and its successor parent company Robeco Investment Management. At WPG, he built and managed a \$500 million (approximately) Risk Arbitrage and Special Situations/Event Driven hedge fund. In addition, at WPG and its parent company, Robeco Investment Management, he was involved in many aspects of investment management, including asset allocation, identifying new investment strategies, and overall investment management strategy. From 1996 to 1999, Mr. Maheshwari

was a Vice President of Research at Robert Fleming, Inc., where he helped run a \$250 million (approximately) equity arbitrage portfolio. Mr. Maheshwari holds a Bachelor of Science degree in Mathematics and Computer Sciences from the State University of New York at Albany and an MBA from New York University. The Board will benefit from Mr. Maheshwari's considerable investing experience, as well as expertise in identifying and closing value enhancing strategic transactions and in reviewing financial statements and capital allocation.

*Philip G. Tinkler (Age 48):* Mr. Tinkler has served as a director of Signature since August 2012. Mr. Tinkler is the Chief Operating Officer and Chief Financial Officer at Equity Group Investments ( EGI ) and has served in various leadership capacities for EGI and its affiliates since 1990. He has been the firm's Chief Financial Officer since 2002, and the Chief Operating Officer since 2006. In his role at EGI, he works closely with the investment team on structuring transactions, due diligence, bank financings, and securities offerings. Since 2009, he has also been Chief Financial Officer for Chai Trust Company, LLC, an Illinois registered trust company that is trustee for many of the Zell family trusts. Mr. Tinkler oversees EGI's financial services group, which houses EGI's accounting, treasury, and tax functions. He also serves as Chief Operating Officer, managing EGI's human resources, administration and facilities functions. From 2003 to 2004, Mr. Tinkler worked at the company that is known today as Covanta Holding Corporation (NYSE: CVA), an internationally recognized owner/operator of energy-from-waste and power generation projects. During his tenure there, Mr. Tinkler served as Chief Financial Officer while the company's predecessor, Danielson Holding Corp., purchased Covanta, emerged from bankruptcy, and underwent an integration. He also served on the board of directors of Covanta's wholly owned California-based insurance subsidiary. Earlier in his career, Mr. Tinkler served as the Chief Executive Officer and Chief Financial Officer at First Capital Financial, L.L.C. and the Managing General Partner of the First Capital real estate funds. He began his career at Ernst & Young. Mr. Tinkler serves on the board of directors of another EGI investment company, WRS Holdings Company, an environmental construction and remediation company. Mr. Tinkler holds a Bachelor of Science degree from Northern Illinois University and a Master of Science degree in Taxation from DePaul University.

#### **Vote Required**

The five candidates receiving the highest number of affirmative votes will be elected as our directors. Abstentions and broker non-votes will not be counted as votes cast and, therefore, will not have an effect on this proposal. Further, the failure to vote, either by proxy or in person, will not have an effect on this proposal, assuming the quorum requirements for the Annual Meeting have been met. Unless instructions to the contrary are specified, the proxy holders will vote the proxies received by them FOR the nominees listed above.

#### **Recommendation of the Board of Directors**

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE FIVE DIRECTOR NOMINEES LISTED ABOVE.**

**Director Nominee Qualifications and Attributes**

The following table identifies the experience, qualifications, attributes and skills that the Board considered in making its decision to nominate directors to the Board. This information supplements the biographical information provided above. The vertical axis displays the primary factors reviewed by the Board and the Governance, Nominating and Compensation Committee in evaluating a Board candidate.

<b>Experience, Qualification, Skill or Attribute</b>	<b>Bouchard</b>	<b>Bynoe</b>	<b>Lamb</b>	<b>Maheshwari</b>	<b>Tinkler</b>
Professional standing in chosen field	X	X	X	X	X
Mergers & Acquisitions	X	X	X	X	X
Audit Committee Financial Expert (actual or potential)			X		X
Public company experience (current or past)	X	X	X		X
Leadership and team building skills	X	X	X	X	X
Specific skills/knowledge:					
- finance	X	X	X	X	X
- taxes			X		X
- operations	X	X	X		X
- integration of acquisitions	X		X	X	X
- public affairs	X	X	X		X
- human resources	X	X	X	X	X
- governance	X	X	X	X	X
Stockholder	X		X	X	X
Expertise in financial services or related industry	X	X	X	X	X

**Background Information on Executive Officers Who Are Not Directors**

Set forth below is information concerning each executive officer of Signature who does not serve on the Board of Directors. All executive officers of Signature serve at the discretion of the Board. There are no family relationships among any of our directors, director nominees or executive officers and there were no arrangements or understandings between any such person and any other person pursuant to which such person was selected as a director, nominee or officer.

*Kyle Ross (Age 36):* Mr. Ross has served as the Executive Vice President and Assistant Secretary of Signature since June 2010 and as Chief Financial Officer of Signature since March 2011. Mr. Ross co-founded Signature Capital Partners, a special situations investment manager, in 2004 and was directly involved in all of Signature Capital's transactions, including playing an active role in structuring, underwriting, overseeing portfolio companies, and managing the exit of transactions. Mr. Ross previously spent over four years with the investment banking firm Murphy Noell Capital where he was directly involved in over 25 transactions including both healthy and distressed M&A transactions, capital raises, and debt restructuring. He was also responsible for managing the firm's analyst and associate staff. Mr. Ross holds a Bachelor of Science degree and a Bachelor of Arts degree from the Haas School of Business and the College of Letters and Science, respectively, at the University of California, Berkeley.

**PROPOSAL 2: APPROVAL OF AMENDMENT OF**

**ARTICLES OF INCORPORATION TO INCREASE AUTHORIZED SHARES**

We are asking you to approve an amendment to our Amended and Restated Articles of Incorporation to increase the number of authorized shares of common stock. Under our Amended and Restated Articles of Incorporation, we are authorized to issue 190,000,000 shares of common stock, par value \$0.01 per share, and 10,000,000 shares of preferred stock, par value \$0.01 per share. The Board believes the current capital structure is inadequate for our present and future acquisition-related capital needs and, therefore, has approved the amendment of our Amended and Restated Articles of Incorporation to increase the number of shares of common stock authorized for issuance from 190,000,000 shares to 665,000,000 shares. The Board believes this capital structure more appropriately reflects our present and future acquisition-related capital needs and recommends that the stockholders approve the amendment.

**Reasons for and Effect of Proposal**

Our primary business strategy is to acquire controlling interests in operating companies that leverage the unique strengths of our platform. We plan to focus on companies that are highly profitable and will be accretive to earnings immediately and support their growth post-acquisition. At December 31, 2012, our liquid resources available to fund such acquisitions included \$53.7 million of cash and cash equivalents and \$3.1 million in investment securities. While such capital funds are sufficient to acquire companies of a certain size, over the past two years we have engaged in discussions with many third parties related to companies whose valuations would require us to raise additional capital or issue our common stock as part of the consideration to consummate the acquisition. Our Board does not want our capital structure to stand in the way of a potential transaction or limit the size of companies we may acquire. Accordingly, to best position the Company to be able to successfully implement its business plan, the Board has proposed this increase in authorized shares.

While there are currently no plans to raise capital by issuing shares of our common stock, to the extent we do so in the future, we expect to utilize a capital raising mechanism known as a Rights Offering whereby our then existing stockholders will be granted a Right (on a pro rata basis based on the size of the offering) to acquire newly issued shares of common stock, which has the effect of significantly reducing the amount of potential dilution to our existing stockholders that would typically occur from a more traditional issuance and sale of equity securities. Rights Offerings are common capital raising structures for companies with large net operating loss carryforwards (NOLs). Section 382 of the United States Internal Revenue Code places limits on a company's ability to utilize its NOLs after a change of control, so Rights Offerings are used to raise additional equity capital because of the reduced ownership shift. It is also common for a company that is successful in a Rights Offering to engage in additional Rights Offerings in the future. Accordingly, it is with that in mind that Signature is seeking to increase the number of authorized shares of its common stock to 665,000,000, which will enable the Company to conduct multiple future Rights Offerings to the extent the Board believes such issuances are in the best interests of the Company and its stockholders.

We have no present specific plans, understandings or agreements for the issuance of the proposed additional shares of common stock. However, the Board of Directors believes that if an increase in the authorized number of shares of common stock were to be postponed until a specific need arose, the delay and expense incident to obtaining the approval of our stockholders at that time could significantly impair our ability to meet our business objectives. As of May 29, 2013, 121,676,840 shares of common stock were issued and outstanding, 15,000,000 shares of common stock were reserved for issuance upon the exercise of outstanding warrants, 10,387,000 shares were issuable upon exercise of outstanding options and 8,336,500 shares were remaining and available for grant under the Amended and Restated Signature Group Holdings, Inc. 2006 Performance Incentive Plan (the Incentive Plan), leaving only 34,849,660 shares of common stock not reserved for another purpose and available for issuance.

The additional shares of common stock that will result from the increase in authorized shares will be available for issuance at the direction of the Board from time to time for proper corporate purposes, including to have

sufficient shares of common stock available to the extent that we want to offer our common stock in full or partial consideration for acquisition opportunities that we may pursue and to raise capital to the extent deemed appropriate. This could result in the Company issuing more shares of common stock without further stockholder approval or prior notice to stockholders, unless stockholder approval were specifically required by applicable law or the rules of any stock exchange or quotation system on which our securities may then be listed. In such an event, the equity interests of current stockholders may be significantly diluted.

The proposed amendment to our Amended and Restated Articles of Incorporation does not change the terms of our common stock. The additional shares of common stock to be authorized by the proposed amendment will have the same voting rights, the same rights to dividends and distributions and will be identical in all other respects to the common stock now authorized. The amendment also will not affect the rights of the holders of our currently outstanding common stock, except for incidental effects that would only occur as a result of future issuances of shares of common stock that would increase the number of shares of common stock outstanding, such as dilution of the earnings per share and dilution of voting rights of current holders of common stock.

We are not aware of any present efforts by anyone to accumulate our common stock, and the proposed amendment is not intended to be an anti-takeover device. Nevertheless, the proposed increase in the number of authorized shares of common stock may discourage or make it more difficult to effect a change in control of the Company. For example, we could issue additional shares to dilute the voting power of, create voting impediments for, or otherwise frustrate the efforts of persons seeking to take over or gain control of the Company, whether or not the change in control is favored by a majority of our unaffiliated stockholders. We could also privately place shares of common stock with purchasers who would side with our Board in opposing a hostile takeover bid.

#### **Implementation and Text of the Amendment**

If Proposal 2 is approved by the stockholders, the amendment will become effective upon the filing of a certificate of amendment to the Amended and Restated Articles of Incorporation or an amended and restated articles of incorporation with the Secretary of State of Nevada, which provides for the replacement of Section 4.1 of Article 4 of our Amended and Restated Articles of Incorporation in its entirety with the following paragraph, or a substantial equivalent thereof:

##### **Section 4.1 Shares, Classes and Series Authorized**

This Corporation is authorized to issue two classes of stock to be designated, respectively, Common Stock and Preferred Stock. The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is Six Hundred Seventy-Five Million (675,000,000) shares, of which Six Hundred Sixty-Five Million (665,000,000) shares shall be designated as Common Stock with a par value of \$0.01 per share, and Ten Million (10,000,000) shares shall be designated as Preferred Stock with a par value of \$0.01 per share. The Common Stock and Preferred Stock may be collectively referred to herein as the Capital Stock. The Corporation shall be prohibited from issuing non-voting securities, whether Common Stock or Preferred Stock.

#### **Vote Required**

The affirmative vote of the holders of a majority of all outstanding shares entitled to vote on this proposal will be required to approve this proposal. Therefore, the failure to vote, either by proxy or in person, will have the same effect as a vote against the approval of the proposal. Abstentions also will have the same effect as a vote against the approval of the proposal. This proposal to amend our Amended and Restated Articles of Incorporation is considered a routine item upon which brokerage firms may vote in their discretion on behalf of their clients if such clients have not furnished voting instructions. Unless instructions to the contrary are specified, the proxy holders will vote the proxies received by them FOR this proposal.

**Recommendation of the Board of Directors**

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR APPROVAL OF THE PROPOSED AMENDMENT TO OUR AMENDED AND RESTATED ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 190,000,000 SHARES TO 665,000,000 SHARES.**

**PROPOSAL 3: RATIFY THE SELECTION OF OUR  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Company's independent auditor for the year ended December 31, 2012 ( Fiscal 2012 ) was Squar Milner, an independent registered public accounting firm. The Audit Committee of the Board of Directors considered the qualifications and experience of Squar Milner, and, in consultation with the Board of Directors, selected Squar Milner as the independent auditors for the Company for the fiscal year ending December 31, 2013. We are asking our stockholders to ratify such selection.

Ratification of our independent auditors by stockholders is not required by our Amended and Restated Bylaws or otherwise. The Board is submitting the selection of Squar Milner to our stockholders for ratification as a matter of good corporate practice. If ratification of Squar Milner as our independent registered public accounting firm is not approved by stockholders, the matter will be referred to the Audit Committee for further review. Even if the selection is ratified, the Audit Committee has the discretion to select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our stockholders.

A representative of Squar Milner is expected to attend the Annual Meeting, and that representative will have an opportunity to make a statement if he or she desires to do so and is expected to be available to respond to appropriate questions from stockholders.

**Vote Required**

This proposal will be approved if the votes cast for the proposal exceed the votes cast against it. Abstentions and broker non-votes will not be counted as votes cast and, therefore, will not have an effect on this proposal. Further, the failure to vote, either by proxy or in person, will not have an effect on this proposal, assuming the quorum requirements for the Annual Meeting have been met. Unless instructions to the contrary are specified, the proxy holders will vote the proxies received by them FOR this proposal.

**Recommendation of the Board of Directors**

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE RATIFICATION OF THE SELECTION OF SQUAR MILNER AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2013.**

**PROPOSAL 4: ADVISORY VOTE REGARDING EXECUTIVE COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act added Section 14A to the Exchange Act, which requires that we provide stockholders with the opportunity to vote to approve, on an advisory basis, the compensation of our named executive officers. Commonly known as a "say-on-pay" vote, this proposal gives our stockholders the opportunity to express their views on our executive compensation policies and programs and the compensation paid to the named executive officers.

We are asking our stockholders to indicate their support for the compensation of our named executive officers as described in this proxy statement by approving the following resolution at the Annual Meeting:

RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation paid to the named executive officers, as disclosed in the Company's proxy statement for the 2013 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation tables and accompanying narrative disclosure.

The Board of Directors recommends a vote FOR approval of the advisory resolution because it believes that the Company's executive compensation policies and practices are effective in achieving the Company's goals of rewarding sustained financial and operating performance, aligning the executives' interests with those of the stockholders, and attracting, retaining, motivating and rewarding highly talented executives. We strongly encourage stockholders to read "Executive Compensation and Other Information" in this proxy statement, including the tabular and narrative disclosure regarding executive compensation, for details about our executive compensation policies and programs and information about the Fiscal 2012 compensation of our named executive officers.

The vote on this proposal is advisory and therefore not binding on the Company, the Board of Directors or the Governance, Nominating and Compensation Committee. However, the Board of Directors and the Governance, Nominating and Compensation Committee will review and consider the voting results in future decisions regarding executive compensation.

**Vote Required**

This proposal will be approved if the votes cast for the proposal exceed the votes cast against it. Abstentions and broker non-votes will not be counted as votes cast and, therefore, will not have an effect on this proposal. Further, the failure to vote, either by proxy or in person, will not have an effect on this proposal, assuming the quorum requirements for the Annual Meeting have been met. Unless instructions to the contrary are specified, the proxy holders will vote the proxies received by them FOR this proposal.

**Recommendation of the Board of Directors**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ADVISORY RESOLUTION APPROVING THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.**



**PROPOSAL 5: ADVISORY VOTE ON FREQUENCY OF FUTURE**

**ADVISORY VOTES ON EXECUTIVE COMPENSATION**

Section 14A of the Exchange Act also requires us to provide stockholders with the opportunity to indicate at least once every six years, on an advisory basis, their preference as to the frequency of future advisory votes on the compensation of our named executive officers. In this Proposal 5, we are asking stockholders to vote on whether future say-on-pay votes should occur every one, two or three years. Stockholders also may abstain from voting on this proposal.

The Board of Directors has determined that an annual advisory vote on executive compensation is most appropriate for the Company. Although the Company's executive compensation programs are designed to promote a long-term connection between pay and performance, the Board recognizes that executive compensation decisions are made annually. Given that the say-on-pay advisory vote provisions are new, we believe that holding an annual advisory vote on executive compensation at this time will provide the Company with additional and more immediate feedback on our compensation practices and policies and is consistent with our objective of further engaging with our stockholders on executive compensation and corporate governance matters. Accordingly, the Board of Directors recommends that you vote for ONE YEAR (*i.e.*, once every year) as the frequency of future advisory votes on executive compensation.

Although this vote is advisory and not binding, the Board of Directors and the Governance, Nominating and Compensation Committee will take into consideration the outcome of the vote in setting a policy with respect to the frequency of future advisory votes on executive compensation. However, when considering the frequency of future advisory votes on executive compensation, the Board of Directors and the Governance, Nominating and Compensation Committee may decide that it is in the best interests of our stockholders and the Company to hold an advisory vote on executive compensation more or less frequently than the frequency receiving the most votes cast by our stockholders. If the policy is determined in accordance with the Board's current recommendation, the next say-on-pay vote would be held at the 2014 annual meeting of stockholders.

**Vote Required**

There is no threshold vote that must be obtained for this proposal. The Company will consider the frequency that receives the highest number of votes by stockholders to be the frequency that is preferred by stockholders. Abstentions and broker non-votes will not be counted as votes cast and, therefore, will not have an effect on this proposal. Further, the failure to vote, either by proxy or in person, will not have an effect on this proposal, assuming the quorum requirements for the Annual Meeting have been met. Unless instructions to the contrary are specified, the proxy holders will vote the proxies received by them for ONE YEAR with respect to this proposal.

**Recommendation of the Board of Directors**

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR ONE YEAR AS THE PREFERRED FREQUENCY FOR ADVISORY VOTES ON EXECUTIVE COMPENSATION.**

**PROPOSAL 6: ADJOURNMENT OF THE ANNUAL MEETING**

In the event there are not sufficient votes at the time of the Annual Meeting to approve Proposal 2, our Board of Directors may propose to adjourn the Annual Meeting to a later date or dates in order to permit the solicitation of additional proxies. Pursuant to the Nevada Revised Statutes, the Board of Directors is not required to fix a new record date to determine the stockholders entitled to vote at the adjourned meeting. If the Board of Directors does not fix a new record date, it is not necessary to give any notice of the time and place of the adjourned meeting other than an announcement at the meeting at which the adjournment is taken unless the adjournment is for more than 60 days. If a new record date is fixed, notice of the adjourned meeting will be given as in the case of an original meeting.

In order to permit proxies that have been received by us at the time of the Annual Meeting to be voted for an adjournment, if necessary, we have submitted this proposal to you as a separate matter for your consideration (the Adjournment Proposal ). If approved, the Adjournment Proposal will authorize the holder of any proxy solicited by our Board of Directors to vote in favor of adjourning the Annual Meeting and any later adjournments. If our stockholders approve this Adjournment Proposal, we could adjourn the Annual Meeting, and any adjourned session of the Annual Meeting, to use the additional time to solicit additional proxies in favor of Proposal 2, including the solicitation of proxies from our stockholders who have previously voted against these proposals. Among other things, approval of the Adjournment Proposal could mean that, even if proxies representing a sufficient number of votes against Proposal 2, have been received, we could adjourn the Annual Meeting without a vote on the proposal and seek to convince the holders of those shares to change their votes to votes in favor of the proposals.

**Vote Required**

This proposal will be approved if the votes cast for the proposal exceed the votes cast against it. Abstentions and broker non-votes will not be counted as votes cast and, therefore, will not have an effect on this proposal. Further, the failure to vote, either by proxy or in person, will not have an effect on this proposal, assuming the quorum requirements for the Annual Meeting have been met. Unless instructions to the contrary are specified, the proxy holders will vote the proxies received by them FOR this proposal.

**Recommendation of the Board of Directors**

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE ADJOURNMENT OF THE ANNUAL MEETING TO A LATER DATE OR DATES, IF NECESSARY, TO PERMIT FURTHER SOLICITATION OF PROXIES IF THERE ARE NOT SUFFICIENT VOTES AT THE TIME OF THE ANNUAL MEETING TO APPROVE PROPOSAL 2.**

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## CORPORATE GOVERNANCE AND BOARD MATTERS

### **Director Independence**

Based on information supplied to it by the directors and director nominees, the Board determined that each of Messrs. Bynoe, Koral, Lamb, Maheshwari and Tinkler are independent under both the rules of the New York Stock Exchange and the NASDAQ Stock Market. The 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 their affiliates that would impair their independence, including, without limitation, any commercial, industrial, banking, consulting, legal, accounting, charitable or familial relationship.

### **Meetings and Committees of the Board**

During Fiscal 2012, the Board of Directors and the various committees of the Board held the following number of meetings: Board of Directors 13; Audit Committee 8; Governance, Nominating and Compensation Committee 12; and Executive Committee 3. During Fiscal 2012, no director attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings of any committees of the Board held while such director was serving on the Board or such committee. The Audit Committee and the Governance, Nominating and Compensation Committee each has a written charter that is reviewed annually and revised as appropriate. A copy of each committee's charter is available on the Governance page of our corporate website at [www.signaturegroupholdings.com](http://www.signaturegroupholdings.com) or a copy may be obtained without charge upon request by writing to the following address: Corporate Secretary, Signature Group Holdings, Inc., 15303 Ventura Boulevard, Suite 1600, Sherman Oaks, California 91403.

As further described below, if all of the nominees are elected, the Board plans to separate the Governance, Nominating, and Compensation Committee into a separate Compensation Committee and Nominating and Corporate Governance Committee. At the time such committees are created, the Company will develop written charters for these committees and make them available on our corporate website.

### ***Audit Committee***

The Audit Committee assists the Board in monitoring: (a) the integrity of the Company's consolidated financial statements and the Company's accounting and financial reporting processes; (b) the qualifications and independence of the Company's independent registered public accounting firm; (c) the performance of the Company's independent registered public accounting firm; and (d) the Company's systems of disclosure controls and procedures, internal control over financial reporting, and compliance with ethical standards adopted by the Company. The Audit Committee evaluates the performance of the Company's independent registered public accounting firm, and makes decisions regarding the selection, retention and, where appropriate, the replacement of, the Company's independent registered public accounting firm. The Audit Committee also reviews with management and the Company's independent registered public accounting firm the Company's interim and annual consolidated financial statements and internal control over financial reporting and discusses with management and the Company's independent registered public accounting firm any significant accounting, internal control and reporting issues and conformance of the Company's consolidated financial statements with applicable accounting and regulatory requirements. The Audit Committee is responsible for recommending to the Board of Directors whether the Company's audited consolidated financial statements should be included in the Company's annual report on Form 10-K and is responsible for the oversight of the creation and implementation of corporate risk policies and procedures.

The current members of the Audit Committee are Messrs. Lamb (Chairman), Koral and Tinkler. Mr. Tinkler joined the committee in April 2013, replacing Mr. Colville who served on the committee until April 2013 when he assumed the responsibilities of the Company's Chief Executive Officer. Each of Messrs. Lamb, Koral and Tinkler is, and Mr. Colville was during his time of service as a member of the committee, independent under

the rules of the New York Stock Exchange and the NASDAQ Stock Market and Rule 10A-3 under the Exchange Act. The Board determined that Mr. Lamb satisfied the criteria for classification as an audit committee financial expert as set forth in the applicable rules of the Commission.

Effective upon the date of the Annual Meeting, if elected, Mr. Lamb will continue to serve as the Chairman of the Audit Committee.

#### ***Governance, Nominating and Compensation Committee***

The primary responsibilities of the Governance, Nominating and Compensation Committee include reviewing and making recommendations to the Board with respect to management's proposals regarding the Company's various compensation programs, administering the Company's long-term or equity-based incentive plans and making awards and other contractual arrangements for the top executive officers. The Governance, Nominating and Compensation Committee conducts an annual performance review of the Chief Executive Officer and approves compensation and stock grants to senior executives. In addition, the committee also periodically evaluates and recommends to the Board the compensation of outside directors.

Our Governance, Nominating and Compensation Committee was recently re-established effective April 2013; it was dissolved after our 2012 annual meeting of stockholders in July 2012. From August 2012 until April 2013, our Executive Committee, which consisted of Messrs. Colville, Noell and Tinkler, assumed the function of reviewing the performance of our executive officers and recommending compensation for such persons. Mr. Noell did not participate in any review or recommendations regarding his own performance or compensation.

The purpose of the Governance, Nominating and Compensation Committee is also to identify individuals qualified to become members of the Board and to recommend individuals to the Board for nomination as members of the Board and its committees, to develop and recommend to the Board a set of corporate governance principles applicable to the Company and to oversee an evaluation process of the Board and management.

In nominating candidates, the Governance, Nominating and Compensation Committee takes into consideration such factors as a candidate's experience with businesses and other organizations of comparable size, their judgment, skill, diversity, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. The minimum qualifications and attributes that the Governance, Nominating and Compensation Committee will consider necessary for a director nominee include: the ability to apply good business judgment, the ability to exercise his or her duties of loyalty and care, proven leadership skills, diversity of experience, high integrity and ethics, the ability to understand principles of business and finance and familiarity with issues affecting the Company's businesses.

The Governance, Nominating and Compensation Committee will consider director candidates recommended by stockholders, provided the recommendations are timely and include certain specified information. To be timely, the recommendation must be received by the Company's Secretary within the time period prescribed for stockholder proposals. (See *What is the deadline for submitting proposals for next year's annual meeting or to nominate individuals to serve as directors?* on page 6.) The Governance, Nominating and Compensation Committee does not intend to alter the manner in which it evaluates candidates, including the criteria set forth above, based on whether the candidate was recommended by a stockholder or not.

The current members of the Governance, Nominating and Compensation Committee are Messrs. Tinkler (Chairman), Koral and Lamb. The Board determined that all members of the Governance, Nominating and Compensation Committee were nonemployee, independent directors within the meaning of Rule 16b-3 under the Exchange Act.

Effective upon the date of the Annual Meeting, the Board will terminate the Executive Committee and the Governance, Nominating and Compensation Committee and establish each a Compensation Committee and a Nominating and Corporate Governance Committee. If elected, Mr. Tinkler will be appointed Chairman of the Nominating and Corporate Governance Committee, Mr. Maheshwari will be appointed Chairman of the Compensation Committee. Other committee members will be determined by the Board.

### **Code of Ethics**

We maintain the Code of Ethics for Senior Financial Officers, which is our code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, controller and other persons performing similar functions. The code of ethics is posted on our corporate website at [www.signaturegroupholdings.com](http://www.signaturegroupholdings.com). A copy may also be obtained without charge upon request by writing to the following address: Corporate Secretary, Signature Group Holdings, Inc., 15303 Ventura Boulevard, Suite 1600, Sherman Oaks, California 91403. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of our code of ethics by posting the required information on our website, at the address and location specified above.

### **Board of Directors Leadership Structure**

Our Board of Directors has no fixed policy with respect to the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer. Our Board retains the discretion to make this determination on a case-by-case basis from time to time as it deems to be in the best interests of the Company and our stockholders at any given time. Currently, the Chairman of the Board also serves as the Chief Executive Officer of the Company, and the Board believes this is the best structure to fit the Company's needs. The Board does not have a separate lead independent director, but the independent directors of the Company are actively involved in decision-making by the Board. The Board has determined that the current structure is appropriate for the Company and enhances the Company's ability to execute its business and strategic plans, while maintaining strong independence over Board decisions and oversight through the involvement and participation of the independent directors.

### **Board of Directors Risk Oversight**

The understanding, identification and management of risk are essential elements for the successful management of our Company. The entire Board of Directors is responsible for oversight of the Company's risk management processes. The Board delegates many of these functions to the Audit Committee. Under its charter, the Audit Committee is responsible for monitoring business risk practices and legal and ethical programs. In this way, the Audit Committee helps the Board fulfill its risk oversight responsibilities relating to the Company's financial statements, financial reporting process and regulatory requirements. The Audit Committee also oversees our corporate compliance programs, as well as the internal audit function. In addition to the Audit Committee's work in overseeing risk management, our full Board regularly engages in discussions of the most significant risks that the Company is facing and how these risks are being managed, and the Board receives reports on risk management from senior officers of the Company and from the chair of the Audit Committee. The Board receives periodic assessments from the Company's ongoing enterprise risk management process that are designed to identify potential events that may affect the achievement of the Company's objectives. In addition, our Board and its standing committees periodically request supplemental information or reports as they deem appropriate.

### **Annual Meeting Attendance**

We do not have a formal policy regarding attendance by members of our Board of Directors at annual meetings of our stockholders; however, directors are encouraged to attend all such meetings. Four of the then current directors attended our 2012 annual meeting of stockholders.

**Director Compensation**

The following table sets forth information regarding total compensation paid to each director who served during Fiscal 2012, who is not a named executive officer. No compensation for service on the Board of Directors was paid to any director who was also one of our executive officers during Fiscal 2012.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	Total (\$)
<b>Current Directors(2):</b>			
John Koral	\$ 63,750	\$ 75,000	\$ 138,750
Patrick E. Lamb	76,250	75,000	151,250
Philip G. Tinkler	10,054	30,123	40,177
<b>Former Directors:</b>			
G. Christopher Colville(2)(3)	\$ 20,177	\$ 30,123	\$ 50,300
Steven Gidumal(4)	26,130	75,000	101,130
Deborah Hicks Midanek(4)	44,130	75,000	119,130
John Nickoll(4)	58,587	75,000	133,857
Robert Schwab(4)	43,630	75,000	118,630

- (1) The dollar amounts shown represent the aggregate grant date fair value of restricted stock awards granted, determined in accordance with Financial Accounting Standards Board Accounting Standards Codification 718, *Compensation - Stock Compensation* (ASC 718). See Note 13 Share-Based Payments and Employee Benefits in the Notes to Consolidated Financial Statements included in Part IV, Item 15 of the Annual Report. Each nonemployee director who was a director as of January 1, 2012 received 277,778 shares of restricted stock for their service on the Board for Fiscal 2012. Nonemployee directors who joined the Board after January 1, 2012 were granted shares of restricted stock on an adjusted basis for the amount of time to be served. Accordingly, Messrs. Colville and Tinkler, who joined the Board effective August 6, 2012, were each issued 105,695 shares of restricted stock on August 13, 2012. For the current directors and Mr. Colville, the shares vested in full on January 1, 2013. For the former directors other than Mr. Colville, the vesting of all their shares was accelerated in full effective August 6, 2012, when the results of the election of directors at the 2012 annual meeting of stockholders were certified.
- (2) At December 31, 2012, the nonemployee directors, including Mr. Colville held the following number of shares of restricted stock, all of which vested on January 1, 2013: G. Christopher Colville 105,695; John Koral 277,778; Patrick E. Lamb 277,778; and Philip G. Tinkler 105,695.
- (3) In connection with the Settlement Agreement, Mr. Colville resigned from the Board of Directors effective June 5, 2013.
- (4) Each former director served as a director until August 6, 2012, when the results of the election of directors at the 2012 annual meeting of stockholders were certified.

Each nonemployee member of the Board receives annual compensation of \$100,000, comprised of \$25,000 in cash, payable in advance in quarterly installments, and \$75,000 in restricted shares of common stock, issued annually in advance on the first business day of each calendar year. In each case, the per share value of the restricted stock will be determined on the basis of the closing price on the last business day of the immediately preceding year. The restricted stock will vest on the first day of the year following the grant, but will vest immediately in the event of a change in control, death or disability of a director or in the event a member is not re-elected to the Board or is not nominated for election to the Board by the Company after indicating a willingness to serve. In addition, nonemployee members of the Board are entitled to annual supplements (payable in advance in quarterly installments) as follows: Chairman of the Board \$25,000; Audit Committee Chair \$20,000; and other committee Chairs \$5,000. No additional amounts are paid for attending meetings of the Board or any committee of the Board. Prior to the 2012 annual meeting of stockholders, the Audit Committee Chair was paid an annual supplement of \$35,000 and all directors received attendance fees per meeting as follows, with telephonic meetings being paid at a reduced rate of one-half the amount indicated: Board of Directors meetings \$ 2,000; Audit Committee meetings \$2,000; and other committee meetings \$1,000.

### EXECUTIVE COMPENSATION AND OTHER INFORMATION

The table below presents information regarding the compensation earned during the years ended December 31, 2012 and 2011 by (i) Mr. Noell, who served as our Chief Executive Officer during Fiscal 2012, (ii) our Chief Financial Officer, who was our only other executive officer as of December 31, 2012 whose total compensation for Fiscal 2012 exceeded \$100,000, and (iii) our former President, who would have been one of our two most highly compensated executive officers, other than the Chief Executive Officer, but was not serving as an officer as of December 31, 2012. The persons listed below are referred to as the named executive officers in this proxy statement.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Restricted Stock Awards (\$)(1)	Stock Option Awards (\$)(2)	All Other Compensation (\$)	Total (\$)
Craig Noell(3)	2012	\$ 325,000	\$ 108,388	\$ 30,100	\$	\$ 11,000(4)	\$ 474,488
Director and Former Chief Executive Officer	2011	237,500	16,667(5)	276,138(6)	561,991	8,000(7)	1,100,296
Kenneth Grossman(8)	2012	100,000				228,660	328,660
Former President and Former Director	2011	225,000	16,667(5)	276,138(6)	561,991		1,079,769
Kyle Ross	2012	275,000	91,713	25,469		10,000(9)	402,182
Executive Vice President and Chief Financial Officer	2011	212,500	100,000(5)	233,750(6)	311,469		857,719

- (1) The value of the restricted stock awards granted was determined based upon the aggregate grant date fair value as computed pursuant to ASC 718. For additional information about restricted stock awards, see Note 13 Share-Based Payments and Employee Benefits in the Notes to Consolidated Financial Statements included in Part IV, Item 15 of the Annual Report.
- (2) The value of the options granted was determined based upon the aggregate grant date fair value as computed pursuant to ASC 718. For additional information about option awards and the assumptions underlying the determination of fair value, see Note 13 Share-Based Payments and Employee Benefits in the Notes to Consolidated Financial Statements included in Part IV, Item 15 of the Annual Report for a discussion of the assumptions underlying the option award valuations. Pursuant to their respective Employment Agreements and subject to the terms of their respective award agreements, the named executive officers were granted options to purchase common stock on August 8, 2011 that remain subject to certain vesting requirements as described in Narrative to Summary Compensation Table.
- (3) Mr. Noell resigned as our Chief Executive Officer in April 2013 but will continue to serve as a director until the Annual Meeting. Pursuant to the terms of the Separation Agreement and General Release, dated as of April 11, 2013, between the Company and Mr. Noell, the non-qualified stock options and restricted stock previously granted to Mr. Noell will continue to vest pursuant to the vesting schedules provided for in the non-qualified stock option agreement and the restricted stock award agreement previously entered into by Mr. Noell and the Company.
- (4) Consists of \$10,000 of 401(k) plan employer matching contributions and \$1,000 in gym membership fees paid by us.
- (5) Pursuant to the terms of the Interim Management Agreement, bonuses were eligible to be paid to the named executive officers at the discretion of the Board for 2011. In conjunction with the filing, in May 2011, of the comprehensive Annual Report on Form 10-K for the fiscal years ended December 31, 2009, 2008 and 2007 and the quarterly periods ended March 31, 2008, June 30, 2008, September 30, 2008, March 31, 2009, June 30, 2009 and September 30, 2009, the Board approved a bonus for Signature Capital Advisers, LLC ( SCA ) in the amount of \$150,000, which was included in management fees under the Interim Management Agreement. The allocation of the bonuses was determined by SCA. See Narrative to Summary Compensation Table below for a description of the Interim Management Agreement.

- (6) Pursuant to their respective Employment Agreements and subject to the terms of their respective award agreements, the named executive officers were granted awards of restricted stock of the Company on August 2, 2011 that remain subject to certain vesting requirements as described in Narrative to Summary Compensation Table.
- (7) Consists of gym membership fees.
- (8) Mr. Grossman served as our President until April 30, 2012 and as a member of the Board until August 6, 2012, when the results of the election of directors at our 2012 annual meeting of stockholders were certified. On February 8, 2012, Mr. Grossman and the Company entered into a Consulting Agreement, pursuant to which Mr. Grossman will advise the Company's chief executive officer and seek to identify acquisition and capital deployment opportunities for the Company. The consulting services to be provided by Mr. Grossman to the Company began following the effective date of Mr. Grossman's resignation from the Company. The Consulting Agreement has a term of twenty-four (24) months with a monthly fee of \$25,000 and the possibility of additional incentive fees. The Consulting Agreement also provides for the non-qualified stock options and restricted stock previously granted to Mr. Grossman to, notwithstanding his resignation, continue to vest pursuant to the vesting schedules provided for in the non-qualified stock option agreement, as amended, and the restricted stock award agreement previously entered into by Mr. Grossman with the Company. The amount set forth under All Other Compensation consists of consulting payments of \$200,000 pursuant to the Consulting Agreement, vacation payout of \$22,018 and COBRA premium reimbursement of \$6,642.
- (9) Consists of 401(k) plan employer matching contributions.

**Narrative to Summary Compensation Table**

***Interim Investment Management Agreement***

Following its emergence from bankruptcy in June 2010, the Company entered into the Interim Investment Management Agreement dated June 11, 2010 with SCA (the Interim Management Agreement), pursuant to which SCA acted as the management adviser to the Company and managed the Company's assets, subject to the supervision of the Board. SCA is a management company that is owned and managed by Craig Noell, our former Chief Executive Officer, Kenneth Grossman, our former President, and Kyle Ross, our Executive Vice President and Chief Financial Officer.

During the second quarter of 2011, the Board undertook an evaluation of its external management structure with SCA and explored alternative management structures that were available to the Company. At the conclusion of the evaluation, the Company terminated the Interim Management Agreement effective July 31, 2011 (the Termination Date). Under the terms of the Interim Management Agreement, the Board was permitted to terminate the agreement at any time, without the payment of any penalty, upon 60 days' written notice to SCA (the Advance Notice Requirement). In connection with the termination of the Interim Management Agreement, SCA and the Company agreed that: (i) the Advance Notice Requirement will be waived; (ii) the Company's obligation to pay the management fee pursuant to the Interim Management Agreement terminated as of the Termination Date and that the management fee payable to SCA for services provided in July 2011 excluded the monthly compensation payments for Craig Noell, Kenneth Grossman and Kyle Ross, each of whom entered into employment agreements with the Company; and (iii) the terms and conditions of the Interim Management Agreement were terminated and of no further force or effect as of the Termination Date, except for the limitation of liability and indemnification provision of the Interim Management Agreement, which remains in full force and effect.

As a result of the termination of the Interim Management Agreement, the Company adopted an internal management structure, which included the Company entering into employment agreements with each of Messrs. Noell, Grossman and Ross. The terms of such employment agreements were based on analysis and recommendations from a nationally recognized executive compensation consulting firm. In addition, all other SCA employees became employees of the Company as of August 1, 2011.



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**Employment Agreements**

As of August 2, 2011, the Company entered into Employment Agreements (the "Employment Agreements") with each of the named executive officers, Messrs. Noell, Grossman and Ross (each, an "Executive" and collectively, the "Executives"). The Employment Agreements provided that the Executives will serve the Company in the following capacities: Mr. Noell as Chief Executive Officer, Mr. Grossman as President, and Mr. Ross as Executive Vice President. Mr. Grossman resigned as President effective April 30, 2012. Mr. Noell resigned as Chief Executive Officer in April 2013. The term of each Employment Agreement began on July 1, 2011 and, unless terminated earlier pursuant to the terms of their respective Employment Agreements, will terminate on December 31, 2013. The initial base salaries of the Executives were as follows: Mr. Noell \$325,000; Mr. Grossman \$300,000; and Mr. Ross \$275,000. Each Executive will also be eligible to participate in the Company's executive bonus program then in effect; provided, however, that the 2012 bonus pool available under such program shall not be less than 7.5% of the Company's earnings before interest, taxes, depreciation, and amortization, with such bonus pool and specific bonuses to be determined by mutual agreement of the Company's chief executive officer and the Board. During the term of their respective Employment Agreements, the Executives will be eligible to participate in all employee benefit plans, programs or arrangements, generally made available to the Company's senior executives, including, but not limited to, medical, dental and vision plans.

Pursuant to their respective Employment Agreements and subject to the terms of the Incentive Plan and their respective award agreements, the Executives were granted awards of restricted stock and options to purchase common stock on August 8, 2011 (the "Award Date") as follows: Mr. Noell 492,224 shares of restricted stock and 2,923,000 options to acquire common stock; Mr. Grossman 492,224 shares of restricted stock and 2,923,000 options to acquire common stock; and Mr. Ross 416,667 shares of restricted stock and 1,620,000 options to acquire common stock. Subject to such terms and conditions as are set forth in the respective award agreements, each Executive's shares of restricted stock will vest on December 31, 2013 and each Executive's options will vest as follows: (i) 25% on the six month anniversary of the Award Date; (ii) 25% on the eighteen month anniversary of the Award Date; (iii) 25% on the thirty month anniversary of the Award Date; and (iv) 25% on July 1, 2015, with this final tranche subject to our common stock achieving certain trading prices as of such date. The final tranche may vest early on January 1, 2014 for an Executive if the respective Employment Agreement is not renewed as of January 1, 2014 and our common stock has achieved certain trading prices as of such date. On December 6, 2011, the Company and Mr. Grossman modified the vesting schedule of his stock option agreement to extend the vesting of the first 25% of stock options to coincide with the vesting of the second 25% of stock options on the eighteen month anniversary of the Award Date. The options have a term of ten years and an exercise price of \$0.57 per share, subject to adjustment pursuant to the terms of the Incentive Plan. The vesting of the restricted stock and the options to acquire common stock will be accelerated in full upon a "change in control" (as such term is defined in the respective award agreements).

In the event of an Executive's termination of employment (i) by reason of death or disability, (ii) by the Company at any time for "cause," or (iii) by the Executive without a "change in control" event, such Executive's Employment Agreement will terminate and the Executive will receive from the Company: (a) any earned but unpaid base salary through the date of termination; (b) reimbursement for any unreimbursed expenses properly incurred and paid through the date of termination; (c) payment for any accrued but unused vacation time in accordance with Company policy; and (d) such vested accrued benefits, and other benefits and/or payments, if any, as to which the Executive (and his eligible dependents) may be entitled under, and in accordance with the terms and conditions of, the employee benefit arrangements, plans and programs of the Company as of the date of termination other than any severance pay plan ((a) through (d), the "Amounts and Benefits").

In the event of an Executive's termination of employment (i) by the Company without "cause" (other than a termination by reason of death or disability) or (ii) by the Executive within the 90-day period following the occurrence of a "change in control" event, then the Company will pay or provide the Executive the Amounts and Benefits and, subject to the Executive executing and not revoking a waiver and general release in a form acceptable to the Company, an amount equal to two times the Executive's base salary in effect as of the date of

termination, paid in equal installments on the Company's normal payroll dates over a period of two years from the date of termination in accordance with the usual payroll practices of the Company. In addition, in the event that the Executive properly elects to continue health benefit coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Executive shall only be responsible to pay the active employee rate for such coverage (the subsidized rate) for so long as Executive remains eligible to receive COBRA continuation coverage and for so long as the subsidized rate is permissible by law and/or would not result in a penalty. If an Executive's employment is terminated in connection with or following the occurrence of a change in control event, the aforementioned severance payments will be subject to reduction pursuant to Section 280G of the Internal Revenue Code of 1986, as amended.

The Employment Agreements also contain provisions requiring the Executives not to solicit the Company's employees or its customers or clients for a period of one year following their termination.

In connection with the Company's entry into the Settlement Agreement with the New Signature Parties, the Company has entered into an Amendment of Employment Agreement with Kyle Ross, the Company's Executive Vice President and Chief Financial Officer, pursuant to which the termination date of his Employment Agreement has been extended from December 31, 2013 to April 30, 2014.

#### ***Annual Bonus***

For Fiscal 2012, discretionary bonuses were paid to the named executive officers in the following amounts: Mr. Noell \$108,388 in cash and 67,641 shares of common stock; Mr. Grossman \$0; and Mr. Ross \$91,713 in cash and 57,234 shares of common stock.

#### ***401(k) Saving Plan***

In 2012, the Company implemented a 401(k) savings plan (the Savings Plan) under which all full-time employees, including the named executive officers, are eligible to participate. Employee contributions are limited to the maximum amount allowed by the Internal Revenue Service. The Company matches 100% of each employee contribution to the Savings Plan, up to a maximum match of 4% of each employee's cash compensation.

#### ***Kenneth Grossman Consulting Agreement***

On February 8, 2012, Kenneth S. Grossman informed the Company of his intention to resign as the Company's President, which became effective on April 30, 2012. On February 8, 2012, Mr. Grossman and the Company entered into the Consulting Agreement, which provides for Mr. Grossman to advise the Company's Chief Executive Officer and identify acquisition and capital deployment opportunities for the Company. The Consulting Agreement has a term of twenty-four (24) months with a monthly fee of \$25,000 and the possibility of additional incentive fees. The Consulting Agreement also provides for the non-qualified stock options and restricted stock previously granted to Mr. Grossman to, notwithstanding his resignation, continue to vest pursuant to the vesting schedules provided for in the non-qualified stock option agreement, as amended, and the restricted stock award agreement previously entered into by Mr. Grossman with the Company. In addition, the Consulting Agreement includes mutual releases by the Company and Mr. Grossman of claims and causes of action that either party may have against the other, which are in any way connected with Mr. Grossman's employment relationship with or separation from the Company, but not including any claim or right that Mr. Grossman may have to seek indemnity from the Company. Further, Mr. Grossman agreed not to engage in or assist in any litigation against the Company relating to anything that occurred prior to the effective date of the Consulting Agreement, except as may be necessary to comply with applicable law.

#### ***Craig Noell Separation Agreement***

Craig Noell resigned as the Company's Chief Executive Officer in April 2013 and Mr. Noell and the Company entered into a Separation Agreement and General Release (the Separation Agreement) on April 11, 2013.

Pursuant to the Separation Agreement, in connection with his resignation, Mr. Noell will be entitled to the benefits that would have been provided to him under his Employment Agreement in the event of a termination without cause by the Company, including (i) the payment of severance equal to two times his base salary in effect as of the date of termination, paid over a period of two years from the date of termination in accordance with the usual payroll practices of the Company, (ii) the continued vesting of his options and restricted stock award and (iii) the reimbursement of COBRA premiums for as long as he remains eligible to receive such continuation coverage.

***Craig T. Bouchard Employment Agreement***

In connection with Mr. Bouchard's appointment as the Company's Chief Executive Officer and Chairman of the Board, Mr. Bouchard entered into an Employment Agreement with the Company on June 4, 2013 (the "Bouchard Employment Agreement"), which provides Mr. Bouchard with a base salary of \$225,000 and an annual cash bonus of up to \$100,000 based on the performance of the Company's common stock at the end of each calendar year. Mr. Bouchard is also eligible to participate in any executive bonus program of the Company and to receive other bonuses as determined in the discretion of the Compensation Committee. The initial term of the Bouchard Employment Agreement is for 24 months and renews automatically thereafter, but may be terminated after the initial term at any time and for any reason by either the Company or Mr. Bouchard upon 30 days prior written notice. Prior to the Company's annual meeting of stockholders to be held in 2014, Mr. Bouchard may not be terminated without cause without the unanimous approval of all of the Board members then in office, excluding Mr. Bouchard. If the Company provides notice to Mr. Bouchard that it does not plan to renew the Bouchard Employment Agreement, he will be entitled to salary continuation at his then current base salary for a period of six months following the termination of the Bouchard Employment Agreement. If Mr. Bouchard is terminated without cause (as defined in the Bouchard Employment Agreement) or resigns within 90 days after a change in control (as defined in the Bouchard Employment Agreement), he will be entitled to salary continuation for one year at his then-current base salary, and his options and restricted stock will continue to vest despite the termination of his employment and will remain outstanding until the earlier of four years after his termination or the current term of the Bouchard Employment Agreement. Salary continuation and certain other benefits under this agreement are subject to Mr. Bouchard's execution of a general release in a form reasonably acceptable to the Company. Mr. Bouchard's options and restricted stock will also continue to vest in the event of his death or permanent disability (as defined in the Bouchard Employment Agreement). The Bouchard Employment Agreement also contains customary confidentiality, non-disparagement and non-solicitation provisions. Pursuant to the Bouchard Employment Agreement, Mr. Bouchard has agreed to purchase a minimum of 500,000 shares of the Company's common stock in the open market in accordance with applicable law, which may include pursuant to a 10b5-1 trading plan.

In addition, as required by the Bouchard Employment Agreement, on June 5, 2013, Mr. Bouchard entered into a Restricted Stock Award Agreement with the Company, pursuant to which the Company granted to Mr. Bouchard 250,000 shares of restricted common stock under the Incentive Plan, which shares will vest on January 1, 2014, provided that Mr. Bouchard remains in the Company's service as of that date. In addition, pursuant to the Bouchard Employment Agreement, the Company has also entered into a Non-Qualified Stock Option with Mr. Bouchard under the Incentive Plan on June 5, 2013 (the "Award Date"), pursuant to which the Company granted to Mr. Bouchard the option to purchase up to 2,000,000 shares of the Company's common stock, which shares will vest as follows:

500,000 shares will vest on the six (6) month anniversary of the Award Date;

500,000 shares will vest on the first anniversary of the Award Date;

500,000 shares will vest on the eighteen (18) month anniversary of the Award Date; and

The remaining 500,000 shares will vest as of the second anniversary of the Award Date (the "Final Vesting Date") if, as of the Final Vesting Date, either (i) the Company's common stock shall have been trading above \$1.25 per share and shall have closed above \$1.25 per share for ten (10) of the twenty

(20) trading days immediately preceding the Final Vesting Date; or (ii) the weighted average trading price for the ten (10) trading day period immediately preceding the last trading day immediately preceding the Final Vesting Date averages or exceeds \$1.25 per share.

The exercise price of the initial installment of 500,000 shares under the option is \$.85 per share and the exercise price for the balance of the shares is \$1.00 per share.

**G. Christopher Colville Letter Agreement**

In connection with Mr. Colville's assumption of the duties of the Chief Executive Officer on an interim basis, the Company entered into a letter agreement with Mr. Colville on May 3, 2013 (the Letter Agreement), pursuant to which Mr. Colville's Board compensation was increased by \$25,000 per month and the Board granted Mr. Colville 250,000 shares of restricted common stock under the Incentive Plan. The restricted stock was scheduled to vest in equal installments on November 3, 2013 and May 3, 2014. The grant date fair value of the award was \$138,750, based on the closing price of the Company's common stock on the grant date. As a result of Mr. Colville's agreement to step down as the Company's interim Chief Executive Officer, pursuant to the Letter Agreement Mr. Colville will continue to receive his \$25,000 monthly cash payment until October 2013, and the 250,000 shares of restricted stock issued to Mr. Colville under the Incentive Plan will accelerate and vest in full.

**Outstanding Equity Awards**

The table below shows the equity awards that have been previously awarded to each of the named executive officers and which remain outstanding as of December 31, 2012.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)
Craig Noell	730,750	2,192,250	\$ 0.57	8/8/2021	492,224	\$ 201,812
Kenneth Grossman		2,923,000	0.57	8/8/2021	492,224	201,812
Kyle Ross	405,000	1,215,000	0.57	8/8/2021	416,667	170,833

- (1) Each option was granted on August 8, 2011 (Award Date) and vests as follows: (i) 25% on the six month anniversary of the Award Date; (ii) 25% on the eighteen month anniversary of the Award Date; (iii) 25% on the thirty month anniversary of the Award Date; and (iv) 25% on July 1, 2015, with this final tranche subject to our common stock achieving certain trading prices as of such date. The final tranche may vest early on January 1, 2014 for an optionee if the respective Employment Agreement is not renewed as of January 1, 2014 and our common stock has achieved certain trading prices as of such date. On December 6, 2011, the Company and Mr. Grossman modified the vesting schedule of his stock option agreement to extend the vesting of the first 25% of stock options to coincide with the vesting of the second 25% of stock options on the eighteen month anniversary of the Award Date. The options provide for acceleration of vesting in connection with a change in control event.
- (2) The shares of restricted stock vest on December 31, 2013.
- (3) The market value of shares of restricted stock that have not vested is calculated based on \$0.41 per share, the closing price of the common stock on December 31, 2012, as reported by OTCQX under the trading symbol SGGH.

**SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS**

The table below sets forth certain information regarding beneficial ownership of our common stock as of May 29, 2013 by (i) each of our directors and director nominees, (ii) each of the named executive officers (other than Kenneth Grossman, who is no longer an executive officer or a director), (iii) all of our directors and executive officers as a group, and (iv) each person, or group of affiliated persons, known to us to beneficially own more than 5% of the outstanding common stock. To our knowledge, except as otherwise indicated below, each of the persons named in the table has sole voting and investment power with respect to all shares beneficially owned, subject to applicable community property and similar laws.

Beneficial ownership is determined in accordance with the rules of the Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options, warrants or other rights held by that person that were exercisable as of May 29, 2013, or will become exercisable within 60 days after May 29, 2013, are deemed outstanding, but such shares are not deemed outstanding for purposes of computing the percentage ownership of any other person.

<b>Name and Address of Beneficial Owner(1)</b>	<b>Number of Shares</b>	<b>% of Class(2)</b>
<b>Executive Officers, Directors and Director Nominees:</b>		
Craig T. Bouchard(3)	400,000	*
Peter C.B. Bynoe		
G. Christopher Colville(4)	788,622	*
Kyle Ross(5)	3,283,901	2.6%
John Koral(6)	2,313,625	1.9%
Patrick E. Lamb(7)	536,345	*
Raj Maheshwari(8)	1,414,601	1.2%
Craig Noell(9)	7,121,865	5.6%
Philip G. Tinkler(10)	288,622	*
All current executive officers and directors as a group (6 persons)	13,944,358	10.8%
<b>Holders of More Than 5% of Outstanding Shares:</b>		
Zell Credit Opportunities Master Fund, L.P.; Chai Trust Company, LLC(11)	11,280,469	9.3%

\* Less than 1.0%.

- (1) The address of each of the directors, director nominees and executive officers is 15303 Ventura Boulevard, Suite 1600, Sherman Oaks, California 91403.
- (2) Based on 121,676,840 shares of common stock outstanding as of May 29, 2013, as adjusted on an individual or group basis for any options, warrants or other rights held by such person(s) that were exercisable as of May 29, 2013 or will become exercisable within 60 days after May 29, 2013.
- (3) Includes 400,000 shares of common stock owned by Bouchard 10S LLC, and over which Bouchard 10S LLC has voting and dispositive power, as Mr. Bouchard is the Managing Member of Bouchard 10S LLC. The business address of Bouchard 10S LLC for this Proxy Statement is c/o Signature Group Holdings, Inc., 15303 Ventura Boulevard, Suite 1600, Sherman Oaks, California 91403.
- (4) Includes (i) 182,927 shares of restricted stock, which vested on June 5, 2013, (ii) 250,000 shares held with his spouse as tenants in common and (iii) 250,000 shares of restricted stock, which were granted to Mr. Colville in May 2013 in connection with his agreement to assume the responsibilities of Chief Executive Officer of the Company in April 2013.
- (5) Includes (i) 416,667 shares of restricted stock, which will vest in full on December 31, 2013, (ii) 1,950,000 shares underlying warrants exercisable within 60 days of May 29, 2013 held through Signature Group Holdings, LLC (the "LLC"), of which Mr. Ross is a manager and a member, and (iii) options for 810,000 shares, exercisable within 60 days of May 29, 2013, granted pursuant to Mr. Ross' employment agreement. Mr. Ross has shared voting and investment power over the shares underlying the warrants held by the LLC with Mr. Noell, the other manager and member of the LLC. The shares indicated do not include (A) 1,840,000 shares underlying warrants exercisable within 60 days of May 29, 2013 that are held by the

- LLC as nominee for five other holders and (B) 3,250,000 shares underlying warrants exercisable within 60 days of May 29, 2013 that are held by the LLC over which Mr. Ross does not have a pecuniary interest. Mr. Ross disclaims beneficial ownership of all such shares.
- (6) Includes (i) 182,927 shares of restricted stock, which will vest in full on the date of the Annual Meeting, and (ii) 852,500 shares held by Mr. Korals spouse.
- (7) Includes 182,927 shares of restricted stock, which will vest in full on January 1, 2014.
- (8) Includes 1,148,300 shares of common stock owned by Charlestown Capital Advisors, LLC, and over which Charlestown Capital Advisors, LLC has voting and dispositive power, as Mr. Maheshwari is the managing director of Charlestown Capital Advisors, LLC. Mr. Maheshwari independently beneficially owns, and has voting and dispositive power over, 22,150 shares of common stock, and further, he may be deemed the beneficial owner of 244,051 shares of common stock held in custodial accounts and trusts related to Mr. Maheshwaris family. The business address of Charlestown Capital Advisors and Mr. Maheshwari for this Proxy Statement is c/o Signature Group Holdings, Inc., 15303 Ventura Boulevard, Suite 1600, Sherman Oaks, California 91403.
- (9) Includes (i) 1,250,500 shares held through his Individual Retirement Account, (ii) 300,000 shares held by his minor children, (iii) 3,250,000 shares underlying warrants exercisable within 60 days of May 29, 2013 held through the LLC, of which Mr. Noell is a manager and a member, (iv) 492,224 shares of restricted stock, which will vest in full on December 31, 2013, and (v) options for 1,461,500 shares, exercisable within 60 days of May 29, 2013, granted pursuant to Mr. Noells employment agreement. Mr. Noell has shared voting and investment power over the shares underlying the warrants held by the LLC with Mr. Ross, the other manager and member of the LLC. The shares indicated do not include (A) 1,840,000 shares underlying warrants exercisable within 60 days of May 29, 2013 that are held by the LLC as nominee for five other holders and (B) 1,950,000 shares underlying warrants exercisable within 60 days of May 29, 2013 that are held by the LLC over which Mr. Noell does not have a pecuniary interest. Mr. Noell disclaims beneficial ownership of all such shares.
- (10) Includes 182,927 shares of restricted stock, which will vest in full on January 1, 2014.
- (11) Pursuant to a Schedule 13D filed with the SEC on September 10, 2012, Zell Credit Opportunities Master Fund, L.P., a Delaware limited partnership ( Master Fund ), and Chai Trust Company, LLC, an Illinois limited liability company ( Chai Trust ), reported that, as of August 29, 2012, they had shared dispositive and voting power with respect to the shares. Master Fund is a limited partnership, the general partner of which is Chai Trust. Philip Tinkler, one of our directors, is the Chief Financial Officer of Chai Trust. The business address of Master Fund and Chai Trust is Two North Riverside Plaza, Suite 600, Chicago, Illinois 60606.

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**AUDIT INFORMATION**
**Fees Paid to Independent Registered Public Accounting Firm**

The Company's independent auditor for the fiscal years ended December 31, 2012 and 2011 was Squar Milner, an independent registered public accounting firm. The following table presents the aggregate fees billed to us for such years by Squar Milner for the indicated services:

	<b>Year Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
Audit Fees	\$ 499,200	\$ 717,400
Audit Related Fees	6,594	
Tax Fees		
All Other Fees		34,020
<b>Total</b>	<b>\$ 505,794</b>	<b>\$ 751,420</b>

*Audit Fees.* Audit fees consist of fees for professional services rendered in connection with the audit of our annual consolidated financial statements and review of the consolidated financial statements included in our quarterly reports on Form 10-Q and other regulatory filings.

*Audit-Related Fees.* Audit-related fees consist of fees for professional services, including assurance and related services, that are reasonably related to the performance of the audit or review of our consolidated financial statements but are not reported under Audit Fees. For 2012,

Audit-Related Fees included services provided in connection with a registration statement on Form S-8 filed by the Company with the SEC. Squar Milner performed no such services for Signature for the year ended December 31, 2011.

*Tax Fees.* Tax fees are fees for tax compliance, tax analysis, tax advice and tax planning services, including the preparation of federal, state and international tax returns, and for tax consultations, including tax planning and federal, state and international tax advice. Squar Milner performed no such services for Signature for the years ended December 31, 2012 and 2011.

*All Other Fees.* All Other Fees are fees for any services not included in the first three categories. For 2012, there were no fees billed to us by Squar Milner in this category. For 2011, All Other Fees included diligence services related to the acquisition of North American Breaker Co., Inc., the Company's wholly owned subsidiary.

**Audit Committee Pre-Approval Policies and Procedures**

The prior approval of the Audit Committee was obtained for all services provided by Squar Milner for Fiscal 2012. Such pre-approval was given as part of the Audit Committee's approval of the scope of the engagement of the independent auditor, on an individual basis or pursuant to policies and procedures established by the Audit Committee in accordance with Section 2-01 of Regulation S-X of the Commission.

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee reviews the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for establishing and maintaining adequate internal control over financial reporting, for preparing the financial statements and for the public reporting process. Squar Milner, the Company's independent registered public accounting firm for 2012, was responsible for expressing an opinion on the conformity of the Company's consolidated financial statements with generally accepted accounting principles.

In this context, the committee has reviewed and discussed with management the audited consolidated financial statements for the year ended December 31, 2012. The committee has discussed with Squar Milner the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1 AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T as well as other relevant Standards. Squar Milner has provided to the committee the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and the committee has discussed with Squar Milner that firm's independence. The Audit Committee has concluded that Squar Milner's provision of audit and non-audit services to the Company and its affiliates is compatible with Squar Milner's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to our Board of Directors (and the Board approved) that the audited consolidated financial statements for the year ended December 31, 2012 be included in the Annual Report for filing with the Commission. This report is provided by the following directors, who comprised the Audit Committee as of the date of the review and recommendation referred to above:

Patrick E. Lamb (Chairman)

G. Christopher Colville

John Koral



### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Since January 1, 2011, except as described in Background of the Solicitation The Settlement Agreement Corporate Governance and Board Matters Director Compensation and in Executive Compensation and Other Information, there has not been, nor is there any proposed transaction, where we (or any of our subsidiaries) were or will be a party in which the amount involved exceeded or will exceed the lesser of \$120,000 or one percent of the average of the Company's total assets at year end for the last two fiscal years and in which any director, director nominee, executive officer, holder of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

### **SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who owned more than 10% of our common stock (collectively, Reporting Persons) to file reports of ownership and changes in ownership of common stock and other securities of the Company on Forms 3, 4 and 5 with the Commission. Reporting Persons were required by Commission regulations to furnish the Company with copies of all Section 16(a) forms they filed. Specific due dates for these reports have been established, and we are required to report any failure to file by such dates by a Reporting Person. Based solely on our review of reports received by us or written representations from the Reporting Persons, we believe that, except as indicated in our prior proxy statements or annual reports on Form 10-K, all of the Reporting Persons complied timely with all applicable Section 16(a) filing requirements.

### **OTHER MATTERS**

#### **Other Matters Brought Before the Meeting**

The Board of Directors does not presently intend to bring any other business before the meeting, and, we are not aware of any matters to be presented, other than those described in this proxy statement. However if any business matters other than those referred to in this proxy statement should properly come before the meeting, the persons named in the proxy will, to the extent permitted by applicable rules of the Commission, use their discretion to determine how to vote your shares.

#### **Proxy Solicitation**

The cost of soliciting proxies on behalf of the Board of Directors will be borne by Signature. These costs will include the expense of preparing, assembling, printing and mailing the Notice, this proxy statement and any other material used in the Board's solicitation of proxies to stockholders of record and beneficial owners, and reimbursements paid to brokerage firms and others for their reasonable out-of-pocket expenses for forwarding proxy materials to stockholders and obtaining beneficial owners' voting instructions. We have retained Innisfree as our proxy solicitor in conjunction with the Annual Meeting for a fee not to exceed \$50,000, plus reimbursement of out-of-pocket expenses. Innisfree estimates that approximately 25 of its employees will assist in this solicitation. In addition to solicitations by Innisfree and solicitations of proxies by mail, solicitations may be made personally, by telephone, fax, or other electronic means by our directors and officers and regular employees, who will not be additionally compensated for any such services. The employees used in our solicitation have public relations activities which are required to be performed as part of the normal course of their employment. Proxies may also be solicited by means of press releases and other public statements.



