

SIGNATURE GROUP HOLDINGS, INC.
Form 10-Q
December 12, 2011

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2011

or

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

For the transition period from _____ to _____

Commission File Number 001-08007

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

Nevada
(State or Other Jurisdiction of Incorporation or Organization)

95-2815260
(I.R.S. Employer Identification Number)

15303 Ventura Blvd., Ste. 1600
Sherman Oaks, California 91403
(Address of Principal Executive Offices)(Zip Code)

(805) 435-1255
(Registrant's Telephone Number, including Area Code)

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

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

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

Large Accelerated Filer

Accelerated Filer

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

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

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

The number of shares outstanding of the registrant's common stock as of November 30, 2011 was 117,431,856 shares.

SIGNATURE GROUP HOLDINGS, INC.
QUARTERLY REPORT ON FORM 10-Q
For the Quarterly Period Ended June 30, 2011

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EXPLANATORY NOTE

Signature Group Holdings, Inc. (“Signature,” formerly Fremont General Corporation (“Fremont”), or “Company”, “we,” “us” or “our”) is filing this Quarterly Report on Form 10-Q for the three and six months ended June 30, 2011 (the “Form 10-Q”) as part of its efforts to become current in its filing obligations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

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

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

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

On July 5, 2011, Signature filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2010 contemporaneously with the Company’s Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2010, June 30, 2010, and September 30, 2010, which had not been previously filed.

On September 29, 2011, Signature filed its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, which had not been previously filed.

For a more complete understanding of the matters involving the Company, this Form 10-Q should be read together with the Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Signature Group Holdings, Inc.
Consolidated Balance Sheets

(Dollars in thousands, except per share amounts)	June 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Cash and cash equivalents	\$ 61,856	\$ 70,424
Investment securities, available for sale	2,269	2,184
Loans receivable, net	6,150	1,967
Trade and other receivables, net	472	198
Inventories	1,433	-
Income taxes receivable	836	797
Premises, held for sale	2,371	-
Intangible assets, net	1,121	-
Other assets	732	2,713
Assets of discontinued operations	47,328	57,261
TOTAL ASSETS	\$ 124,568	\$ 135,544
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Lines of credit	\$ 335	\$ -
Accrued expenses and other liabilities	2,865	2,033
Notes payable	39,000	39,000
Common stock warrant liability	5,027	5,700
Liabilities of discontinued operations	13,716	15,090
TOTAL LIABILITIES	60,943	61,823
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Preferred stock, \$0.01 par value; 10,000 shares authorized; none issued or outstanding	-	-
Common stock, \$0.01 par value; 190,000,000 shares authorized; 112,639,905 and 112,104,768 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	1,121	1,118
Additional paid-in capital	444,315	444,103
Accumulated deficit	(381,909)	(371,541)
Accumulated other comprehensive income	59	41
Total shareholders' equity - Signature Group Holdings, Inc.	63,586	73,721
Noncontrolling interest	39	-
TOTAL SHAREHOLDERS' EQUITY	63,625	73,721
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 124,568	\$ 135,544

See accompanying notes to consolidated financial statements.

Table of ContentsSignature Group Holdings, Inc.
Consolidated Statements of Operations
(Unaudited)

(Dollars in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues:				
Net sales	\$295	\$-	\$840	\$-
Interest	273	80	429	175
Total revenues	568	80	1,269	175
Expenses:				
Cost of goods sold	247	-	521	-
Selling, general and administrative	2,022	1,131	2,628	2,324
Interest	905	1,131	1,794	2,297
Amortization of intangibles	78	-	104	-
Compensation	764	414	1,043	925
Professional fees	1,460	532	2,536	544
Total expenses	5,476	3,208	8,626	6,090
Other income (expense):				
Change in fair value of common stock warrant liability	(128)	179	673	179
Gain on acquisition	-	-	281	-
Other income	-	-	-	86
Total other income (expense)	(128)	179	954	265
Loss from continuing operations before reorganization items, net and income taxes				
	(5,036)	(2,949)	(6,403)	(5,650)
Reorganization items, net	826	7,130	1,325	10,050
Loss from continuing operations before income taxes	(5,862)	(10,079)	(7,728)	(15,700)
Income tax benefit				
	(14)	-	(112)	-
Loss from continuing operations	(5,848)	(10,079)	(7,616)	(15,700)
Loss from discontinued operations, net of income taxes	(408)	(1,542)	(2,813)	(6,277)
Net loss	(6,256)	(11,621)	(10,429)	(21,977)
Loss attributable to noncontrolling interest				
	(101)	-	(61)	-
Net loss attributable to Signature Group Holdings, Inc.	\$(6,155)	\$(11,621)	\$(10,368)	\$(21,977)
LOSS PER SHARE:				
Basic and diluted:				
Loss from continuing operations	\$(0.05)	\$(0.12)	\$(0.07)	\$(0.19)
Loss from discontinued operations, net of income taxes	-	(0.02)	(0.02)	(0.08)
Net loss attributable to Signature Group Holdings, Inc.	\$(0.05)	\$(0.14)	\$(0.09)	\$(0.27)

See accompanying notes to consolidated financial statements.

Table of ContentsSignature Group Holdings, Inc.
Consolidated Statement of Changes in Shareholders' Equity
(Unaudited)

(Dollars in thousands)	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
	Number of Outstanding Shares	Amount	Number of Outstanding Shares	Amount					
Balance, December 31, 2010	-	\$ -	112,104,768	\$ 1,118	\$ 444,103	\$ (371,541)	\$ 41	\$ -	\$ 73,721
Net loss attributable to Signature Group Holdings, Inc.	-	-	-	-	-	(10,368)	-	-	(10,368)
Noncontrolling interest from acquisition	-	-	-	-	-	-	-	100	100
Loss attributable to noncontrolling interest	-	-	-	-	-	-	-	(61)	(61)
Proceeds from common stock warrants	-	-	-	-	60	-	-	-	60
Issuance of restricted stock, net of forfeitures	-	-	535,137	-	-	-	-	-	-
Restricted stock vested	-	-	-	3	(3)	-	-	-	-
Amortization of restricted stock	-	-	-	-	155	-	-	-	155
Change in accumulated other comprehensive income	-	-	-	-	-	-	18	-	18
Balance, June 30, 2011	-	\$ -	112,639,905	\$ 1,121	\$ 444,315	\$ (381,909)	\$ 59	\$ 39	\$ 63,625

See accompanying notes to consolidated financial statements.

Table of ContentsSignature Group Holdings, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(Dollars in thousands)	Six Months Ended	
	2011	June 30, 2010
Cash flows from operating activities:		
Net loss	\$(10,429)	\$(21,977)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from discontinued operations, net of income taxes	2,813	6,277
Depreciation and amortization	160	66
Change in fair value of common stock warrant liability	(673)	(179)
Provision for loan losses	-	38
Gain on extinguishment of debt - TOPrS	-	(3,530)
Senior debt claims paid	-	(183,267)
Amortization of restricted stock	155	-
TOPrS claims paid	-	(45,000)
Gain on acquisition	(281)	-
Interest accretion	(117)	-
Changes in assets and liabilities:		
Trade and other receivables	298	-
Inventories	(206)	-
Income taxes receivable	(39)	529
Other assets	(492)	62
Accrued expenses and other liabilities	742	5,128
Net cash used in operating activities of discontinued operations	(2,128)	(80,975)
Net cash used in operating activities	(10,197)	(322,828)
Cash flows from investing activities:		
Acquisition of business	(1,000)	-
Purchases of loans receivable	(4,250)	-
Advances on loans receivable	(10,009)	-
Principal collected on loans receivable	10,193	76
Purchases of property and equipment	(5)	-
Net cash provided by investing activities of discontinued operations	7,423	5,571
Net cash provided by investing activities	2,352	5,647
Cash flows from financing activities:		
Repayments on lines of credit, net of advances	(1,234)	-
Proceeds from common stock warrants	60	-
Issuance of shares and warrants	-	10,060
Net cash (used in) provided by financing activities	(1,174)	10,060
Decrease in cash and cash equivalents	(9,019)	(307,121)
Cash and cash equivalents, beginning of period	70,992	356,223
Cash and cash equivalents, end of period	\$61,973	\$49,102
Cash and cash equivalents, end of period - continuing operations	\$61,856	\$48,610

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Cash and cash equivalents, end of period - discontinued operations	117	492
Cash and cash equivalents, end of period	\$61,973	\$49,102
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$56	\$18
Cash paid for interest	1,794	23,081
Notes payable issued as partial settlement of TOPrS	-	39,000
Common stock issued as partial settlement of TOPrS	-	16,800
Transfers of loans held for sale to real estate owned	229	7,711
Transfer of other assets to premises, held for sale	2,348	-

See accompanying notes to consolidated financial statements.

Table of ContentsSignature Group Holdings, Inc.
Consolidated Statements of Comprehensive Loss
(Unaudited)

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Net loss attributable to Signature Group Holdings, Inc.	\$(6,155)	\$(11,621)	\$(10,368)	\$(21,977)
Other comprehensive income (loss):				
Net change in unrealized (losses) gains during period:				
Investment securities, available for sale	(1)	-	18	-
Other comprehensive (loss) income	(1)	-	18	-
Total comprehensive loss	\$(6,156)	\$(11,621)	\$(10,350)	\$(21,977)

See accompanying notes to consolidated financial statements.

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Signature Group Holdings, Inc.

Notes to Unaudited Consolidated Financial Statements

NOTE 1 — BUSINESS AND OPERATIONS

Signature Group Holdings, Inc. (“Signature” or the “Company”), formerly known as Fremont General Corporation (“Fremont”), is a diversified business and financial services enterprise that intends to generate strong, risk-adjusted return on equity while protecting shareholder capital. Signature presently operates in two primary business lines: (i) Special Situation Lending and (ii) Strategic Acquisitions, through its subsidiaries, Signature Credit Partners, Inc. and Cosmed, Inc. (“Cosmed”). Additionally, Signature maintains and is managing certain assets and liabilities related to Fremont’s former businesses, which include a portfolio of subprime residential real estate mortgages, residential real estate, commercial real estate investments and litigation claims under fidelity insurance bonds Fremont held (“Legacy Assets”). The Legacy Assets are being managed to maximize cash recoveries and value for Signature’s shareholders and are expected to be redeployed into its long term business strategy over time.

NOTE 2 — FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements of Signature and its wholly-owned and majority-owned subsidiaries have been prepared in accordance with Accounting Principles Generally Accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments considered necessary for a fair presentation, have been included. The Company evaluates subsequent events through the date of filing with the SEC. Operating results for the three and six months ended June 30, 2011 are not indicative of the results that may be expected for the year ending December 31, 2011, particularly related to acquisition activity during the period and as noted in Note 15 – Subsequent Events. These interim period consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements as of and for the year ended December 31, 2010, which are included in the Company’s Annual Report on Form 10-K (the “Annual Report”).

All significant inter-company balances and transactions have been eliminated in consolidation.

Certain previously reported amounts as of December 31, 2010 and for the periods ended June 30, 2010 have been reclassified to conform to the current presentation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that materially affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting periods. Actual results could differ from those estimates. Certain of the accounts that require significant judgment by management include valuation of investment securities, available for sale, loans held for sale, commercial real estate investments, real estate owned, common stock warrant liability; the allowance for loan losses on loans receivable; litigation and repurchase reserves; impairment of long-lived assets; valuation allowance on deferred tax assets and fair values used in the allocation of purchase price in business combinations.

The Company’s significant accounting policies are disclosed in the Annual Report. There have been no material changes to these accounting policies, except as described below.

Business Combinations

Business combinations are accounted for using the acquisition method and accordingly, the assets and liabilities of the acquired business are recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. The excess of the estimated fair values of the net assets acquired over the purchase price is recorded as a gain on acquisition. Any changes in the estimated fair values of the net assets recorded for acquisitions prior to the finalization of more detailed analysis, but not to exceed a reasonable period of time (generally one year from the date of acquisition), will change the amount of the purchase prices allocable to goodwill or gain on acquisition. Acquisition costs are expensed as incurred. The results of operations of acquired businesses are included in the Company's consolidated financial statements from the acquisition date.

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Goodwill and Intangible Assets

Identifiable intangible assets with finite lives are amortized over their estimated useful lives, which represent the period over which the asset is expected to contribute directly or indirectly to future cash flows. Intangible assets with finite lives are reviewed for impairment whenever events and circumstances indicate the carrying value of such asset may not be recoverable. Goodwill and intangible assets with indefinite lives are tested for impairment on an annual basis, or sooner if an indicator of impairment is present. Tests for impairment or recoverability require significant management judgment, and future events affecting cash flows and market conditions could result in impairment losses.

Revenue Recognition

Revenues from product sales are recognized upon transfer of ownership, including passage of title to the customer and transfer of the risk of loss related to those goods. Revenues are reported on a net sales basis, which is computed by deducting from gross sales amounts related to product returns, discounts and allowances.

Inventories

Inventories, consisting of manufactured goods and goods acquired for resale, are stated at the lower of cost or market. Inventory costs are determined on a first-in, first-out basis.

Loans Receivable, Net

Loans receivable, net, consists of commercial real estate loans, commercial lines of credit and purchased credit-impaired commercial term loans. Loans receivable, net are reported at the principal amount outstanding, net of any deferred fees and costs, if any, discounts or premiums and the allowance for loan losses. The allowance for loan losses is increased by provisions charged against operations and reduced by loan amounts charged off by the Company. The allowance is maintained at a level considered adequate to provide for probable and inherent losses on loans receivable based on the Company's evaluation of the portfolio. Future additions or reductions may be necessary based on changes in the amounts and timing of expected future cash flows due to changes in collateral values supporting loans receivable, general economic conditions and the financial condition of individual borrowers. Loans receivable, net, including purchased credit-impaired loans, are classified as held for investment based on the Company's intent and ability to hold such loans for the foreseeable future.

Purchased credit-impaired loans are loans acquired at a discount to face value where, at the acquisition date, based on the credit quality of the borrower, the Company expects to collect less than the contractual amounts due under the terms of the loan. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, the excess of the cash flows expected to be collected over the initial investment is referred to as the accretable yield and is recognized in interest income over the expected life of the loans using the effective yield method. The excess of contractual cash flows over cash flows expected to be collected at acquisition (nonaccretable difference) is not recognized as an adjustment of yield, loss accrual, or valuation allowance. Subsequent increases in cash flows expected to be collected are recognized prospectively through adjustment of the loan's yield over its remaining life. Subsequent decreases in cash flows expected to be collected are evaluated to determine whether the loan is impaired.

Premises, Held for Sale

Assets are classified as held for sale when (i) management commits to a plan to sell which is actively being pursued; (ii) it is available for immediate sale in its present condition and the sale is expected to be completed within one year; and (iii) it is unlikely significant changes to the plan will be made or that the plan will be withdrawn. In isolated instances, assets held for sale may exceed one year due to events or circumstances beyond the Company's control. Upon being classified as held for sale, the recoverability of the carrying value must be assessed. Assets held for sale are reported at the lower of the carrying value or fair value less cost to sell ("net realizable value"), and the assets are no longer depreciated or amortized. An impairment charge is recognized if the carrying value exceeds the net realizable

value.

During the first quarter of 2011, the Company placed its former executive and administrative offices located in Anaheim Hills, California for sale. At the time the property was placed for sale, it was reclassified as premises held for sale in the consolidated balance sheets. No impairment was recognized at the time of transfer as the carrying value of the associated building and land was less than the net realizable value.

Recent Accounting Standards

In December 2010, the FASB issued Accounting Standards Update (“ASU”) No. 2010-29 (“ASU 2010-29”) Business Combinations (Topic 805) – Disclosure of Supplementary Pro Forma Information for Business Combinations. ASU 2010-29 requires a public entity to disclose pro forma information for business combinations that occurred in the current reporting period. The disclosures include pro forma revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period. If comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period. The amendments in ASU 2010-29 are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of ASU 2010-29 on January 1, 2011 did not have any impact on the Company’s consolidated financial statements as it only affected disclosures.

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In April 2011, the FASB issued ASU No. 2011-02 Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring ("ASU 2011-02"). ASU 2011-02 provides creditors with additional guidance in determining whether a restructuring constitutes a troubled debt restructuring by concluding that both the following conditions exist (1) a creditor has granted a concession, and (2) the borrower is experiencing financial difficulties. Additionally, ASU 2011-02 ends the FASB's deferral of the additional disclosures about troubled debt restructurings as required by ASU No. 2010-20 Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. ASU 2011-02 is effective for the first interim or annual period beginning on or after June 15, 2011, and is required to be applied retrospectively to the beginning of the annual period of adoption. The Company does not expect the adoption of ASU 2011-02 to have a significant impact on its consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05 Comprehensive Income (Topic 220): Presentation of Comprehensive Income ("ASU 2011-05"). ASU 2011-05 increases the prominence of other comprehensive income in financial statements. Under ASU 2011-05, companies will have the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. ASU 2011-05 eliminates the option to present other comprehensive income in the statement of changes in equity and is applied retrospectively. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company does not expect the adoption of ASU 2011-05 to have a significant impact on its consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08, Intangibles — Goodwill and Other (Topic 350): Testing Goodwill for Impairment ("ASU 2011-08"). ASU 2011-08 simplifies how entities test goodwill for impairment by permitting entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011. The Company does not expect the adoption of ASU 2011-08 to have a significant impact on its consolidated financial statements.

NOTE 3 — CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held in non-interest bearing deposit accounts in financial institutions and money market funds. As of June 30, 2011 and December 31, 2010, \$2.9 million of cash and cash equivalents were restricted, including \$0.9 million related to amounts on deposit securing a letter of credit associated with insurance policies; and \$2.0 million related to amounts on deposit pending a decision on a legal case currently on appeal. No other cash and cash equivalents were restricted as of June 30, 2011 and December 31, 2010. Included in cash and cash equivalents as of June 30, 2011 and December 31, 2010 was \$2.1 million, representing borrower remittances, held in a trust account maintained by the Company's loan servicer.

NOTE 4 — BUSINESS COMBINATIONS

On February 18, 2011, Cosmed, a newly-formed subsidiary of Signature, acquired certain assets and assumed certain of the liabilities of Costru Company, LLC ("Costru") for consideration totaling \$2.7 million. Cosmed, which does business under the trade name Cosmedicine™, manufactures a line of skin care products for women, which is available in retail stores across the country. Signature currently owns 92% of the outstanding common stock of Cosmed, with the remaining 8% held by the former owners of Costru.

Under purchase accounting, the total purchase price was allocated to Costru's assets, identifiable intangible assets and liabilities based on their estimated fair values at the acquisition date. The estimated fair value of the noncontrolling

interest was determined using a market value approach considering the fair values of the assets acquired and liabilities assumed, adjusted to account for the lack of control.

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During the first quarter of 2011, the Company recorded acquisition-related costs of approximately \$72 thousand, which are included in selling, general and administrative expenses in the Company's consolidated statement of operations for the six months ended June 30, 2011.

The following table presents the components of the purchase consideration and allocation of the purchase consideration to the estimated fair value of the assets acquired and liabilities assumed:

(Dollars in thousands)

Cash consideration	\$ 1,000
Assumption of debt	1,569
Noncontrolling interest	100
Total purchase consideration	2,669
Purchase price allocation:	
Trade receivables	572
Inventories	1,350
Property and equipment	5
Identifiable intangible assets	1,225
Trade payables	(90)
Deferred tax liabilities	(112)
Net assets acquired	2,950
Gain on acquisition	\$ 281

The Company recorded a gain on acquisition of \$0.3 million during the first quarter of 2011, based on the difference between the fair value of assets acquired and liabilities assumed and the total purchase consideration. The gain recognized at the time of the acquisition resulted from depressed market conditions within the consumer products industry and Signature's ability to negotiate a purchase price below the estimated fair value of the net assets acquired.

In addition to the initial cash consideration, the Company is obligated to make an additional earn-out payment of up to \$5.0 million, subject to a revenue target of \$60.0 million in annualized revenues being achieved over any three month period within 36 months of the acquisition date, or if the Company sells Cosmed for at least \$60.0 million during a specified time period, not to exceed 39 months from the acquisition date. At the acquisition date, management determined the fair value of this contingent consideration to be zero, based upon current and projected revenues over the requisite earn-out period.

The following table presents the estimated fair value of identifiable intangible assets and related estimated useful lives:

(Dollars in thousands)	Estimated Fair Value	Useful Life (Years)
Identifiable intangible assets:		
Product formulas	\$ 800	10.0
Trademarks	190	10.0
Customer lists	125	3.0
Domain names	100	3.0
Non-compete agreements	10	10.0
Identifiable intangible assets	\$ 1,225	

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Total amortization of intangible assets was \$78 thousand and zero for the three months ended June 30, 2011 and 2010, respectively. Total amortization of intangible assets was \$0.1 million and zero for the six months ended June 30, 2011 and 2010, respectively.

At June 30, 2011, aggregate future amortization of identifiable intangible assets is estimated to be:

(Dollars in thousands)

2011	\$ 155
2012	193
2013	164
2014	109
2015	101
Thereafter	399
Total	\$1,121

The operating results of Cosmed are included in the Company's consolidated financial statements since the acquisition date. For the period from the acquisition date through June 30, 2011, Cosmed's total revenues and net loss were \$0.8 million and \$0.5 million, respectively.

The following unaudited pro forma results of operations of the Company for the three and six months ended June 30, 2011 and 2010, give effect to this business combination as though the transaction occurred on January 1, 2010:

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Revenues:				
As reported	\$568	\$80	\$1,269	\$175
Pro forma	568	1,236	1,817	1,673
Net loss attributable to Signature Group Holdings, Inc.:				
As reported	\$(6,155)	\$(11,621)	\$(10,368)	\$(21,977)
Pro forma	(6,125)	(11,559)	(10,229)	(22,285)

NOTE 5 — INVESTMENT SECURITIES, AVAILABLE FOR SALE

The following table presents the components of investment securities, available for sale as of:

(Dollars in thousands)	June 30,	December 31,
	2011	2010
Corporate bonds	\$ 1,965	\$ 1,880
Estate bonds	304	304
Investment securities, available for sale	\$ 2,269	\$ 2,184

Corporate bonds include one security with a principal balance of \$2.0 million, an interest rate of 10% per annum, that matures in March 2012.

Estate bonds include \$3.3 million of matured bonds of an institution seized by the FDIC. Holders of the estate bonds, which include both senior and subordinate debentures, are currently engaged in litigation over the distribution of the remaining funds of the estate.

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The amortized cost and gross unrealized holding gains for investment securities, available for sale, consisted of the following as of:

(Dollars in thousands)	June 30, 2011	December 31, 2010
Amortized cost	\$ 2,210	\$ 2,143
Gross unrealized holding gains	59	41
Estimated fair value	\$ 2,269	\$ 2,184

NOTE 6 — LOANS RECEIVABLE, NET

Loans receivable, net consisted of the following as of:

(Dollars in thousands)	June 30, 2011	December 31, 2010
Commercial real estate loans:		
Unpaid principal balance	\$ 1,965	\$ 2,015
Allowance for loan losses	(48)	(48)
Total commercial real estate loans, net	1,917	1,967
Commercial loans:		
Revolving lines of credit	3,366	-
Purchased credit-impaired term loan	867	-
Total commercial loans	4,233	-
Loans receivable, net	\$ 6,150	\$ 1,967

On February 22, 2011, Signature Credit Partners, Inc., a wholly-owned subsidiary of Signature, purchased \$8.4 million in senior secured debt of a manufacturing company that specializes in retail store fixtures and merchandise displays for \$4.3 million. At the time of acquisition, the estimated fair value of the performing revolving line of credit and credit-impaired term loan totaled \$3.2 million and \$1.1 million, respectively. It is the Company's intent to restructure the loan relationship.

The following table presents a summary of credit-impaired commercial term loans purchased during the six months ended June 30, 2011:

(Dollars in thousands)	
Contractually required payments receivable	\$5,449
Less: Non-accretable difference	(1,355)
Cash flows expected to be collected	4,094
Less: accretable yield	(2,994)
Fair value of loans acquired	\$1,100

The following table shows activity for the accretable yield on purchased credit-impaired commercial term loans for the three and six months ended June 30, 2011:

(Dollars in thousands)	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Accretable yield, beginning of period	\$ 2,958	\$ -

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Purchases of credit-impaired loans	-	2,994
Accretion	(81)	(117)
Reclassifications (1)	329	329
Accretable yield, end of period	\$ 3,206	\$ 3,206

(1) During the three months ended June 30, 2011, \$0.3 million was reclassified to accretable yield from non-accretable difference based on changes in estimated future cash flows.

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NOTE 7 — DEBT

The following table presents the Company's debt as of:

(Dollars in thousands)	June 30, 2011	December 31, 2010
Lines of credit	\$ 335	\$ -
Notes payable	\$ 39,000	\$ 39,000

Lines of credit

In February 2011, Cosmed entered into a \$3.0 million line of credit with a third-party lender to fund its operations. The line of credit is secured by all of Cosmed's assets. Advances are based on a percentage of eligible trade receivables and inventory. The line of credit is due on demand and bears interest at the Prime rate plus 2.25% with a floor rate of 6.00% per annum. Interest is due monthly in arrears on the first day of the month. At June 30, 2011, \$0.3 million was outstanding on the line of credit. Under the terms of the line of credit, Cosmed is required to maintain certain financial covenants. At June 30, 2011, Cosmed was not in compliance with certain financial covenants and further advances on the line of credit are not available. Subsequent to June 30, 2011, Signature is providing financing to Cosmed for working capital purposes.

Total interest expense on lines of credit was \$28 thousand and zero for the three months ended June 30, 2011 and 2010, respectively. Total interest expense on lines of credit was \$39 thousand and zero for the six months ended June 30, 2011 and 2010, respectively.

Notes payable

In June and July 2010, as partial settlement of the Company's then outstanding 9.0% Trust Originated Preferred Securities (the "TOPrS") bankruptcy claims, the former holders of the TOPrS received \$45 million in cash, subject to charging liens of the indenture trustee, 21 million shares of Signature's common stock, and were issued an aggregate of \$39 million in notes payable, due December 2016 ("Notes Payable") and bearing interest at a rate of 9.0% per annum. The Notes Payable were issued on July 16, 2010.

The indenture, dated June 11, 2010 (the "Notes Payable Indenture"), contains covenants that limit the ability of the Company and certain subsidiaries, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, or make guarantee payments on the foregoing; (ii) make payments on debt securities that rank pari passu or junior to the Notes Payable; (iii) effect a change of control of the Company; or (iv) enter into transactions with insiders.

On May 17, 2011, Signature received a notice of default from Wells Fargo Bank, NA, serving in the capacity as indenture trustee to the Notes Payable (the "Notes Payable Trustee"), for not satisfying a covenant to file with the Notes Payable Trustee its periodic reports required to be filed under the Exchange Act with the SEC. With the filing of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and the simultaneous filings of the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010, on July 5, 2011, Signature has cured the reporting delinquency set forth in the Notes Payable Trustee's notice of default.

Interest expense on Notes Payable was \$0.9 million and \$0.2 million for the three months ended June 30, 2011 and 2010, respectively. Interest expense on Notes Payable was \$1.8 million and \$0.2 million for the six months ended June 30, 2011 and 2010, respectively.

NOTE 8 — INCOME TAXES

Deferred income taxes are computed using the liability method in accordance with the provisions of FASB ASC 740 – Income Taxes. Under this method, deferred income taxes represent the tax effect of differences between the financial and income tax basis of assets and liabilities.

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As of December 31, 2010, the Company had estimated federal and California state net operating loss (“NOL”) carryforwards of approximately \$889.1 million and \$1.0 billion, respectively, which expire at various dates between 2016 and 2030. The Company’s federal NOLs have a 20-year life and begin to expire in 2027. The Company’s state NOLs have either a 10-year or 20-year life and begin to expire in 2016. The Company maintained a full valuation allowance against its deferred tax assets at June 30, 2011 and December 31, 2010, as it believed, at such time, it was more likely than not that the deferred tax assets would not be realized.

Income tax benefit, within continuing operations was \$14 thousand and zero for the three months ended June 30, 2011 and 2010, respectively. Income tax benefit, within discontinued operations was \$0.1 million and zero for the six months ended June 30, 2011 and 2010, respectively. The income tax benefit is attributable to deferred tax liabilities recognized in connection with the acquisition of assets and assumption of certain liabilities of Costru, which resulted in a decrease in the Company’s valuation allowance on deferred tax assets.

Income tax benefit, within discontinued operations, was \$0.2 million and zero for the three months ended June 30, 2011 and 2010, respectively. Income tax expense, within discontinued operations, was \$0.4 million and \$0.2 million for the six months ended June 30, 2011 and 2010, respectively. Income tax expense during the six months ended June 30, 2011 is attributable to increases in taxable income associated with previous deferred tax liabilities that have generated current taxable income, primarily in California. Based on California’s temporary suspension of the use of net operating loss carryforwards, the current taxable income results in a current period obligation. Additionally, for federal purposes, the Company is subject to alternative minimum taxes, which limit the utilization of net operating loss carryforwards to 90% of taxable income.

NOTE 9 — SHARE-BASED PAYMENTS

Awards of restricted stock are amortized at their grant date fair value. Compensation expense for the restricted stock awards is recognized on a straight-line basis over the requisite service period. Nonvested restricted stock awards are not recorded as part of common stock in the consolidated balance sheets until they are earned. However, since the shares are issued when granted, the shares are included as part of the total number of shares issued and outstanding in the parenthetical disclosure on the face of the consolidated balance sheets.

The fair value of nonvested shares is determined based on the closing trade price of the Company’s shares on the grant date. For the three months ended June 30, 2011 and 2010, compensation expense for restricted stock awards was \$0.1 million and zero, respectively. For the six months ended June 30, 2011 and 2010, compensation expense for restricted stock awards was \$0.2 million and zero, respectively. At June 30, 2011 and December 31, 2010, unrecognized compensation expense for restricted stock awards was \$0.2 million and zero, respectively.

On April 21, 2011, each of three newly appointed independent members of the Board of Directors was issued 75,640 restricted shares of common stock. These restricted shares vest on December 31, 2011, subject to immediate vesting in the event of a change in control. On the grant date, the total number of restricted shares of common stock issued was 226,920, with an aggregate fair value of \$0.2 million. Unvested restricted shares issued to former Board members who resigned during 2011 have been forfeited.

The following table presents the changes in nonvested shares during the six months ended June 30, 2011:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
--	------------------------	--

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Nonvested shares, December 31, 2010	316,267	\$0.83
Granted	946,093	0.72
Vested	(316,267)	(0.83)
Forfeited	(410,956)	(0.73)
Nonvested shares, June 30, 2011	535,137	\$0.71

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NOTE 10 — LOSS PER SHARE

Loss per share has been computed based on the weighted-average number of shares outstanding. The following table sets forth the computation of basic and diluted loss per share for the periods indicated:

(Dollars in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Loss from continuing operations	\$(5,848)	\$(10,079)	\$(7,616)	\$(15,700)
Loss attributable to noncontrolling interest	(101)	-	(61)	-
Loss from continuing operations attributable to Signature Group Holdings, Inc.	(5,747)	(10,079)	(7,555)	(15,700)
Loss from discontinued operations, net of income taxes	(408)	(1,542)	(2,813)	(6,277)
Net loss attributable to Signature Group Holdings, Inc.	\$(6,155)	\$(11,621)	\$(10,368)	\$(21,977)
Weighted-average basic and diluted shares outstanding	112,104,768	85,651,138	112,104,768	81,990,158
Basic and diluted loss per share:				
Continuing operations	\$(0.05)	\$(0.12)	\$(0.07)	\$(0.19)
Discontinued operations	-	(0.02)	(0.02)	(0.08)
Basic and diluted net loss per share	\$(0.05)	\$(0.14)	\$(0.09)	\$(0.27)

For the three months ended June 30, 2011 and 2010, 140,867 and zero shares, respectively, were excluded from the computation of diluted loss per share as their impact would have been antidilutive. For the six months ended June 30, 2011 and 2010, 617,621 and zero shares, respectively, were excluded from the computation of diluted loss per share as their impact would have been antidilutive.

NOTE 11 — FAIR VALUES OF FINANCIAL INSTRUMENTS

FASB ASC 820 – Fair Value Measurements, defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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Recurring Fair Value Measurements

The following table presents, for each of the levels within the fair value hierarchy, the Company's assets and liabilities that are measured at fair value on a recurring basis:

(Dollars in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
As of June 30, 2011:				
Assets:				
Investment securities, available for sale	\$ 1,965	\$ 304	\$ -	\$ 2,269
Liabilities:				
Common stock warrant liability	\$-	\$-	\$ 5,027	\$ 5,027
As of December 31, 2010:				
Assets:				
Investment securities, available for sale	\$ 1,880	\$ 304	\$ -	\$ 2,184
Liabilities:				
Common stock warrant liability	\$-	\$-	\$ 5,700	\$ 5,700

The following table presents the reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

(Dollars in thousands)	Beginning Balance	Amounts Realized in Earnings	Transfers In/Out of Level 3	Purchases	Issuances	Settlements	Ending Balance
Three months ended June 30, 2011:							
Common stock warrant liability	\$ 4,899	\$ 128	\$-	\$-	\$-	\$-	\$ 5,027
Three months ended June 30, 2010:							
Common stock warrant liability	\$-	\$(179)	\$-	\$-	\$ 5,105	\$-	\$ 4,926
Six months ended June 30, 2011:							
Common stock warrant liability	\$ 5,700	\$(673)	\$-	\$-	\$-	\$-	\$ 5,027
Six months ended June 30, 2010:							
Common stock warrant liability	\$-	\$(179)	\$-	\$-	\$ 5,105	\$-	\$ 4,926

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Nonrecurring Fair Value Measurements

From time to time, the Company is required to measure certain assets and liabilities at estimated fair value. These fair value measurements typically result from the application of specific accounting guidance under GAAP and are considered nonrecurring fair value measurements under FASB ASC 820-10. The following table presents financial and non-financial assets and liabilities measured using nonrecurring fair value measurements:

(Dollars in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
As of June 30, 2011:				
Assets:				
Real estate owned, net (1)	\$-	\$-	\$ 1,614	\$1,614
Loans held for sale, net	-	-	37,750	37,750
Commercial real estate investments	-	-	707	707
Total	\$-	\$-	\$ 40,071	\$40,071
As of December 31, 2010:				
Assets:				
Real estate owned, net (1)	\$-	\$-	\$ 2,571	\$2,571
Loans held for sale, net	-	-	38,938	38,938
Total	\$-	\$-	\$ 41,509	\$41,509

(1) Amounts represent the Company's real estate owned ("REO") that resulted in gains (losses) recorded on a non-recurring basis during the period.

The following table summarizes the total gains (losses) on assets and liabilities measured using estimated fair values on a nonrecurring basis for the periods indicated:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Real estate owned, net	\$(26)	\$(826)	\$(275)	\$(841)
Loans held for sale, net	82	1,734	645	4,228
Commercial real estate investments	(445)	-	(445)	-
Discontinued lease liability	-	(17)	-	(32)
Total	\$(389)	\$891	\$(75)	\$3,355

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FASB ASC Topic 825 – Financial Instruments requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate such fair values. The following table presents the carrying values and fair value estimates of financial instruments as of:

(Dollars in thousands)	June 30, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
ASSETS				
Continuing Operations:				
Cash and cash equivalents	\$ 61,856	\$ 61,856	\$ 70,424	\$ 70,424
Investment securities, available for sale	2,269	2,269	2,184	2,184
Loans receivable, net	6,150	6,150	1,967	1,967
Discontinued Operations:				
Cash and cash equivalents	117	117	568	568
FHLB stock	2,051	2,051	2,051	2,051
Loans held for sale, net	37,750	37,750	38,938	38,938
Commercial real estate investments	1,176	1,176	5,484	5,484
Note receivable	1,750	1,750	1,639	1,639
LIABILITIES				
Continuing Operations:				
Lines of credit	\$ 335	\$ 335	\$ -	\$ -
Notes payable	39,000	35,100	39,000	35,685
Common stock warrant liability	5,027	5,027	5,700	5,700

The Company used the following methods and assumptions to estimate the fair value of each class of financial instrument at June 30, 2011 and December 31, 2010:

Cash and cash equivalents

Cash and cash equivalents are recorded at historical cost. The carrying amount is a reasonable estimate of fair value as these instruments have short-term maturities and market interest rates.

Investment securities, available for sale

Fair values for investment securities, available for sale are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments with similar credit, maturity, and interest rate characteristics.

Loans receivable, net

Loans receivable, net, consists of commercial real estate loans, commercial lines of credit and purchased credit-impaired commercial term loans. The fair value of commercial real estate loans and commercial lines of credit considers estimated credit losses and variable interest rates, which approximate market interest rates. The fair value of purchased credit-impaired commercial term loans is based on a discounted cash flow analysis utilizing assumptions, including interest rates that approximate market rates and the amount and timing of expected cash flows and other recoveries.

FHLB stock

Federal Home Loan Bank ("FHLB") stock is recorded at cost. Fremont's former primary operating subsidiary, Fremont Investment & Loan ("FIL"), was previously a member of the FHLB of San Francisco. Ownership of these securities is restricted to member banks and purchases and sales of these securities are at par value with the issuer. The fair value

of investments in FHLB stock is equal to the carrying amount.

Loans held for sale, net

The fair value of loans held for sale, net is based on several factors, including current bids and market indications for similar assets, recent sales, discounted cash flow analyses, estimated values of underlying collateral and actual loss severity experience in portfolios backed by similar assets.

Commercial real estate investments

The fair value of commercial real estate investments is based on various factors including current bids and market indications of similar assets, recent sales and discounted cash flow analyses.

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Note receivable

The note receivable is a short-term note received in connection with the sale of commercial real estate investments. The fair value of the note receivable considers the short-term nature of the instrument, as well as the estimated credit worthiness of the counterparty.

Lines of credit

Lines of credit are short-term in nature and carrying value is considered to approximate fair value.

Notes payable

The fair value of notes payable is based on quoted market prices.

Common stock warrant liability

The fair value of the common stock warrant liability is based on a lattice option pricing model that utilizes various assumptions, including expected term, volatility, risk-free interest rate, share issuance frequency and exercise price.

NOTE 12 — OPERATIONS BY REPORTABLE SEGMENT

The Company has three primary operating segments, which include Special Situation Lending, Strategic Acquisitions and Discontinued Operations. Results of operations and other financial measures that are not included in the Company's three primary operating segments are included in Corporate and Other. The following tables present the operating results and other key financial measures for the Company's operating segments as of and for the periods indicated.

(Dollars in thousands)	Continuing Operations					Total	Discontinued Operations	Total
	Special Situation Lending	Strategic Acquisitions	Corporate and Other	Eliminations				
Three Months Ended June 30, 2011:								
Revenues	\$239	\$ 295	\$66	\$(32)	\$568	\$ 1,615	\$2,183	
Expenses	-	1,182	4,326	(32)	5,476	2,182	7,658	
Other income (expense)	-	-	(128)	-	(128)	-	(128)	
Earnings (loss) before reorganization items, net and income taxes	239	(887)	(4,388)	-	(5,036)	(567)	(5,603)	
Reorganization items, net	-	-	826	-	826	-	826	
Earnings (loss) before income taxes and loss attributable to noncontrolling interest	239	(887)	(5,214)	-	(5,862)	(567)	(6,429)	
Income tax expense (benefit)	4	100	(114)	(4)	(14)	(159)	(173)	
Net earnings (loss)	235	(987)	(5,100)	4	(5,848)	(408)	(6,256)	
Loss attributable to noncontrolling interest	-	(101)	-	-	(101)	-	(101)	
Net earnings (loss) attributable to	\$235	\$(886)	\$(5,100)	\$4	\$(5,747)	\$(408)	\$(6,155)	

Signature Group
Holdings, Inc.

(Dollars in thousands)	Continuing Operations				Total	Discontinued Operations	Total
	Special Situation Lending	Strategic Acquisitions	Corporate and Other	Eliminations			
Three Months Ended June 30, 2010:							