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

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

FORM 10-Q

R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2010
or
£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

Commission File Number 001-08007

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

Nevada	95-2815260
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

15303 Ventura Blvd., Ste 1600 Sherman Oaks, California 91403	(805) 435-1255
(Address of Principal Executive Offices)(Zip Code)	(Registrant’s Telephone Number, including Area Code)

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

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

Indicate by check mark 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	R Smaller Reporting Company

company)

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

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

SIGNATURE GROUP HOLDINGS, INC.
QUARTERLY REPORT ON FORM 10-Q
For the Quarterly Period Ended March 31, 2010

TABLE OF CONTENTS

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

Table of Contents

EXPLANATORY NOTE

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

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

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

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

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

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

See accompanying notes to consolidated financial statements.

Table of Contents

Signature Group Holdings, Inc.
Formerly Fremont General Corporation (Debtor-In-Possession for the period June 18, 2008 through June 11, 2010)
Consolidated Statements of Operations
(Unaudited)

(Dollars in thousands, except per share amounts)	Three Months Ended March 31, 2010	2009
Interest income	$95	$375
Interest expense	1,166	1,137
Net interest expense	(1,071)	(762)
Provision for loan losses	38	-
Net interest expense after provision for loan losses	(1,109)	(762)
NON-INTEREST INCOME:		
Other	86	-
Total non-interest income	86	-
NON-INTEREST EXPENSE:		
Professional fees	12	788
Compensation	511	312
Insurance	848	602
Other	307	74
Total non-interest expense	1,678	1,776
Loss from continuing operations before reorganization items and income taxes	(2,701)	(2,538)
Reorganization items, net	2,920	2,227
Loss from continuing operations before income taxes	(5,621)	(4,765)
Income tax expense	-	-
Loss from continuing operations	(5,621)	(4,765)
Loss from discontinued operations, net of income taxes	(4,735)	(24,071)
Net loss	$(10,356)	$(28,836)
LOSS PER SHARE:		
Basic and diluted:		
Loss from continuing operations	$(0.07)	$(0.06)
Loss from discontinued operations, net of income taxes	(0.06)	(0.31)
Net Loss	$(0.13)	$(0.37)

See accompanying notes to consolidated financial statements.

Table of Contents

Signature Group Holdings, Inc.
Formerly Fremont General Corporation (Debtor-In-Possession for the period June 18, 2008 through June 11, 2010)
Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

	Preferred Stock		Common Stock					
(Dollars and shares in thousands)	Number of Outstanding Shares	Amount	Number of Outstanding Shares	Amount	Additional Paid-in Capital	Retained Deficit	Deferred Compensation	Total
Balance, December 31, 2009	-	$ -	78,380	$ 78,380	$ 345,443	$ (332,056)	$ (620)	$ 91,147
Net loss	-	-	-	-	-	(10,356)	-	(10,356)
GSOP fair value adjustment	-	-	-	-	16	-	(16)	-
Balance, March 31, 2010	-	$ -	78,380	$ 78,380	$ 345,459	$ (342,412)	$ (636)	$ 80,791

See accompanying notes to consolidated financial statements.

Table of Contents

Signature Group Holdings, Inc.
Formerly Fremont General Corporation (Debtor-In-Possession for the period June 18, 2008 through June 11, 2010)
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
(Dollars in thousands)	2010	2009
Cash flows from operating activities:		
Net loss	$(10,356)	$(28,836)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss from discontinued operations, net of income taxes	4,735	24,071
Depreciation and amortization	34	59
Provision for loan losses	38	-
Changes in operating assets and liabilities:		
Other assets	166	122
Other liabilities	1,008	(6,195)
Accrued interest payable	1,119	1,091
Income taxes receivable	529	4,177
Net cash used in operating activities of discontinued operations	(3,511)	(2,358)
Net cash used in operating activities	(6,238)	(7,869)
Cash flows from investing activities:		
Principal changes on loans held for investment	20	20
Net cash provided by investing activities of discontinued operations	2,666	2,672
Net cash provided by investing activities	2,686	2,692
Cash flows from financing activities	-	-
Decrease in cash and cash equivalents	(3,552)	(5,177)
Cash and cash equivalents, beginning of period	356,223	334,684
Cash and cash equivalents, end of period	$352,671	$329,507
Cash and cash equivalents, end of period - continuing operations	352,178	355,698
Cash and cash equivalents, end of period - discontinued operations	493	525
Cash and cash equivalents, end of period	$352,671	$356,223
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$18	$169
Cash paid for interest	-	-
Transfers of loans to real estate owned	3,749	1,286

See accompanying notes to consolidated financial statements.

Table of Contents

Signature Group Holdings, Inc.
Debtor-In-Possession (for the period June 18, 2008 through June 11, 2010)
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 an externally managed financial services company that operates in two primary business lines: (i) Special Situation Lending and (ii) Strategic Acquisitions. Additionally, Signature maintains and is managing certain assets related to Fremont's former businesses, which include a portfolio of subprime residential real estate mortgages, residential real estate, commercial real estate investments and litigation claims under fidelity insurance bonds Fremont held ("Legacy Assets"). The Legacy Assets are being managed to maximize cash recoveries and value for Signature's shareholders and will be redeployed into its long term business strategy over time.

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

During the bankruptcy period, Fremont's operations focused on maximizing the value of its assets, which, included the liquidation and sale of certain assets, minimizing its costs and liabilities through the negotiation and resolution of litigation, loan repurchase claims and other claims. In particular, Fremont managed its remaining residential and commercial loan portfolios, commercial real estate investments and other assets.

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

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

To manage its business affairs, Signature entered into an Interim Investment Management Agreement dated June 11, 2010 ("Interim Management Agreement") with Signature Capital Advisers, LLC ("SCA") a management company that is owned and managed by experienced professionals with backgrounds and experience in commercial finance, distressed debt acquisition, merchant banking and private equity. SCA's principals and employees, who include Craig Noell, Signature's Chief Executive Officer; Kenneth Grossman, its Executive Vice President; Kyle Ross, its Executive Vice President and interim Chief Financial Officer; David Collett, its Senior Vice President and Treasurer, and Thomas Donatelli, who is an executive of SCA, have an established track record of identifying, structuring, and managing

transactions in Signature's targeted business lines.

NOTE 2 —SIGNIFICANT EVENTS DURING 2010

On May 17, 2011, Signature filed a Comprehensive Annual Report on Form 10-K (the "Comprehensive Form 10-K") that included, in one comprehensive filing, business and financial information for the fiscal years ended December 31, 2009, 2008 and 2007; selected, unaudited quarterly financial information of the Company for the fiscal years 2009 and 2008, which had not been previously filed with the SEC; as well as certain disclosures of subsequent events pertaining to material events occurring up until the date of filing of the Comprehensive Form 10-K. For additional information concerning the Company's pre-bankruptcy operations and significant events occurring during its Chapter 11 bankruptcy proceedings, see Note 2 – Significant Events, Including Chapter 11 Bankruptcy Proceedings of Notes to Consolidated Financial Statements which are included in Item 8 of the Company's Comprehensive Form 10-K.

Table of Contents

The following information describes the Company's emergence from Chapter 11 bankruptcy proceedings and the related transactions and events associated with the Company's reorganization, including significant transactions and events subsequent to the Effective Date.

EMERGENCE FROM CHAPTER 11 BANKRUPTCY PROCEEDINGS

On May 25, 2010, the Bankruptcy Court entered the Confirmation Order confirming the Plan, as amended on June 9, 2010, which was binding on all shareholders and creditors of Fremont on the Effective Date. In accordance with the Plan, as authorized by the Confirmation Order, the Company entered into a number of material transactions and events as summarized below.

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

Signature Common Stock Investment, Warrants Issuance and Registration Rights. Pursuant to the Plan, a series of accredited investors including several of Signature’s Executive Officers and members of the Board of Directors: Craig Noell, Kenneth Grossman, John Nickoll and Robert Schwab, as well as former Board of Director members Robert Peiser and Richard Rubin (the “Signature Investors”) purchased an aggregate of 12.5 million shares of Signature’s common stock for an aggregate of $10 million in cash pursuant to the terms of subscription agreements between the Company and each of the Signature Investors. In accordance with the Plan, Signature’s common stock was issued and sold to the Signature Investors without registration in reliance on the exemption set forth in Section 4(2) of the Securities Act of 1933, as amended (“Securities Act”).

Additionally, pursuant to the Plan, Signature issued warrants to purchase an aggregate of 15 million shares of Signature’s common stock (the “Warrants”) to Signature Group Holdings, LLC, an investment management company owned by Craig Noell and Kyle Ross; Kenneth Grossman; and NWRA Capital Partners LLC (collectively, the “Warrant Investors”) for an aggregate cash purchase price of $300,000. The Warrants have a term of 10 years and an exercise price of $1.03 per share. The Warrants vest 20% on the Effective Date and 20% in annual installments until the Warrants are fully vested on the fourth anniversary of the Effective Date. The $300,000 purchase price for the Warrants is payable as the Warrants vest. Accordingly, the Warrant Investors paid an aggregate amount of $60,000 on the Effective Date and will pay $60,000 in the aggregate on each subsequent vesting installment. The Warrants were issued to the Warrant Investors without registration in reliance on the exemption set forth in Section 4(2) of the Securities Act. The Warrants include customary terms that provide for certain adjustments of the exercise price and the number of shares of common stock to be issued upon exercise of the Warrants in the event of stock splits, stock dividends, pro rata distributions and certain fundamental transactions. In addition, the Warrants are also subject to “full ratchet” anti-dilution protection. This anti-dilution provision provides that if Signature issues new shares of common stock during the term of the Warrants at a per share purchase price of less than the $1.03 exercise price of the

Warrants, then the exercise price of the Warrants will be automatically reduced to the lowest per share purchase price of any shares of common stock issued during the term of the Warrants.

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

Table of Contents

Amended and Restated Articles and Amended and Restated Bylaws. Pursuant to the Plan, Signature adopted its Amended and Restated Articles of Incorporation, which, among other things, changed the corporation name to Signature Group Holdings, Inc., and its Amended and Restated Bylaws, which were effective as of the Effective Date. The Amended and Restated Articles of Incorporation also changed the par value of each share of Signature's common stock from $1.00 per share to $0.01 per share. Additionally, the number of authorized shares of Signature's common stock and preferred stock was increased to 190,000,000 and 10,000,000, respectively. In order to preserve certain tax benefits of Signature, Signature's Amended and Restated Bylaws impose certain restrictions on the transfer of Signature's common stock and other equity securities (the "Tax Benefit Preservation Provision"). The Tax Benefit Preservation Provision established a trading restriction on any holders of five percent or more of Signature's common stock in order to reduce the risk that any change in ownership might limit the Company's ability to utilize the NOLs under Section 382 of the Internal Revenue Code of 1986, as amended (the "Tax Code"). The transfer restrictions apply until the earlier of (i) the repeal of Section 382 of the Tax Code, or any successor statute if Signature's Board determines that the Tax Benefit Provision is no longer necessary to preserve the tax benefits to Signature; (ii) the beginning of a taxable year of Signature in which Signature's Board determines that no tax benefits may be carried forward; or (iii) such other date as the Signature Board shall fix in accordance with the Amended and Restated Bylaws.

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

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

In addition to the Allowed Claims identified above, the Company paid an additional $2.7 million on the Effective Date in professional fees to five firms involved in Fremont's bankruptcy case. The five professional firms had filed aggregate claims of approximately $4.9 million with the Bankruptcy Court. Signature is engaged in discussions with these professional firms regarding the additional amounts claimed. See Note 11 Discontinued Operations for information regarding settlement with professionals.

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

TOPrS Settlement. On the Effective Date, the TOPrS issued by Fremont General Financing I, a statutory business trust (the "TOPrS Trust") pursuant to the Amended and Restated Declaration of Trust dated March 6, 1996 (the "Amended and Restated Declaration of Trust"), were extinguished, and TOPrS holders as of the Effective Date became

entitled to receive a pro rata share of each of the following amounts as settlement of their claims:

Table of Contents

- $45.0 million in cash (the “Cash Consideration”), subject to charging liens of Wells Fargo Bank, NA, in its capacity as indenture trustee to the TOPrS (the “TOPrS Trustee”) described below
- $39.0 million in notes payable maturing December 31, 2016, bearing 9.0% annual interest, payable quarterly commencing September 30, 2010 (the “Notes Payable”) and continuing until the principal thereof is paid or made available for payment; and
- 21 million shares of Signature common stock.

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

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

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

In connection with the TOPrS Settlement, the 9% Junior Subordinated Debentures dated March 6, 1996 (the Junior Subordinaated Debentures”), which were issued by Fremont in connection with the TOPrS transaction, the Indenture with respect to the 9% Junior Subordinated Debentures, dated March 6, 1996 (the “TOPrS Indenture”), the Amended and Restated Declaration of Trust and the TOPrS were each deemed extinguished, cancelled and of no further force or effect, and all obligations of the indenture trustee for the Junior Subordinated Debentures and Signature under any agreements, indentures, or certificates of designation governing the Junior Subordinated Debentures and TOPrS were discharged as of the Effective Date, except that the Junior Subordinated Debentures, TOPrS and the TOPrS Indenture continue in effect until such time that the TOPrS Trustee for the Junior Subordinated Debentures completes all distributions pursuant to the Plan, including the remaining sums due that are currently subject to the charging lien noted above.

As more fully described in Note 13 Subsequent Events, on May 17, 2011, Signature received a notice of default from the Notes Payable Trustee for not satisfying a covenant to file with the Notes Payable Trustee its periodic reports required to be filed under the Exchange Act with the Commission.

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

- $5.0 million paid related to a Stipulation and Agreement with the State of California Insurance Commissioner (the “Commissioner”), as statutory liquidator of Fremont Indemnity Company, an indirect subsidiary of Fremont (“Fremont

Indemnity") and as statutory conservator of Fremont Life Insurance Company in Conservation, an indirect subsidiary of Fremont ("Life");

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

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

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

Table of Contents

All of these litigation settlements were entered into prior to fiscal year 2010.

From January 1, 2010 through the Effective Date, Fremont entered into three residential loan repurchase settlement agreements. The Company paid approximately $28.3 million prior to the Effective Date with respect to such repurchase settlements. See Note 11 Discontinued Operations for more information about the Company's repurchase reserve liability.

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

Fremont Senior Management and Board of Directors. In connection with Fremont's emergence from bankruptcy proceedings, the senior executive officers of Fremont, including its Interim President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Executive Vice President and General Counsel gave notice of their respective resignations on June 4, 2010. The resignations of Fremont's Interim President and Chief Executive Officer and Executive Vice President and Chief Financial Officer became effective July 5, 2010. Subsequent to the effective date of his resignation, Fremont's Interim President and Chief Executive Officer continued to provide management services to Signature and was paid a monthly fee of $50,000 from July through September 2010. Fremont's Executive Vice President and General Counsel delayed effectiveness of his resignation until October 2010 and assumed the roles of interim acting Chief Operating Officer and interim acting Chief Legal Officer of Signature during this interim period. On December 27, 2010, the Company entered into a Separation, Consulting and Mutual Release Agreement with Fremont's Executive Vice President and General Counsel.

With respect to Fremont's Interim President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, their resignation notices included identification of potential claims for certain compensation and related benefits pursuant to their respective employment agreements with Fremont and FRC. Signature does not agree with the position taken by the aforementioned executive officers and intends to dispute any such claims if ultimately made against the Company.

In accordance with the Plan and the Confirmation Order, the members of Fremont's Board of Directors each tendered their resignation from the Boards of Fremont, FGCC and/or FRC, and/or their respective subsidiaries, with such resignations effective at 12:01 a.m. on the Effective Date.

New Management Team and Board of Directors. Signature emerged from bankruptcy proceedings with a new Board of Directors and, in conjunction with the resignations of Fremont's Senior Management, a new management team. Pursuant to the Plan and on the Effective Date, Signature increased the size of its Board of Directors to nine (9) members. For additional information on the new management team and changes in the Board of Directors, refer to "D. Recent Developments" of Part I, Item 1 of the Comprehensive Form 10-K.

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

The Interim Management Agreement was to remain in effect until the earlier of the date Signature and SCA enter into a long-term management agreement or December 31, 2010. The Interim Management Agreement was extended by a Board action through December 31, 2010. The Interim Management Agreement may be terminated upon sixty (60) days' written notice (i) by the vote of a majority of the outstanding securities of Signature, (ii) by the vote of Signature's Board or (iii) by SCA. Signature's Board of Directors continues to evaluate the external management structure that is currently in place with SCA, as well as alternative management structures that may be available to Signature.

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

Table of Contents

Under the Interim Management Agreement, SCA has agreed to limit the base salaries for each SCA Executive to $150,000 per annum for such professional's services to Signature from the Effective Date through December 31, 2010 and for each automatic extension thereof. The Signature Board may approve bonuses to the SCA Executives directly or pursuant to Signature's incentive plans as in effect from time to time, if any.

EVENTS SUBSEQUENT TO EMERGENCE FROM BANKRUPTCY

Termination of SERP Plans and Receipt of Proceeds. On July 14, 2010, Signature made a demand (the "Demand") on Merrill Lynch Trust Company, FSB as trustee ("Merrill Lynch") to terminate the following retirement plans held by Merrill Lynch and remit the property held thereby to Signature: (i) the Fremont General Corporation 2003 Excess Benefit Plan ("Excess Benefit Plan"); (ii) the Fremont General Corporation Supplemental Executive Retirement Plan, as amended ("SERP") and (iii) the Fremont General Corporation Supplemental Executive Retirement Plan II, as amended ("SERP II," and together with the SERP and Excess Benefit Plan, collectively, the "SERP Plans"). The Demand was made in conjunction with acknowledgement letters received by Signature from all remaining beneficiaries in the SERP Plans waiving any right to or claims against the SERP Plans as result of the treatment and distributions such beneficiaries received in accordance with the distributions made on or about the Effective Date.

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

Receipt of Tax Refund and Withdrawal of IRS Proof of Claim. On October 6, 2010, Signature received $24.4 million, net of other potential tax liabilities of $0.4 million, from an IRS tax refund related to the carryback of 2008 NOLs to the taxable year periods 2003, 2004 and 2005. One of the pre-requisites to receiving such refund was completion by the IRS of its examinations of Fremont's consolidated tax returns for the years ended 2006 and 2007, which have been finalized. Shortly after payment of the tax refund, the IRS withdrew its amended proof of claim filed in the Bankruptcy Court noting the claim had been satisfied. Subsequently, in February 2011, the IRS notified the Company that the $24.8 million refund was subject to review by the Congressional Joint Committee on Taxation (the "Joint Committee") and a request was made for the Company to provide certain information regarding the refund. Although the Company does not have any reason to believe that the Joint Committee will not approve the full amount of the tax refund, there is no assurance that such approval will be given by the Joint Committee.

Substantial Contribution Claims. Pursuant to the Plan, Signature was obligated to pay all Allowed Claims, which included payments of expenses of plan proponents and other parties in interest who the Bankruptcy Court deemed had made substantial contributions in Signature's progress toward reorganization ("Substantial Contribution Payments"). The determination by the Bankruptcy Court relating to such Substantial Contribution Payments was not made until after the Effective Date, so these amounts are separate and apart from the Unpaid Claims described previously. See Note 13 Subsequent Events for a description of Substantial Contributions Claims paid during the fourth quarter of 2010.

Settlement with Professionals involved in the Fremont Bankruptcy Case. After the Effective Date, Signature engaged in settlement discussions with seven professional firms involved in the Fremont Bankruptcy Case. Between the Effective Date and December 31, 2010 settlements were reached with four of these firms resulting in Signature paying $0.9 million in 2010, which was in addition to the $2.7 million paid to such firms on the Effective Date. In 2011, we have reached settlement with two of the firms whose fees we disputed, resulting in Signature paying $0.4 million in the second quarter of 2011. The outstanding disputed claims from the last firm that has not settled with Signature as of

the date of this filing aggregates approximately $1.2 million. On May 6, 2011, the Bankruptcy Court took the remaining professional fee dispute under submission and indicated it would issue a written decision within 60 days of the hearing.

NOTE 3 — FINANCIAL STATEMENT PRESENTATION AND RECENT ACCOUNTING STANDARDS

The accompanying unaudited consolidated financial statements of Signature and its wholly-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 months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. These interim period condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2009, which are included in the Comprehensive Form 10-K.

Table of Contents

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

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 derivative instruments, loans held for sale, commercial real estate investments and real estate owned; determination of the allowance for loan losses on loans held for investment, litigation accruals and repurchase reserves; impairment of long-lived assets; liabilities subject to compromise and realization of deferred tax assets.

Accounting for Reorganizations
The financial statements for the period in which Fremont was in reorganization under Chapter 11 were prepared in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 852 Reorganizations (originally issued as the American Institute of Certified Public Accountant's Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code). Under ASC 852, the Company must, among other things, (1) identify transactions that are directly associated with the reorganization from those events that occur during the normal course of business, (2) identify pre-petition liabilities subject to compromise from those that are not subject to compromise or are post petition liabilities and (3) apply "fresh-start" accounting rules upon emergence from Chapter 11 reorganization, if applicable. In accordance with ASC 852, the Company did not adopt fresh-start accounting as of the Effective Date. Fresh-start accounting requires that the reporting entity allocate the reorganization value of the company to its assets and liabilities in relation to their fair values upon emergence from Chapter 11 if (i) the value of the assets of the emerging entity immediately before the date of confirmation is less than the total of all post-petition liabilities and allowed claims; and (ii) holders of existing voting shares immediately before confirmation receive less than 50% of the voting shares of the emerging entity. Signature did not qualify for fresh start reporting under ASC 852 as upon emergence from Chapter 11 reoganization Signature's value of assets was greater than the total of all post-petition liabilities and allowed claims, and the shareholders of Fremont immediately prior to the Effective Date continued to hold more than 50 percent of the stock after the Effective Date.

Liabilities subject to compromise refer to known unsecured liabilities of Fremont incurred prior to the Petition Date. The Bankruptcy Court considers these liabilities to be pre-petition claims. Liabilities subject to compromise exclude pre-petition claims for which Signature has received the Bankruptcy Court's approval to pay, such as claims related to active employees and retirees and claims related to certain critical service vendors. Liabilities subject to compromise may be subsequently adjusted based on various factors, including, but not limited to, negotiations with creditors, actions by the Bankruptcy Court and changes resulting from the normal proof of claims process. Liabilities not subject to compromise include all liabilities incurred after the Petition Date or liabilities that are fully secured by collateral. Liabilities subject to compromise primarily consisted of Senior Notes and Junior Subordinated Debentures among other liabilities created in the normal course of business that existed at the time of the filing and are reported at the expected amount to be allowed by the Bankruptcy Court.

Reorganization items are expense or income items that were incurred or realized by Fremont as a result of the bankruptcy and are presented separately in the consolidated statements of operations and in the condensed combined statement of operations of Fremont. These items include professional fees, trustee fees and other expenses incurred directly related to the bankruptcy filing, gains or losses resulting from activities of the reorganization process, offset by interest income earned on cash accumulated by Fremont while in bankruptcy.

Recent Accounting Standards

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. 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 that the adoption of ASU 2011-02 will have a significant impact on the Company's consolidated financial statements.

Table of Contents

In April, 2011, the FASB issued ASU No. 2011-03 Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements ("ASU 2011-03"). ASU No. 2011-03 affects all entities that enter into agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The amendments in ASU 2011-03 remove from the assessment of effective control the criterion relating to the transferor's ability to repurchase or redeem financial assets on substantially the agreed terms, even in the event of default by the transferee. ASU 2011-03 also eliminates the requirement to demonstrate that the transferor possesses adequate collateral to fund substantially all the cost of purchasing replacement financial assets. The guidance is effective for the Company's reporting period ended March 31, 2012. ASU 2011-03 is required to be applied prospectively to transactions or modifications of existing transaction that occur on or after January 1, 2012. The Company does not expect that the adoption of ASU 2011-03 will have a significant impact on the Company's consolidated financial statements.

In May 2011 the FASB issued ASU No. 2011-04 Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and International Financial Reporting Standards ("IFRS") ("ASU 2011-04"). ASU 2011-04 represents the converged guidance of the FASB and the IASB (the "Boards") on fair value measurements. The collective efforts of the Boards and their staffs, reflected in ASU 2011-04, have resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term "fair value." The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRSs. The amendments in this ASU are required to be applied prospectively, and are effective for interim and annual periods beginning after December 15, 2011. The Company does not expect that the adoption of ASU 2011-04 will have a significant impact on the Company's consolidated financial statements.

NOTE 4 — CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held in non-interest bearing deposits in financial institutions and money market funds. As of March 31, 2010 and December 31, 2009, $1.3 million of these deposits were restricted. Restricted cash related to amounts on deposit securing a letter of credit associated with insurance policies. No other cash and cash equivalents were restricted at March 31, 2010 and December 31, 2009.

NOTE 5 —SENIOR NOTES AND JUNIOR SUBORDINATED DEBENTURES

The following table presents Signature's long-term debt as of:

(Dollars in thousands)	March 31, 2010	December 31, 2009
Senior Notes (1)	$166,530	$166,530
Junior Subordinated Debentures (1)	103,093	103,093
Total	$269,623	$269,623

(1) Amounts are included in liabilities subject to compromise, within continuing operations, in the accompanying consolidated balance sheets.

Senior Notes

In 1999, the Company issued $225.0 million 7.875% Senior Notes (the "Senior Notes") due March 2009. These Senior Notes are unsecured senior indebtedness of the Company, ranking equally with its existing and future unsubordinated indebtedness. Interest is payable on the notes semi-annually in March and September.

In March 2008, the Company announced that it was delaying payment of its $6.6 million semi-annual interest payment as it attempted to negotiate a comprehensive debt restructuring with its majority senior debt holder. In April 2008, the Company received notification that the holder of more than 75% of the Senior Notes ("Majority Holder") had agreed to forbear the acceleration of the obligations owed under Senior Notes, while the Majority Holder explored options with the Company for a restructure of the Senior Note obligations. The commencement of the Bankruptcy Case in June 2008 constituted an event of default under the indenture related to the Senior Notes.

Table of Contents

Interest expense on the Senior Notes, accrued using the FJR of 2.51%, was $1.1 million for the three months ended March 31, 2010 and 2009, respectively.

Total interest payments for the Senior Notes were zero for the three months ended March 31, 2010 and 2009. The difference between contractually required interest payments and actual interest payments made was $3.3 million for the three months ended March 31, 2010 and 2009

As more fully described in Note 2 – Significant Events During 2010, on the Effective Date, the Senior Notes were cancelled. The holders of the Senior Notes received the outstanding principal balance of $166.5 million, $18.7 million in accrued and unpaid interest plus an additional $1.5 million.

Junior Subordinated Debentures
In 1996, the Company formed the TOPrS Trust, which sold $100 million of TOPrS in a public offering. The TOPrS represent preferred undivided beneficial interests in the assets of the TOPrS Trust. Holders of the Preferred Securities were entitled to receive cumulative cash distributions at an annual rate of 9% of the liquidation amount of $25 per security, payable quarterly. The proceeds from the sale of the TOPrS were invested in 9% Junior Subordinated Debentures issued by Fremont. The Junior Subordinated Debentures are the sole asset of the TOPrS Trust.

In February 2008, the Company exercised it rights to defer the regularly scheduled quarterly interest payments on its Junior Subordinated Debentures, beginning with the distributions that would have otherwise been paid on March 31, 2008. At Petition Date, outstanding accrued and unpaid contractual interest on the Preferred Securities totaled $4.3 million. During the period from Petition Date through March 31, 2010, no additional interest expense was recognized.

Total interest payments for the Junior Subordinated Debentures were zero for the three months ended March 31, 2010 and 2009. The difference between contractually required interest payments and actual interest payments made was $2.3 million for the three months ended March 31, 2010 and 2009.

As more fully described in Note 2 – Significant Events During 2010, in June and July 2010, as partial settlement of the TOPrS's bankruptcy claims, the former holders of the TOPrS received $45 million in cash, 21 million shares of Signature's common stock, and were issued an aggregate of $39 million in new notes due December 2016 and bearing interest at a rate of 9% per annum.

NOTE 6 — 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

As of December 31, 2009, the Company had estimated federal and state net operating loss carryforwards("NOLs") of approximately $781.1 million and $924.3 million, respectively, which expire at various dates between 2016 and 2029. The Company's federal NOLs have a 20-year life and begin to expire in 2026. 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 March 31, 2010 and December 31, 2009 as it believed it was more likely than not that the deferred tax assets will not be realized.

At March 31, 2010 and December 31, 2009, the Company accrued the expected tax and interest exposure for tax matters that were either in the process of resolution or had been identified as having the potential for adjustment. The total reserve for these uncertain tax matters was $0.4 million at March 31, 2010 and December 31, 2009.

NOTE 7 — 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:

Table of Contents

(Dollars and shares in thousands, except per share amounts)	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Loss from continuing operations	$(5,621)	$(4,765)
Loss from discontinued operations, net of income taxes	(4,735)	(24,071)
Net loss	$(10,356)	$(28,836)
Weighted-average basic and diluted shares outstanding	78,289	78,282
Basic and diluted loss per share:		
Continuing operations	$(0.07)	$(0.06)
Discontinued operations	(0.06)	(0.31)
Basic and diluted net loss per share	$(0.13)	$(0.37)

NOTE 8 — FAIR VALUES OF FINANCIAL INSTRUMENTS

FASB ASC Topic 820 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 Topic 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.

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, including financial instruments for which the Company elected the fair value option:

Table of Contents

(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 March 31, 2010:				
Assets:				
Assets held in trust for deferred compensation plans (1)	$ 11,842	$ -	$ -	$ 11,842
Liabilities:				
Liabilities of deferred compensation plans	$ 11,883	$ -	$ -	$ 11,883
As of December 31, 2009:				
Assets:				
Assets held in trust for deferred compensation plans (1)	$ 11,792	$ -	$ -	$ 11,792
Liabilities:				
Liabilities of deferred compensation plans	$			