

SIGNATURE GROUP HOLDINGS, INC.  
Form DEFA14A  
May 20, 2013

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

Washington, D.C. 20549

**SCHEDULE 14A**

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

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**SIGNATURE GROUP HOLDINGS, INC.**

(Name of Registrant as Specified In Its Charter)

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

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No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

May 20, 2013

Dear Stockholder:

Your Board of Directors of Signature Group Holdings, Inc., elected only nine months ago at the 2012 Annual Meeting of Shareholders, welcomes the opportunity to share our thoughts with you regarding yet another proxy contest for control of your Company's Board of Directors. We greatly appreciate your investment of time to review and consider our accomplishments to date and our strategy to create value for you. We respect that you have a decision to make and value your stockholdings. It is a shame we have the distraction of yet another costly proxy fight, but your Board is committed to continuing its progress and growing our Company and creating value for all stockholders.

In nine short months, we have made significant progress in focusing the management of the Company on creating value for the stockholders as a whole. The enclosure to this letter and information you will receive in future communications should prove this reality to you.

On the other hand, we have deep concerns about what we believe to be a fantasy strategy, and the capabilities and intentions, of the slate of directors proposed by the dissident stockholders.

Our desire is to continue our efforts on your behalf and we ask you to return the WHITE proxy card in support of our recommended nominees.

Respectfully submitted,

G. Christopher Colville, Director

John Koral, Director

Patrick E. Lamb, Director

Philip Tinkler, Director

In support,

Peter Bynoe, Director Nominee

15303 Ventura Blvd., Ste 1600 ; Sherman Oaks, CA ; 91403

Our Stockholders  
Choice: Reality Versus Fantasy  
May 20, 2013

CAUTIONARY STATEMENT

This  
presentation  
may  
contain  
certain  
forward-looking

statements  
within  
the  
meaning  
of  
the  
Private  
Securities Litigation Reform Act of 1995, including statements with regard to the future performance of  
Signature  
Group  
Holdings,  
Inc.  
( Signature  
or  
the  
Company ).

Words  
such  
as  
believes,  
expects,  
projects,  
anticipates,  
and future

or similar expressions are intended to identify forward-looking  
statements. These forward-looking statements are subject to the inherent uncertainties in predicting  
future results and conditions. Certain factors could cause actual results to differ materially from those  
projected

in  
these  
forward-looking  
statements,

and  
such  
factors  
are  
identified

from  
time  
to  
time  
in

our  
filings with the Securities and Exchange Commission ( SEC ). Pursuant to the Private Securities Litigation  
Reform Act of 1995, Signature undertakes no obligation to publicly update or revise any forward-looking  
statements, whether as a result of new information, future events or otherwise.

No  
representation  
or  
warranty,

express  
or  
implied,  
is  
made  
as  
to  
the  
accuracy  
or  
completeness  
of  
the

information contained herein, and nothing shall be relied upon as a promise or representation as to the future of the Company.

For more specific financial information please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2012, the Quarterly Report on Form 10-Q for the quarter ended March, 31, 2013 and other SEC filings.

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**NINE MONTHS OF PROGRESS**

Increased stock price 104%

Strengthened management team adding acquisition experience and skills

Evaluated the strategic business plan of management and enacted changes such as monetizing Special Situation assets for acquisition capital

Honed our acquisition strategy to focus on larger acquisitions

Driven growth at NABCO

Reduced  
operating  
costs  
(eg  
Q1  
2013  
SG&A  
Costs  
are  
down  
25%  
year  
over  
year)

Prepared the Company to be able to execute non dilutive, pro rata rights offerings

3

We have made meaningful changes while taking stockholder feedback under advisement.

OUR EFFORTS REFLECTED IN 104% STOCK PRICE INCREASE

4

OUR BUSINESS PLAN

5

Executing Acquisitions with Least Dilutive Approach

Maximizing Value of NABCO

Further Cost Reductions

Preparing the Company for Large Acquisitions

Your

Board's

Focus

Larger transactions (\$20+MM EBITDA) preferable  
Accretive deals with strong NOL utilization  
Prepare for future pro rata rights offering(s)  
Strengthen management team and sales staff  
Invest in inventory  
Expand market presence  
Right sizing headcount  
More efficient use of professionals  
Tightly manage legal expenses  
Increasing liquidity by monetizing Special  
Situation assets  
Ready for registration offerings, integration,  
compliance  
Seeking increase in authorized shares

SIGNATURE IS IMPLEMENTING AN EFFECTIVE STRATEGY

Seek to appoint seasoned CEO

Want top notch

Board of

Directors

Pursue meaningful acquisitions

Develop appropriate capital

structure

6

Signature Accomplishments

Charlestown's Plan

Well Qualified CEO In Place

Experienced Board with Diverse Skills

Positioning Company for Optimal Capital Structure

CHARLESTOWN HAS NO

NEW IDEAS

Nearly 20 years of M&A experience

Public company operations and leadership

Knowledge of Signature and long-standing stockholder

Furthering corporate objective of reducing overhead

Actively engaged with management on Company matters

Skills sets include: M&A, Operations, Integrations, Governance,

Aligned incentives with stockholders

More than a dozen deals of this size evaluated in past 9 months

Engaged in detailed negotiations, diligence, and financing efforts

Size

isn't

only

factor

business

dynamics

to

fit

within

a

public

Focused on \$20+MM EBITDA Opportunities

Preparing for registrations of pro rata rights offerings

Actively engaged with credit markets

Seeking to increase share count to have optimal flexibility to

make meaningful acquisitions

at the time Charlestown initiated the proxy contest

vehicle with large tax assets is critical

Compliance, and NOL Utilization

WE BELIEVE CHARLESTOWN S STRATEGY IS FLAWED

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Reality

Covanta (NYSE: CVA) is a great model to follow

Significant stockholder value creation from NOLs

Used pro rata, non dilutive rights offerings to raise equity

two of our candidates have Board and/or executive

management experience at Covanta  
Strong executive management is critical  
Operations, acquisition execution, integration  
Recruiting new personnel is challenging and risky  
the Board has put in place highly skilled executive  
management with performance incentives  
Operations experience at Board level is needed  
Oversee management to develop and implement strategy  
Only 2 of 5 Charlestown candidates are operators  
four of our candidates have Board and/or executive  
management experience with large public companies  
Fantasy  
Large, highly profitable companies are readily  
available at low multiples  
Recruiting new CEO and management is easy, and  
other quick fixes are available to create stockholder  
value  
Large deals can be magically financed with equity  
raises without regard to authorized shares or  
potential limitations on NOLs  
CEO-experienced board and vision will raise stock  
price significantly  
Competition is fierce and multiples are rising  
Requires patience, planning, and right capital resources  
We believe 6.5x multiple is highly unrealistic  
the Board has positioned the Company to execute and  
is actively seeking out realistic acquisitions  
AND FANTASY BASED

CHARLESTOWN S  
GREAT  
IDEA:  
PURSUE  
NON-EXISTENT  
DEALS  
8

Source: Thomson Reuters

Note: Based on U.S. deals and excludes multiples below 0.0x and above 25.0x

Charlestown suggested purchase multiple (6.5x)

Aside from valuation fantasies, Charlestown's other implausible assumptions include:

50-150 million new shares issued even though the Company does not have sufficient authorized shares (and Charlestown is opposing an increase)

Share issuance sizes that could result in a change of control and limitation of NOL usage

New equity capital is an immediately available currency  
transactions have exceeded 8.8x in 5 of last 6 years

9.2x

8.0x

6.9x

8.7x

9.1x

9.4x

10.1x

10.8x

7.2x

10.0x

8.9x

9.9x

12.0x

10.8x

9.9x

9.8x

10.3x

10.1x

0.0x

2.0x

4.0x

6.0x

8.0x

10.0x

12.0x

14.0x

2007

2008

2009

2010

2011

2012

Under \$250 million

\$250 to \$500 million

Over \$500 million

A large acquisition at 6.5x would be great, but  
actual market data tells a different story

Median multiples for \$250+ million enterprise value

Median EV / EBITDA Multiples

WHAT IS CHARLESTOWN'S REAL AGENDA?

Charlestown was aware, under a confidentiality agreement signed with the Company, that we were in detailed discussions regarding a very sizable acquisition when they initiated this proxy fight

Stockholders

deserve

to

know

how  
Charlestown's  
Plan  
is  
really  
going  
to  
work

Their actions and materials bring into question their true objectives

They present an acquisition model that cannot be accomplished without additional share authorization (which they oppose)

Assumptions about share issuance demonstrates an apparent lack of understanding of NOL preservation and utilization rules

We believe Charlestown is not presenting all the facts

Net asset value calculations suggest that real liabilities do not really exist and even convert into assets

Former board member Steven Gidumal has failed to disclose the full reasons for not being renominated in 2012  
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Another New Board, Mystery CEO, Unknown Management, Unrealistic Strategy  
Charlestown Cannot Guarantee Results. . . We Do Not Think You Should Take The Risk!  
**WE BELIEVE OUR BOARD IS THE BEST CHOICE TO LEAD THE COMPANY**  
**PLEASE VOTE THE WHITE PROXY CARD**



SIGNATURE S BOARD CANDIDATES

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Peter C.B. Bynoe (Age 62):

Since February 2009, Mr. Bynoe has served as a partner and Chief Operating Officer of Loop Capital LLC, a full-service investment banking firm based in Chicago, where he had been Managing Director since February 2008. As Chief Operating Officer, Mr. Bynoe oversees the firm's mergers and acquisitions practice in the utility and power sector. Mr. Bynoe also currently serves as a Senior Counsel in the Chicago office of the

international law firm DLA Piper US LLP. From March 1995 until December 2007, Mr. Bynoe was a senior Partner at DLA Piper US LLP and served on its Executive Committee. Mr. Bynoe has also been a principal of Telemat Ltd., a consulting and project management firm, since 1982. Since 2004, Mr. Bynoe has been a director of Covanta Holding Corporation, an internationally recognized owner of energy-from-waste and power generation projects. Since 2007, Mr. Bynoe has been a director of Frontier Communications Corporation (formerly known as Citizens Communication Corporation), a telephone, television and internet service provider, and was formerly a director of Rewards Network Inc., a provider of credit card loyalty and rewards programs, from 2003 to May 2008. Mr. Bynoe served as the Executive Director of the Illinois Sports Facilities Authority, a joint venture of the City of Chicago and State of Illinois created to develop the new Comiskey Park for the Chicago White Sox and was Managing General Partner of the National Basketball Association's Denver Nuggets. Mr. Bynoe also served as a consultant to the Atlanta Fulton County Recreation Authority and the Atlanta Committee to Organize the Olympic Games in preparation for the 1996 Summer Olympic Games. Mr. Bynoe holds Juris Doctor and Master of Business Administration degrees from Harvard University and is a member of the Illinois Bar and a registered real estate broker. The Board will benefit from Mr. Bynoe's extensive legal and financial expertise, his background in infrastructure projects, his public sector service and his extensive knowledge of public policy issues. Mr. Bynoe's service as a board member for other public and private companies will also enable him to provide valuable insight and perspective on governance matters, mergers and acquisitions activity and the utilization of net operating loss carryforwards, of which Covanta reported approximately \$392 million as of December 31, 2012.

:  
:  
SIGNATURE S BOARD CANDIDATES  
G.  
Christopher  
Colville  
(Age

55)  
Mr.  
Colville  
has  
served  
as  
our  
Chairman  
of  
the  
Board  
since  
August  
2012  
and  
as our  
Chief  
Executive  
Officer  
since  
April  
2013.

In  
addition,  
since  
2007,  
Mr.  
Colville  
has  
served  
as  
a  
strategic  
advisor to various privately held enterprises, including, since 2008, KEG 1, LLC, a special-purpose acquisition  
entity  
focused  
on  
consolidating  
segments  
of  
the  
wholesale  
beer  
distribution  
industry.

Mr.  
Colville's  
principal  
role as strategic advisor is to provide advice and counsel on mergers and acquisitions, capital structures,  
including negotiation of bank credit facilities, corporate governance and organizational development. Prior to

that, Mr.

Colville served as an executive officer of Consolidated Graphics, Inc. (NYSE: CGX), one of North America's leading general commercial printing and print-related companies, from 1994 to 2000 and from 2002

to 2007.

From 2000

to 2002,

Mr. Colville served

as Managing Director at

Murphy Noell Capital, LLC,

an investment banking firm.

Mr. Colville holds Bachelor of Business Administration

and Master in

Accounting degrees from Texas Tech University and is a Certified Public Accountant.

John Koral (Age 54)

Mr. Koral has served

as a director of Signature

since  
2010  
and  
as  
a  
Developer/Managing  
Partner  
to  
a  
number  
of  
strategic  
partnerships  
focused  
on  
luxury  
single-  
and  
multi-family  
residential  
construction projects in Colorado since 1999. In his work with the strategic partnerships, he maintains full  
responsibility  
for  
all  
aspects  
of  
the  
projects,  
from  
land  
purchase  
to  
approvals,  
construction  
and  
sale.  
Projects  
under these partnerships have resulted in over 100,000 square feet of construction and approximately \$25  
million  
of  
sales  
value.  
From  
1996  
to  
2011,  
Mr.  
Koral  
served  
as

a  
Senior  
Vice  
President,  
responsible  
for  
co-  
managing the lending operations and managing the construction development operations, of U.S. Capital  
Inc.,  
an  
asset-based  
private  
lender,  
closing  
in  
excess  
of  
\$100  
million  
of  
loans  
and  
development  
projects.

He  
also participated in all of the company's efforts to raise capital, including private participations, general  
capitalization,  
subordinated  
notes  
and  
institutional  
lines  
of  
credit.

Mr.  
Koral  
previously  
managed  
and  
was  
President  
of  
Apex  
Mechanical  
Services,  
a  
full  
service  
mechanical  
contracting

firm,  
from  
1982  
to  
1996,  
expanding  
annual  
sales  
from  
\$5  
million  
to  
\$10  
million.  
He  
has  
also  
been  
an  
active  
investor  
in  
asset-based  
loans since 1994.

Mr. Koral holds an Associate's degree in Mechanical Engineering from Alfred State University with a minor in Business Administration.

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SIGNATURE S BOARD CANDIDATES

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Officer for the Los Angeles Clippers of the National Basketball Association and has served in that capacity since July 2007. Mr. Lamb has over 20 years of chief financial officer experience in various public and public subsidiary entities, specifically in the financial services arena, including banking, commercial finance, commercial and residential real estate, debt and equity capital markets and insurance. He also has extensive experience in mergers, divestitures and acquisitions, financing and securitization structures as well as public

accounting. From 2004 to July 2007, Mr. Lamb served as the Senior Vice President, Treasurer, Chief Financial Officer and Chief Accounting Officer of the Company, when it was known as Fremont General Corporation ( Fremont ). Prior to that, Mr. Lamb served as Vice President-Finance for Fremont and as the Chief Financial Officer of Fremont Financial Corporation, a subsidiary of the Company. Before joining Fremont, Mr. Lamb worked at Ernst & Whinney (now Ernst & Young) in San Francisco, serving primarily in the financial services industries in various audit and consulting engagements. Mr. Lamb holds Bachelor of Science and Master in Accounting degrees from the Marriott School of Management at Brigham Young University. Mr. Lamb also serves on two advisory boards for the Marriott School of Management at Brigham Young University.

Patrick E. Lamb (Age 53):

Mr.

Lamb

has

served

as

a

director

of

Signature

since

2011.

He

is

the

Chief

Financial

:  
SIGNATURE S BOARD CANDIDATES

14  
the Chief Operating Officer and Chief Financial Officer at Equity Group Investments ( EGI ) and has served in various leadership capacities for EGI and its affiliates since 1990. He has been the firm s Chief Financial Officer since 2002, and the Chief Operating Officer since 2006. In his role at EGI, he works closely with the investment team on structuring transactions, due diligence, bank financings, and securities offerings. Since

2009, he has also been Chief Financial Officer for Chai Trust Company, LLC, an Illinois registered trust company that is trustee for many of the Zell family trusts. Mr. Tinkler oversees EGI's financial services group, which houses EGI's accounting, treasury, and tax functions. He also serves as Chief Operating Officer, managing EGI's human resources, administration and facilities functions. From 2003 to 2004, Mr. Tinkler worked at the company that is known today as Covanta Holding Corporation (NYSE: CVA), an internationally recognized owner/operator of energy-from-waste and power generation projects. During his tenure there, Mr. Tinkler served as Chief Financial Officer while the company's predecessor, Danielson, purchased Covanta, emerged from bankruptcy, and underwent an integration. He also served on the board of directors of Covanta's wholly owned California-based insurance subsidiary. Earlier in his career, Mr. Tinkler served as the Chief Executive Officer and Chief Financial Officer at First Capital Financial, L.L.C. and the Managing General Partner of the First Capital real estate funds. He began his career at Ernst & Young. Mr. Tinkler serves on the board of directors of another EGI investment company, WRS Holdings Company, an environmental construction and remediation company. Mr. Tinkler holds a Bachelor of Science degree from Northern Illinois University and a Master of Science degree in Taxation from DePaul University.

Philip  
G.  
Tinkler  
(Age  
48)  
Mr.  
Tinkler  
has  
served  
as  
a  
director  
of  
Signature  
since  
August  
2012.  
Mr.  
Tinkler  
is