

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.

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(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

7

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

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APPENDIX

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

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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