SIGNATURE GROUP HOLDINGS, INC.
Form DEF 14A
November 27, 2013
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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

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement (deemed filed pursuant to General Instruction E to Form S-4 referenced below)

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under §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)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

No fee required pursuant to Rule 14a-6(j)(2), by reason of registration statement on Form S-4, registration number 333-191685, filed by SGH Holdco, Inc., which includes the proxy statement to which this Schedule 14A relates

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

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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SIGNATURE GROUP HOLDINGS, INC.

PROXY STATEMENT/PROSPECTUS

A REINCORPORATION AND HOLDING COMPANY MERGER IS PROPOSED

YOUR VOTE IS IMPORTANT

Dear Fellow Stockholder:

On behalf of the Board of Directors of Signature Group Holdings, Inc. (the Company), you are cordially invited to attend a special meeting of stockholders of the Company to be held on December 30, 2013, at 10 a.m., local time, at the offices of our counsel, Crowell & Moring LLP, 515 South Flower St., 40th Floor, Los Angeles CA 90071.

At the special meeting, you will be asked to consider and vote upon (i) a proposal to approve an agreement and plan of merger, pursuant to which the Company will merge with and into a wholly owned limited liability company subsidiary of a newly formed Delaware corporation (we refer to this proposal as the Reincorporation Proposal), and (ii) a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement. If the Reincorporation Proposal is approved and the transactions contemplated by the merger agreement, which we refer to as the Reincorporation, are completed, we will become a wholly owned limited liability subsidiary of the new Delaware holding company, and your shares will automatically be exchanged for the same number of shares of the Delaware holding company (unless you properly exercise dissenters rights, which will entitle you to obtain payment of the fair value of your shares according to the provisions of Sections 92A.300 to 92A.500 of the Nevada Revised Statutes). We intend to rename the holding company Signature Group Holdings, Inc. at the time of the Reincorporation.

Our Board of Directors believes that reincorporation will help us to implement our acquisition strategy, including through benefiting from Delaware s leadership role in corporate law and adjudication of disputes, which will provide us with greater certainty in connection with operational and strategic planning, and permitting us to keep acquired businesses structurally separate from the Company. Our Board of Directors has unanimously determined that the Reincorporation is advisable and in the best interests of our stockholders. **Accordingly, our board has unanimously approved the merger agreement and recommends that you vote FOR the Reincorporation Proposal and FOR the adjournment of the special meeting, if necessary, to solicit additional proxies.**

Your vote is very important. We cannot complete the Reincorporation unless holders of a majority of the outstanding shares of our common stock vote to approve the Reincorporation Proposal. If you fail to vote on the Reincorporation Proposal, it will have the same effect as if you were to vote against the Reincorporation Proposal.

WHETHER OR NOT YOU PLAN TO BE PRESENT AT THE SPECIAL MEETING, IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED. ACCORDINGLY, WE URGE YOU TO VOTE

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BY COMPLETING, SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD AS SOON AS POSSIBLE IN THE ENCLOSED POSTAGE-PAID, SELF-ADDRESSED ENVELOPE, OR VIA TELEPHONE OR THE INTERNET IN ACCORDANCE WITH THE INSTRUCTIONS ON THE PROXY CARD. IF YOU RECEIVE MORE THAN ONE PROXY CARD BECAUSE YOU OWN SHARES THAT ARE REGISTERED DIFFERENTLY, PLEASE VOTE ALL OF YOUR SHARES SHOWN ON ALL OF YOUR PROXY CARDS.

We encourage you to read the accompanying proxy statement/prospectus carefully because it explains the proposed Reincorporation, the documents related to the Reincorporation and other related matters. You can also obtain other information about us from documents that we have filed with the Securities and Exchange Commission.

Sincerely,

/s/ Craig T. Bouchard

Craig T. Bouchard

Chief Executive Officer and Chairman of the Board

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated November 27, 2013 and is being first mailed to Signature Group Holdings, Inc. stockholders on or about November 27, 2013.

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If you have any questions or need assistance voting, please call:

MORROW & CO., LLC

(800) 662-5200 or (203) 658-9400

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SIGNATURE GROUP HOLDINGS, INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held on December 30, 2013

Dear Fellow Stockholder:

A Special Meeting of the Stockholders of Signature Group Holdings, Inc. will be held at the offices of our counsel, Crowell & Moring LLP, 515 South Flower St., 40th Floor, Los Angeles CA 90071 on December 30, 2013, at 10:00 a.m., local time, for the following purposes:

1. Consider a proposal, which we refer to as the Reincorporation Proposal, to approve an agreement and plan of merger, pursuant to which Signature Group Holdings, Inc. will merge with and into a wholly owned limited liability company subsidiary of a newly formed Delaware corporation, which we refer to as Holdings, and each outstanding share of common stock of Signature Group Holdings, Inc. (other than shares held by stockholders that properly exercise dissenters rights), will be converted into one share of common stock of Holdings;

2. Consider a proposal, which we refer to as the adjournment proposal, to approve, if necessary, the adjournment of the Special Meeting to solicit additional proxies in favor of the Reincorporation Proposal;

3. Transact such other business as properly may be brought before the meeting or any adjournment or postponement thereof.

Our Board of Directors has approved the proposed agreement and plan of merger and determined it is advisable and in the best interest of our stockholders, and unanimously recommends that stockholders vote FOR the Reincorporation Proposal. In addition, our Board unanimously recommends that stockholders vote FOR the adjournment proposal. Your vote FOR the Reincorporation Proposal will also constitute a vote FOR the assumption by Holdings of the Amended and Restated Signature Group Holdings, Inc. 2006 Performance Incentive Plan (including the existing share reserves under the plan), which was previously approved by stockholders, and all the outstanding equity awards under the plan.

Stockholders as of the record date are entitled to assert dissenters rights under Sections 92A.300 to 92A.500 of the Nevada Revised Statutes with respect to the Reincorporation Proposal. A copy of Sections 92A.300 to 92A.500 is attached as Annex E to the accompanying proxy statement/prospectus.

The Board of Directors has set the close of business on November 21, 2013 as the record date for the meeting. Owners of Signature Group Holdings, Inc. stock at the close of business on that date are entitled to receive notice of and to vote at the meeting or any adjournment or postponement thereof. Stockholders will be asked at the meeting to present a valid photo identification. Stockholders holding stock in brokerage accounts must present a copy of a brokerage statement reflecting stock ownership as of the record date.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY VOTE VIA THE INTERNET OR BY TELEPHONE, OR MARK, SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT IN THE ENVELOPE PROVIDED.

By Order of the Board of Directors

/s/ Chris Manderson

Chris Manderson

Executive Vice President and General Counsel

Sherman Oaks, California

November 27, 2013

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ADDITIONAL INFORMATION

This document, which is sometimes referred to as this proxy statement/prospectus, constitutes a proxy statement of Signature Group Holdings, Inc., which we refer to as the Company, with respect to the solicitation of proxies by the Company for the special meeting described within, and a prospectus of SGH Holdco, Inc., which we refer to as Holdings, for the shares of common stock of Holdings to be issued to Company stockholders in connection with the proposed Reincorporation. As permitted under the rules of the Securities and Exchange Commission, or the SEC, this proxy statement/prospectus incorporates important business and financial information about us that is contained in documents filed with the SEC that are not included in or delivered with this proxy statement/prospectus. You may obtain copies of these documents, without charge, from the website maintained by the SEC at www.sec.gov, as well as other sources. See Where You Can Find Additional Information beginning on page 40. You may also obtain copies of these documents, without charge, from the Company by writing or calling:

Signature Group Holdings, Inc.

15303 Ventura Boulevard, Suite 1600

Sherman Oaks, California 91403

Telephone: (805) 435-1255

You also may obtain documents incorporated by reference into this proxy statement/prospectus by requesting them in writing or by telephone from the proxy solicitor for the merger at the following address and telephone numbers:

Morrow & Co., LLC

470 West Avenue

Stamford, CT 06902

Stockholders Call Toll-Free at: 800-662-5200

Banks and Brokerage Firms Call Collect at: 203-658-9400

To receive timely delivery of requested documents in advance of the special meeting, you should make your request no later than December 18, 2013.

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus and the registration statement of which this proxy statement/prospectus is a part to vote on the proposals being presented at the special meeting. No one has been authorized to provide you with information that is different from what is contained in this document or in the incorporated documents.

This proxy statement/prospectus is dated November 27, 2013. You should not assume the information contained in this proxy statement/prospectus is accurate as of any date other than this date, and neither the mailing of this proxy statement/prospectus to stockholders nor the issuance of the Holdings common stock in connection with the Reincorporation implies that information is accurate as of any other date.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this proxy statement/prospectus, and in documents incorporated by reference in this proxy statement/prospectus, contain forward-looking information, as defined in Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which represent our management s beliefs and assumptions concerning future events. When used in this proxy statement/prospectus and in documents incorporated herein by reference, forward-looking statements include, without limitation, statements regarding financial forecasts or projections, and our expectations, beliefs, intentions or future strategies that are signified by the words expects , anticipates , believes , intends , plans , may , estimates , pr potential , should , will , would , will be , will continue , will likely result or the negative of these terms or oth comparable terminology. These forward-looking statements are subject to risks, uncertainties and assumptions that could cause our actual results and the timing of certain events to differ materially from those expressed in the forward-looking statements.

You should understand that many important factors, in addition to those discussed or incorporated by reference in this proxy statement/prospectus, could cause our results to differ materially from those expressed in the forward-looking statements. Potential factors that could affect our results include those described in this proxy statement/prospectus under Risk Factors, and those identified in our Annual Report on Form 10-K for the year ended December 31, 2012 and in the other documents incorporated by reference. In light of these risks and uncertainties, the forward-looking results discussed or incorporated by reference in this proxy statement/prospectus might not occur.

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QUESTIONS AND ANSWERS

Q: Why am I receiving this document?

A: You are receiving this proxy statement/prospectus in connection with the solicitation of proxies by the Board of Directors of the Company (the Company Board) in favor of a Reincorporation Proposal.

Q: What is the Reincorporation Proposal?

A: We are asking you to approve a merger agreement that would result in our becoming a wholly owned limited liability company subsidiary of a new Delaware holding company, which we refer to as Holdings. As a result of the merger, Holdings will be the publicly held corporation through which you hold your shares, and the Company will become a wholly owned subsidiary of Holdings. We refer to this transaction as the Reincorporation. We intend to rename the holding company Signature Group Holdings, Inc. at the time of the Reincorporation.

To review the details of the proposed Reincorporation in greater detail, see *The Reincorporation Proposal Reincorporation Procedure*. Further, a copy of the merger agreement is attached as Annex A to this proxy statement/prospectus. You are encouraged to read the merger agreement carefully.

Q: Why are you undertaking the Reincorporation?

A: We are undertaking the Reincorporation:

- to take advantage of the benefits of Delaware corporate law; and
- to provide us with additional flexibility as we pursue our goal of growth through acquisitions, including permitting us to keep the companies we acquire structurally separate from the Company.

To review the reasons for our Reincorporation in greater detail, see *The Reincorporation Proposal Reasons for the Reincorporation*.

Q: What other matters will be voted on at the special meeting?

A: Besides the Reincorporation Proposal, you will be asked to consider and vote on a proposal to approve, if necessary, the adjournment of the Special Meeting to solicit additional proxies in favor of the Reincorporation Proposal (the adjournment proposal).

Q: Where and when is the special meeting?

A: The special meeting will be held at the offices of our counsel, Crowell & Moring LLP, 515 South Flower St., 40th Floor, Los Angeles CA 90071 on December 30, 2013 at 10:00 a.m., Pacific Time.

Q: Who can attend and vote at the special meeting?

A: All stockholders are entitled to attend the special meeting. If you are the beneficial owner of shares held in the name of your broker, bank or nominee, you must bring proof of ownership (such as a current broker s statement) in

order to be admitted to the special meeting.

Stockholders of record as of the close of business on November 21, 2013, the record date for the special meeting, are entitled to vote at the special meeting, or any adjournment or postponement thereof. At the close of business on the record date there were 12,213,219 shares of Company common stock issued and outstanding.

Q: What is a quorum?

A: In order for any matter to be considered at the special meeting, there must be a quorum present. The presence, in person or represented by proxy, of the holders of a majority of the shares of our common stock eligible

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to vote at the special meeting as of the record date for the meeting will constitute a quorum. Shares of common stock represented by proxies reflecting abstentions and properly executed broker non-votes (if any) will be counted as present and entitled to vote for purposes of determining a quorum. If a quorum is not present, either our Chairman or the stockholders entitled to vote at the meeting who are present or represented by proxy may adjourn the meeting until a quorum is present. See *The Special Meeting Record Date and Quorum* on page 20.

Q: What vote of our stockholders is required to approve the Reincorporation Proposal?

A: Under Nevada law and as a condition to completion of the Reincorporation, stockholders holding at least a majority of the shares of the common stock outstanding and entitled to vote at the close of business on the record date must vote FOR the Reincorporation Proposal. See *The Special Meeting Required Vote* on page 20.

As of November 21, 2013, there were 12,213,219 shares of common stock outstanding.

Q: What will happen if I fail to vote, fail to instruct my broker to vote on the Reincorporation Proposal or vote to abstain?

A: A failure to vote your shares of common stock, or voting to abstain, will have the same effect as a vote AGAINST the Reincorporation Proposal. Brokers do not have discretionary authority to vote on the Reincorporation Proposal or the adjournment proposal.

Abstentions and properly executed broker non-votes, if any, will be included in the calculation of the number of shares of common stock represented at the special meeting for purposes of determining whether a quorum has been achieved. See *The Special Meeting Required Vote* on page 20.

Q: How will our directors and executive officers vote on the proposal to adopt the merger agreement?

A: The directors and current executive officers of the Company have informed the Company that, as of the date of the filing of this proxy statement/prospectus, they intend to vote FOR the Reincorporation Proposal. As of November 21, 2013, the directors and current executive officers owned, in the aggregate, 445,389 shares of common stock entitled to vote at the special meeting, which represents approximately 3.6% of the Company s outstanding shares. This number does not include 1,128,047 shares held by Zell Credit Opportunities Master Fund, L.P.; Chai Trust Company, LLC, representing approximately 9.2% of our outstanding shares, which has also indicated that it intends to vote FOR the Reincorporation Proposal.

Q: How does the Company Board recommend that I vote?

A: The Company Board unanimously recommends that our stockholders vote:

FOR the Reincorporation Proposal;

FOR the proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the Reincorporation Proposal.

You should read *The Reincorporation Proposal Reasons for the Reincorporation* beginning on page 12 for a discussion of the factors that the Company Board considered in deciding to recommend the approval of the merger agreement.

Q: Am I entitled to exercise dissenters rights instead of receiving Holdings common stock for my shares of common stock?

A: Stockholders who do not vote in favor of the Reincorporation Proposal may elect to exercise statutory dissenters rights. See *The Reincorporation Proposal Dissenters Rights* beginning on page 17 and the text of the Nevada dissenters rights statute, Sections 92A.300 92A.500 of the Nevada Revised Statutes, which is reproduced in its entirety as Annex E to this proxy statement/prospectus.

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Q: When is the Reincorporation expected to be completed?

A: If we receive the requisite stockholder approval at the special meeting, we currently expect to complete the Reincorporation promptly thereafter. However, we cannot assure completion of the Reincorporation by any particular date, if at all.

Q: Will the management or the business change as a result of the Reincorporation?

A: Until Holdings completes any acquisitions, the business will not change following the Reincorporation. We expect that the executive officers and the composition of the Board of Directors of Holdings (the Holdings Board) immediately after completion of the Reincorporation will be the same as the executive officers and the composition of the Company Board today.

Q: What will the name of the public company be following the Reincorporation?

A: The name of the public company following the Reincorporation will be Signature Group Holdings, Inc.

Q: Will the Company s CUSIP number change as a result of the Reincorporation?

A: Yes, following the Reincorporation, Holdings CUSIP number will be 784184103.

Q: What will happen to my stock as a result of the Reincorporation?

A: Unless you properly exercise your dissenters rights, which will entitle you to obtain payment of the fair value of your shares pursuant to Nevada Revised Statutes Sections 92A.300 to 92A.500, your shares of Company common stock will automatically be converted in the Reincorporation into the same number of shares of common stock of Holdings. As a result, you will become a stockholder of Holdings and will own the same number of shares of Holdings common stock that you owned of Company common stock immediately prior to the Reincorporation. We expect that Holdings common stock will be quoted on the OTCQX under the trading symbol SGGH.

Q: Will I have to turn in my stock certificates?

A: No. Do not turn in your stock certificates. We will not require you to exchange your stock certificates as a result of the Reincorporation. After the Reincorporation, your common stock certificates will represent the same number of shares of Holdings common stock as they represented of Company common stock prior to the Reincorporation.

Within a reasonable period of time following completion of the Reincorporation, Holdings will mail you a letter of transmittal, in customary form, and instructions for use in effecting the surrender of your Company stock certificates, if you so choose, in exchange for Holdings stock certificates or non-certificated shares of Holdings common stock in book-entry form. If you hold uncertificated shares, your shares will automatically be exchanged for shares of Holdings common stock in the Reincorporation.

Q: Will the Reincorporation affect my federal income taxes?

A: The Reincorporation will be a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code) and the completion of the Reincorporation is conditioned on the receipt by the Company of an opinion from its counsel to the effect that the Reincorporation if consummated in the manner provided in the merger agreement will qualify as a reorganization within the meaning of Section 368(a) of the Code. You will

not recognize any gain or loss for federal income tax purposes upon your receipt of Holdings common stock in exchange for your shares of Company stock in the

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Reincorporation. Holders that exercise their dissenters rights, however, may recognize gain or loss upon the Reincorporation. The tax consequences to you will depend on your own situation. You should consult your own tax advisors concerning the specific tax consequences of the Reincorporation to you, including any foreign, state, or local tax consequences of the Reincorporation. For further information, see Material U.S. Federal Income Tax Consequences beginning on page 36 of this proxy statement/prospectus.

Q: What happens if the Reincorporation is not consummated?

A: If the Reincorporation Proposal is not approved by the Company s stockholders, or if the Reincorporation is not consummated for any other reason, the Company will remain a public company and shares of Company common stock will continue to be quoted on the OTCQX.

Q: What do I need to do now?

A: We urge you to read this proxy statement/prospectus carefully, including its annexes and the documents referred to as incorporated by reference in this proxy statement/prospectus, and to consider how the Reincorporation affects you. If you are a stockholder of record, you can ensure that your shares are voted at the special meeting by submitting your proxy via:

mail, using the enclosed postage-paid envelope;

telephone, using the toll-free number listed on each proxy card; or

the Internet, at the address provided on each proxy card.

If you hold your shares in street name through a broker, bank or other nominee, you should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares. Without those instructions, your shares will not be voted, which will have the same effect as voting against the proposal to adopt the merger agreement.

Q: Can I revoke my proxy?

A: Yes. You can revoke your proxy at any time before the vote is taken at the special meeting. If you are a stockholder of record, you may revoke your proxy by notifying the Company s Corporate Secretary in writing at Signature Group Holdings, Inc., Attn: Corporate Secretary, 15303 Ventura Boulevard, Suite 1600, Sherman Oaks, California 91403, or by submitting a new proxy by telephone, the Internet or mail, in each case, dated after the date of the proxy being revoked. In addition, you may revoke your proxy by attending the special meeting and voting in person, although simply attending the special meeting will not cause your proxy to be revoked. If you hold your shares in street name and you have instructed a broker, bank or other nominee to vote your shares, the options described above for revoking your proxy do not apply, and instead you must follow the instructions received from your broker, bank or other nominee to revoke your proxy or submit new voting instructions.

Q: What does it mean if I get more than one proxy card or voting instruction card?

A: If your shares are registered differently or are held in more than one account, you will receive more than one proxy or voting instruction card. Please complete and return all of the proxy cards or voting instruction cards you receive (or submit each of your proxies by telephone or the Internet, if available to you) to ensure that all of your shares are voted.

Q: What is householding and how does it affect me?

A: The SEC permits companies to send a single set of proxy materials to any household at which two or more stockholders reside, unless contrary instructions have been received, but only if the applicable company provides advance notice and follows certain procedures. In such cases, each stockholder continues to receive a separate notice of the meeting and proxy card. Certain brokerage firms may have instituted householding for

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beneficial owners of common stock held through brokerage firms. If your family has multiple accounts holding common stock, you may have already received householding notification from your broker. Please contact your broker directly if you have any questions or require additional copies of this proxy statement. The broker will arrange for delivery of a separate copy of this proxy statement promptly upon your written or oral request. You may decide at any time to revoke your decision to household, and thereby receive multiple copies.

Q: Whom do I contact if I have questions about the Reincorporation Proposal?

A: You may contact our proxy solicitor:

Morrow & Co., LLC

470 West Avenue

Stamford, CT 06902

Stockholders Call Toll-Free at: 800-662-5200

Banks and Brokerage Firms Call Collect at: 203-658-9400

or the Company:

Signature Group Holdings, Inc.

15303 Ventura Boulevard, Suite 1600

Sherman Oaks, California 91403

Telephone: (805) 435-1255

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SUMMARY

This section highlights key aspects of the Reincorporation Proposal, including the merger agreement, that are described in greater detail elsewhere in this proxy statement/prospectus. It does not contain all of the information that may be important to you. To better understand the holding company merger proposal, and for a more complete description of the legal terms of the merger agreement, you should read this entire document carefully, including the Annexes, and the additional documents to which we refer you. You can find information with respect to these additional documents in Where You Can Find Additional Information.

The Principal Parties

Signature Group Holdings, Inc.

15303 Ventura Boulevard, Suite 1600

Sherman Oaks, California 91403

Telephone: (805) 435-1255

Signature Group Holdings, Inc., or the Company, is an enterprise that was incorporated as Fremont General Corporation (Fremont) in 1972. On June 11, 2010 (the Effective Date), Fremont completed a plan of reorganization and emerged from Chapter 11 bankruptcy proceedings with (i) the present name, (ii) nine new board members and a new management team, (iii) various assets and liabilities, including a substantial amount of net operating loss tax carryforwards, or NOLs, which, as of December 31, 2012, included federal and California NOLs of $886.9 million and $980.0 million, respectively, and (iv) publicly traded common stock.

Since the Effective Date, the Company has been repositioned through the divestiture of non-core legacy assets, becoming a timely filer with the SEC, settling and resolving a substantial number of legacy legal actions, making select investments through Signature Special Situations and acquiring North American Breaker Co., LLC (Industrial Supply) on July 29, 2011, its wholly owned specialty industrial supply company. Management and the Company Board expect to grow through additional acquisitions, as well as through organic efforts within existing operations.

The Company operates through two principal operating segments: Industrial Supply and Signature Special Situations.

Industrial Supply. Industrial Supply, headquartered in Burbank, California, is one of the largest independent suppliers of circuit breakers in the country. Industrial Supply focuses on the replacement circuit breaker market, particularly for commercial and industrial circuit breakers, where replacement time is extremely important, but we also supply residential circuit breakers. It operates from seven warehouse locations (as of July 1, 2013) across the United States, which enables it to improve customer delivery times, a key attribute of the Company s service-oriented model. Industrial Supply s assets are primarily comprised of inventory, accounts receivable and intangible assets, and its liabilities are primarily comprised of trade payables, a line of credit and long-term debt.

Signature Special Situations. Signature Special Situations selectively acquires sub-performing and nonperforming commercial and industrial loans, leases and mortgages, typically at a discount to unpaid principal balance. It may also originate secured debt financings to middle market companies for a variety of situations, including supporting another transaction such as an acquisition, recapitalization or restructuring. The Company may take positions in corporate bonds and other structured debt instruments, which may be performing, sub-performing or nonperforming, as well as other specialized financial assets. Based on the Company s periodic analyses of individual investments and portfolios,

it may also opportunistically exit investment positions when the benefits of holding the assets no longer outweigh the benefits of selling them. During the second quarter of 2013, a majority of Signature Special Situations assets, specifically its portfolio of residential real estate loans, were sold generating cash proceeds of approximately $27.1 million and a gain of $5.0 million. The proceeds are expected to be used in the Company s acquisition efforts and to support the organic growth of other Company businesses.

The Company s operations also include a discontinued operations segment, where the Company holds and manages certain assets and liabilities related to the former businesses of Fremont and Cosmed, Inc., a small cosmetics company, for which management and the Company Board have formally adopted plans of disposal. These assets and liabilities are being managed to maximize cash recoveries and limit costs and exposures to the Company.

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The Company s principal executive offices are located at 15303 Ventura Boulevard, Suite 1600, Sherman Oaks, California 91403, and its telephone number is (805) 435-1255.

SGH Holdco, Inc.

15303 Ventura Boulevard, Suite 1600

Sherman Oaks, California 91403

Telephone: (805) 435-1255

Holdings is a newly formed Delaware corporation. The Company formed Holdings for the purpose of participating in the Reincorporation. Prior to the Reincorporation, Holdings will have no assets or operations other than those incident to its formation. We intend to rename the holding company Signature Group Holdings, Inc. at the time of the Reincorporation.

SGH Merger Sub, LLC

15303 Ventura Boulevard, Suite 1600

Sherman Oaks, California 91403

Telephone: (805) 435-1255

SGH Merger Sub, LLC, or Merger Sub, is a newly formed Delaware limited liability company that is wholly owned by Holdings. The Company caused Merger Sub to be formed for the purpose of participating in the Reincorporation. Prior to the Reincorporation, Merger Sub will have no assets or operations other than those incident to its formation.

The Reincorporation (Page 13)

This proxy statement/prospectus relates to the proposed Reincorporation of the Company pursuant to an agreement and plan of merger, pursuant to which the Company will merge with and into Merger Sub, which will survive as a wholly owned subsidiary of Holdings. The merger agreement is included in this proxy statement/prospectus as Annex A.

Treatment of common stock in the Reincorporation (Page 14)

As a result of the Reincorporation, each issued and outstanding share of Company common stock (other than shares held by stockholders that properly exercise dissenters rights) will be converted automatically into one share of common stock of Holdings. Stockholders that properly exercise their dissenters rights will not receive shares of Holdings, but will instead be entitled to obtain payment of the fair value of his or her shares according to the procedures set forth in Sections 92A.300 to 92A.500 of the Nevada Revised Statutes.

Treatment of Options and Warrants in the Reincorporation (Pages 14 and 15)

At the time of the Reincorporation, Holdings will assume the Amended and Restated Signature Group Holdings, Inc. 2006 Performance Incentive Plan, which we refer to as the 2006 Incentive Plan. Holdings will also assume all options to purchase Company common stock and all restricted stock awards that are outstanding under the 2006 Incentive

Plan at the time of the merger. Upon completion of the Reincorporation, the reserve of Company common stock under the 2006 Incentive Plan will automatically be converted on a one-share-for-one-share basis into shares of Holdings common stock, and the terms and conditions that are in effect immediately prior to the Reincorporation under each outstanding equity award assumed by Holdings will continue in full force and effect after the Reincorporation, except that the shares of common stock issuable under each such award will be shares of Holdings common stock.

At the time of the Reincorporation, Holdings will also assume all outstanding warrants to purchase Company common stock. The terms and conditions of the warrants that are in effect immediately prior to the Reincorporation will continue in full force and effect after the Reincorporation, except that the shares of common stock issuable under each such warrant will be shares of Holdings common stock.

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Reasons for the Reincorporation (Page 13)

In the judgment of the Company Board, it is highly desirable to be incorporated in Delaware to effect the Company Board s business strategy, which includes acquiring and growing businesses in order to create stockholder value. Delaware has followed a policy of encouraging corporations to incorporate in that state, and has developed a legal and judicial system that supports that goal. The Delaware legislature plays a leading role in adopting comprehensive, modern and flexible statutes to meet the changing circumstances faced by corporations and their boards of directors. Delaware has a more extensive and well-defined body of corporate law interpreting these statutes than exists in states such as Nevada. The Delaware courts have developed a specialized business court system, the Court of Chancery, which has considerable expertise in interpreting the Delaware General Corporation Law, and in promptly adjudicating legal disputes relating to corporations. The more extensive body of law and greater judicial responsiveness to disputes provides boards of directors with greater certainty in connection with operational and strategic planning.

The Company Board also believes that the creation of a holding company structure will provide us with additional flexibility as we pursue our goal of growth through acquisitions. The holding company structure will permit us to keep the businesses we acquire as separate subsidiaries of Holdings, and thus structurally separate from the businesses of the Company which will, after the Reincorporation, be held and operated by Merger Sub, a Delaware limited liability company. This may permit us to keep the assets and liabilities of businesses acquired in the future by Holdings separate from the assets and liabilities of the businesses currently held by the Company for various corporate purposes, but not for federal income tax purposes. Consequently, new assets acquired by Holdings should be immune from liabilities of the Company as held by Merger Sub after the Reincorporation, and this should permit Holdings to acquire new lines of business outside of the reach of creditors of the Company. Notwithstanding the structural separation of the businesses, the Reincorporation is structured so that the Company s existing federal NOLs (which as a result of the Reincorporation will be held and taken into account by Holdings), should be available for use against both taxable income of the Company and future taxable income of Merger Sub and Holdings. The Company Board also believes that the structural separation of the acquired business from the Company will facilitate our retention and incentivization of separate executives for these businesses.

The Company Board believes that the above benefits will be important factors in attracting and retaining qualified persons to serve on our board, and in attracting and retaining qualified persons to operate the Company and the other subsidiaries of Holdings formed in connection with future acquisitions.

Conditions to Completion of the Reincorporation (Page 15)

The completion of the Reincorporation depends on the satisfaction or waiver by the parties to the Reincorporation of the following conditions:

absence of any stop order suspending the effectiveness of the registration statement, of which this proxy statement/prospectus forms a part, relating to the shares of Holdings common stock to be issued in the Reincorporation;

approval of the merger agreement by the affirmative vote of at least a majority of all issued and outstanding shares of Company common stock;

admission of Holdings to the OTCQX tier of the OTC Markets and eligibility of Holdings common stock issuable in the Reincorporation for quotation on the OTCQX tier of the OTC Markets, subject only to official notice of issuance;

absence of any order or proceeding that would prohibit or make illegal completion of the Reincorporation;

receipt by the Company of a legal opinion of Blank Rome LLP indicating that the Reincorporation will be treated as a reorganization within the meaning of Section 368(a) of the Code and that the Company will not recognize gain or loss for United States federal income tax purposes as a result of the transactions contemplated by the merger agreement;

the Company s redemption of all of its outstanding 9.0% Notes under the Indenture, dated as of June 11, 2010, between the Company and Wells Fargo Bank, National Association, as Trustee (the Indenture);

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receipt of all material approvals, licenses and certifications from, and notifications and filings to, governmental entities and non-governmental third parties required to be made or obtained in connection with the Reincorporation; and

absence of the notice of exercise of dissenters rights which have not been waived or lost by the holders of more than 15% of the Company s common stock.

The conditions in the first and second bullets above will not be waived, and the condition in the last bullet above will not be waived if such waiver would result in an ownership change within the meaning of Section 382 of the Code. Please see Material U.S. Federal Tax Consequences at page 36.

Termination of Merger Agreement (Page 16)

We may terminate the merger agreement at any time prior to consummation of the Reincorporation, even after approval of the Reincorporation Proposal by our stockholders, if the Company Board determines that, for any reason, the completion of the Reincorporation would be inadvisable or not in the best interest of the Company or our stockholders.

Material U.S. Federal Income Tax Consequences (Page 36)

The Reincorporation will be a tax-free reorganization within the meaning of Section 368(a) of the Code. Company stockholders who do not exercise their dissenters rights will not recognize any gain or loss for U.S. federal income tax purposes upon receipt of Holdings common stock in exchange for shares of Company common stock. However, the tax consequences to you will depend on your own situation. You are urged to consult your own tax advisors concerning the specific tax consequences of the merger to you, including any state, local or foreign tax consequences of the Reincorporation.

Because Company stockholders are entitled to assert dissenters rights under Sections 92A.300 to 92A.500 of the Nevada Revised Statutes with respect to the Reincorporation, the Reincorporation may result in a shift in the Company s total current share ownership. If a significant number of stockholders elect to exercise dissenters rights, the amount of that shift may increase. However, it is a condition to completion of the Reorganization that dissenters rights have not been properly exercised and not waived or lost with respect to more than 15% of the outstanding shares of Company common stock. As a result of that condition, the Company will not experience an ownership change within the meaning of section 382 of the Code as a result of the Reincorporation. Accordingly, the Reincorporation is not expected to impact the availability of the Company s existing federal NOLs, as such federal NOLs will be held and taken into account by Holdings (including against income generated by Merger Sub) as of the close of the Reincorporation. The Company also has NOLs in California and other state jurisdictions (State NOLs). After the Reincorporation, the Company s State NOLs should remain available to offset taxable income of the Company s businesses in accordance with applicable state law.

Dissenters Rights (Page 17)

Under Nevada law, the Company s stockholders have dissenters rights in connection with the Reincorporation. Shares of Company common stock held by stockholders that properly exercise dissenters rights will not be converted into shares of Holdings common stock in the merger. Instead, such dissenting stockholders will be entitled to receive payment of the fair value of such shares in accordance with Sections 92A.300 92A.500 of the Nevada Revised Statutes, unless they fail to perfect, withdraw or otherwise lose the right to dissent.

Markets and Market Prices (Page 18)

Holdings common stock is not currently traded on any stock exchange or quoted on any market. Following the Reincorporation, we expect Holdings common stock to be quoted on the OTCQX under the trading symbol SGGH . On November 21, 2013, the closing price per share of Company common stock was $11.00.

Governance of Holdings Following the Reincorporation (Page 19)

We expect that the composition of the Holdings Board immediately after completion of the Reincorporation will be the same as the composition of the Company Board today. We expect that upon completion of the Reincorporation, the executive officers of Holdings will be the same as the executive officers of the Company prior to completion of the Reincorporation.

Comparison of Stockholder Rights Before and After the Reincorporation (Page 30)

Upon completion of the Reincorporation, the rights of Company stockholders will be governed by the Amended and Restated Certificate of Incorporation of Holdings, which we refer to as the Holdings Charter, the Amended and Restated Bylaws of Holdings, which we refer to as the Holdings Bylaws, and applicable Delaware law. While there will be substantial similarities between their rights and their rights as Company stockholders prior to the Reincorporation, various differences are noted in Comparison of Stockholder Rights Before and After the Reincorporation, below.

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CERTAIN FINANCIAL INFORMATION

Separate financial statements for Holdings have not been provided in this proxy statement/prospectus because prior to the Reincorporation, Holdings will have no assets, liabilities or operations other than incident to its formation. Immediately after completion of the Reincorporation, the consolidated financial statements of Holdings will be the same as the Company s consolidated financial statements immediately prior to the Reincorporation.

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RISK FACTORS

In considering whether to vote in favor of the Reincorporation Proposal, you should consider all of the information we have included in this proxy statement/prospectus, including its Annexes, and all of the information included in the documents we have incorporated by reference, including the Company s annual report on Form 10-K for the year ended December 31, 2012, and the risk factors described in the documents incorporated by reference. In addition, you should pay particular attention to the risks described below.

We may not obtain the expected benefits of the Reincorporation.

We believe our reincorporation and organization into a holding company structure will provide us with benefits in the future, as described under The Reincorporation Proposal Reasons for the Reincorporation at page 13. These expected benefits may not be obtained if Holdings fails to complete acquisitions or if market conditions or other circumstances prevent us from taking advantage of the strategic, business and financing flexibility that it affords us. In addition, the holding company structure may not keep the assets and liabilities of the Company and any new businesses we acquire legally separate. As a result, we may incur the costs of implementing the Reincorporation Proposal without realizing the possible benefits. These costs include the increased administrative costs and expenses associated with keeping separate records, and in some cases making separate regulatory filings for Holdings and the Company.

As a holding company, Holdings will depend in large part on funding from its operating subsidiaries.

After the completion of the Reincorporation, Holdings will be a holding company with no business operations of its own. Until it has either formed or acquired other companies, its only significant asset will be the outstanding shares of the Company. As a result, it will rely on funding from the Company to meet its obligations. If the Company needs to retain its funds to meet its financial obligations, that may limit Holdings access to funds and Holdings ability to pursue its acquisition strategy or other strategic objectives.

As a stockholder of a Delaware corporation, your rights after the Reincorporation will be different from, and may be less favorable than, your current rights as a stockholder of a Nevada corporation.

Upon completion of the Reincorporation, the rights of Company stockholders will be governed by the Holdings Charter, the Holdings Bylaws and applicable Delaware law. While there will be substantial similarities between their rights after the Reincorporation and their rights as Company stockholders prior to the Reincorporation, various differences are noted in Comparison of Stockholder Rights Before and After the Reincorporation, at page 30. Some of these differences may be less favorable to stockholders.

These include a new forum selection provision in the Holdings Charter, which provides that the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for stockholder derivative actions or proceedings, claims asserting breaches of fiduciary duties by Holdings directors and officers, claims against Holdings or its directors or officers under the Holdings Charter, the Holdings Bylaws and applicable Delaware law, or actions against Holdings or its directors or officers under the internal affairs doctrine. While we believe that adoption of a Delaware forum selection provision is in the best interests of Holdings and its shareholders, currently, several legal challenges to companies forum selection provisions are pending. Further, state or federal courts in other jurisdictions may not be willing to adhere to our forum selection provision.

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The Reincorporation is subject to conditions, including certain conditions that may not be satisfied, or completed on a timely basis, if at all. If we fail to complete the Reincorporation, we cannot obtain the expected benefits of the Reincorporation and we may suffer administrative losses based on our efforts to seek the Reincorporation.

The Reincorporation is subject to a number of conditions to completion. These include stockholder approval of the Reincorporation, acceptance of Holdings stock for OTCQX tier quotation on the OTC Markets, receipt of a legal opinion that the Reincorporation constitutes a reorganization under the Code, the Company s redemption of its outstanding 9.0% Notes under the Indenture, the absence of an administrative stop order or judicial order or proceeding in respect of the Reincorporation, and the absence of exercise of dissenters rights with respect to more than 15% of the Company s outstanding shares of common stock. Please see The Reincorporation Proposal Conditions to Completion of the Reincorporation, at page 14, for a more detailed discussion. We cannot predict whether and when these other conditions will be satisfied. Any failure to complete or delay in completing the Reincorporation could cost the Company additional time, effort and attention, as well as cause us not to realize some or all of the expected benefits that we expect as a result of completing the Reincorporation successfully within its expected time frame.

If stockholders exercise dissenters rights in connection with the Reincorporation, the Company may experience a change in ownership for tax purposes that could impact the Company s valuable federal NOLs. In addition, paying dissenting shareholders for their shares may force the Company to spend a material amount of its available cash to pay the fair value of such stockholders stock or in settlement of such dissenters rights claims.

Under Nevada law, our stockholders may exercise dissenters rights in connection with the Reincorporation. Please see Dissenters Rights, at page 16, for a more detailed discussion. Upon the proper exercise of dissenters rights, the Company must deliver the amount it determines to be the fair value of such shares, plus accrued interest, along with financial statements. If stockholders exercise dissenters rights in respect of a material amount of the Company s shares, the Company could experience an ownership change within the meaning of section 382 of the Code as a result of the Reincorporation that could impact the availability of the Company s existing federal NOLs to Holdings. Please see Material U.S. Federal Tax Consequences at page 36 for a more detailed discussion of the federal NOLs. It is a condition to completion of the Reorganization that dissenters rights have not been properly exercised and not waived or lost with respect to more than 15% of the outstanding shares of Company common stock. However, if this condition is waived, or if dissenters rights are exercised with respect to a lesser percentage of the outstanding shares that is nonetheless significant, the Holdings board of directors would have less flexibility to issue shares of common stock after the Reincorporation, which could have a negative impact on its ability to pursue acquisitions of other businesses.

Separately, in connection with the exercise of dissenters rights in respect of a significant number of Company shares or if dissenting stockholders disagree with the Company s calculation of the fair value of their shares, the costs of the Reincorporation may materially increase and we may be forced to spend a material amount of our available cash in settlement of such dissenters rights claims.

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THE REINCORPORATION PROPOSAL

This section of the proxy statement/prospectus describes the Reincorporation Proposal. Although we believe that the description in this section covers the material terms of the Reincorporation Proposal, this summary may not contain all of the information that is important to you. The summary of the material provisions of the merger agreement provided below is qualified in its entirety by reference to the merger agreement, which we have attached as Annex A to this proxy statement/prospectus and which we incorporate by reference into this proxy statement/prospectus. You should carefully read the entire proxy statement/prospectus and the merger agreement for a more complete understanding of the Reincorporation Proposal. Your approval of the Reincorporation Proposal will constitute your approval of the merger agreement, the merger, Holdings Charter, which we have attached as Annex B to this proxy statement/prospectus, and the Holdings Bylaws, which we have attached as Annex C to this proxy statement/prospectus.

Reasons for the Reincorporation

Beginning with the first meeting of the current Company Board, in July 2013, the Company Board has discussed reincorporating from Nevada to Delaware. In the judgment of the Company Board, it is highly desirable to be incorporated in Delaware to effect its acquisition strategy and create stockholder value. The Company Board has balanced the costs of the Reincorporation (primarily costs of legal counsel) and the benefits, particularly given the new business strategy and focus of the Company Board and senior management team. That strategy includes acquiring and growing businesses financed by the issuance of equity and debt securities. As part of that strategy, the Company has an effective universal shelf registration statement permitting the Company to sell $300 million in securities, and the senior management team has developed potential financing relationships for transactions with leading Wall Street investment banks. The Company also has said that it would seek to fund acquisitions through rights offerings pursuant to which current stockholders could maintain their pro rata ownership in the Company if they chose.

The Company Board believes that more than fifty percent of all publicly-traded companies in the United States are incorporated in Delaware, including sixty percent of companies that constitute the Fortune 500. Delaware has followed a policy of encouraging corporations to incorporate in that state, and has developed a legal and judicial system that supports that goal. The Delaware legislature plays a leading role in adopting comprehensive, modern and flexible statutes to meet the changing circumstances faced by corporations and their boards of directors. Delaware has a more extensive and well-defined body of corporate law interpreting these statutes than exists in states such as Nevada. The Delaware courts have developed a specialized business court system, the Court of Chancery, which has considerable expertise in interpreting the Delaware General Corporation Law, or DGCL, and in promptly adjudicating legal disputes relating to corporations. The more extensive body of law and greater judicial responsiveness to disputes provides boards of directors with greater certainty in connection with operational and strategic planning.

The Company Board also believes that the creation of a holding company structure will provide us with additional flexibility as we pursue our goal of growth through acquisitions. The holding company structure will permit us to keep the businesses we acquire as separate subsidiaries of Holdings, and thus structurally separate from the businesses of the Company which will, after the Reincorporation, be held and operated by Merger Sub, a Delaware limited liability company. This may permit us to keep the assets and liabilities of businesses acquired in the future by Holdings separate from the assets and liabilities of the businesses currently held by the Company for various corporate purposes, but not for federal income tax purposes. Consequently, new assets acquired by Holdings should be immune from liabilities of the Company as held by Merger Sub after the Reincorporation, and this should permit Holdings to acquire new lines of business outside of the reach of creditors of the Company. Notwithstanding the structural separation of the businesses, the Reincorporation is structured so that the Company s existing federal NOLs (which as a result of the Reincorporation will be held and taken into account by Holdings), should be available for use against

both taxable income of the Company and future taxable income of Merger Sub and Holdings. The Company Board also believes that the structural separation of the acquired business from the Company will facilitate our retention and incentivization of separate executives for these businesses.

The Company Board believes that the above benefits will be important factors in attracting and retaining qualified persons to serve on our board, and in attracting and retaining qualified persons to operate the Company and the other subsidiaries of Holdings formed in connection with future acquisitions.

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Recommendation of the Company Board

After careful consideration, the Company Board concluded that the Reincorporation is advisable and in the best interests of the Company and its stockholders and unanimously approved the merger agreement. The Company Board unanimously recommends a vote FOR the approval of the Reincorporation Proposal.

Reincorporation Procedure

The Company currently owns all of the issued and outstanding common stock of Holdings and Holdings currently owns all of the issued and outstanding common stock of Merger Sub. Following the approval of the Reincorporation Proposal by Company stockholders and the satisfaction or waiver of the other conditions to the Reincorporation specified in the merger agreement (which are described below), the Company will merge with and into Merger Sub, with Merger Sub continuing as the surviving limited liability company, and the separate corporate existence of the Company will cease. As a result of the merger:

Each outstanding share of Company common stock (other than shares held by stockholders that properly exercise dissenters rights) will automatically be converted into one share of Holdings common stock and current stockholders of the Company will become stockholders of Holdings;

Holdings, as the new holding company, will own all of the outstanding shares of Merger Sub; and

Merger Sub will be operated as a separate company from Holdings.

We intend to rename the holding company Signature Group Holdings, Inc. at the time of the Reincorporation.

Treatment of common stock in the Reincorporation

Each share of Company common stock (other than shares held by stockholders that properly exercise dissenters rights) will automatically be converted into one share of Holdings common stock. Therefore, after the completion of the Reincorporation, you will own the same number of shares of Holdings common stock as you own of Company common stock immediately prior to the Reincorporation. Because stockholders may exercise dissenters rights, the number of shares of Holdings common stock outstanding may be lower than the number of shares of Company common stock outstanding, and as a result, you may own a slightly higher percentage of Holdings common stock than you own of Company common stock immediately prior to the Reincorporation. Stockholders that properly exercise dissenters rights will be entitled to obtain payment of the fair value of his or her shares according to Nevada Revised Statutes 92A.300 to 92A.500.

Treatment of Company 2006 Incentive Plan and Outstanding Awards in the Reincorporation

Pursuant to the terms of the merger agreement, the Company will assign to Holdings, and Holdings will assume and agree to perform, all obligations of the Company pursuant to the 2006 Incentive Plan and each outstanding award granted thereunder. Accordingly, Holdings will assume (i) all unexercised and unexpired options to purchase Company common stock and all restricted stock awards covering shares of Company common stock that are outstanding under the 2006 Incentive Plan at the time of the Reincorporation and (ii) the remaining unallocated reserve of Company common stock issuable under the 2006 Incentive Plan. As of November 21, 2013, there are

1,217,700 unexercised and unexpired options to purchase Company common stock outstanding under the 2006 Incentive Plan, and 575,753 shares reserved for issuance pursuant to future awards under the 2006 Incentive Plan. Upon completion of the Reincorporation, the reserve of Company common stock under the 2006 Incentive Plan, whether allocated to outstanding equity awards under the plan or unallocated at that time, will automatically be converted on a one-share-for-one-share basis into shares of Holdings common stock, and the terms and conditions that are in effect immediately prior to the Reincorporation under each outstanding equity award assumed by Holdings will continue in full force and effect after the Reincorporation, including (without limitation) the vesting schedule and applicable issuance dates, the per share exercise price, the expiration date and other applicable termination provisions, except that the shares of common stock issuable under each such award will be shares of Holdings common stock.

Issuances of Holdings Common Stock Under the 2006 Incentive Plan

The approval of the Reincorporation Proposal by the holders of Company common stock will also constitute approval of the assumption by Holdings of the 2006 Incentive Plan (including the existing share reserves under the

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2006 Incentive Plan), which were previously approved by stockholders, and all the outstanding awards under the 2006 Incentive Plan and all future issuances of shares of Holdings common stock in lieu of shares of Company common stock under the 2006 Incentive Plan, as each will be amended in connection with the Reincorporation without further stockholder action.

Treatment of Warrants in the Reincorporation

As of the date of this proxy statement/prospectus, the Company has outstanding warrants to purchase 1,500,000 shares of Company common stock. Pursuant to the terms of the warrants, upon completion of the Reincorporation, each warrant will become exercisable for the same number of shares of Holdings common stock as the warrant holder would have been entitled to receive in the Reincorporation had the warrant holder exercised the warrant immediately prior to the Reincorporation. As a result, immediately following the merger the warrants will become exercise for an aggregate of 1,500,000 shares of Holdings common stock, and will be subject to the same exercise price and other terms and conditions as applied immediately prior to the Reincorporation.

Corporate Name Following the Reincorporation

The name of the public company following the Reincorporation will be Signature Group Holdings, Inc.

No Surrender of Stock Certificates Required

In the Reincorporation, shares of Company common stock (other than shares held by stockholders that properly exercise dissenters rights as described below) will be converted automatically into shares of Holdings common stock. Your certificates of Company common stock, if any, will represent, after the Reincorporation, an equal number of shares of Holdings common stock, and no action with regard to stock certificates will be required on your part. If your shares are held in book-entry form (i.e., uncertificated), a book entry will be made in the stockholder records of Holdings to evidence the issuance to you of the number of shares of Holdings common stock into which your shares of Company common stock have been converted.

If you hold certificates representing outstanding shares of Company common stock (each, a Company Certificate), within a reasonable period of time following the Reincorporation, Hol