

SIGNATURE GROUP HOLDINGS, INC.  
Form PRE 14A  
April 10, 2015

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)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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:

o Fee paid previously with preliminary materials.

o 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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PRELIMINARY PROXY STATEMENT - SUBJECT TO COMPLETION

DATED April 10, 2015

15301 Ventura Boulevard Suite 400

Sherman Oaks, California 91403

Dear Stockholder:

On behalf of the Board of Directors and senior management of Signature Group Holdings, Inc. (“we” or the “Company”), you are cordially invited to attend the 2015 Annual Meeting of Stockholders of the Company (the “Annual Meeting”), which will be held at the offices of Real Alloy, 25825 Science Park Drive, Beachwood, Ohio 44122, on May 28, 2015, beginning at 9:30 a.m. Eastern Time. The accompanying Notice of Annual Meeting of Stockholders and proxy statement are designed to answer your questions and provide you with important information regarding our Board of Directors and senior management, and provide you with information about the items of business that will be acted upon at the Annual Meeting.

Our Board of Directors has determined that the matters to be considered at the Annual Meeting are in the best interests of the Company and its stockholders. For the reasons set forth in the proxy statement, the Board of Directors strongly recommends that you vote (i) “FOR” each of the director nominees specified under Proposal 1; (ii) “FOR” approval of the amendment to the Company’s Second Amended and Restated Certificate of Incorporation to change the name of the Company to “Real Industry, Inc.” under Proposal 2; (iii) “FOR” the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015 under Proposal 3; (iv) “FOR” approval of the adoption of the Signature Group Holdings, Inc. 2015 Equity Award Plan under Proposal 4; (v) “FOR” the approval of, on an advisory basis, the compensation of our named executive officers under Proposal 5; and (vi) “FOR” adjournment of the Annual Meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to approve Proposal 2 and/or Proposal 4. All of these proposals will be listed in the proxy card included with the enclosed proxy statement that you receive for the Annual Meeting.

We encourage you to attend the Annual Meeting in person if it is convenient for you to do so. If you are unable to attend, it is important your shares be represented and voted at the Annual Meeting. We urge you to read the enclosed proxy statement and then sign, date and return the enclosed proxy card (or follow the instructions in the enclosed proxy card to vote by telephone or via the Internet) at your earliest convenience.

If you need assistance voting, please contact our proxy solicitor, Morrow & Co., LLC, by calling 800-662-5200. Banks and brokerage firms should call Morrow at 203-658-9400.

On behalf of the Board of Directors, we look forward to greeting in person as many of our stockholders as possible.

Sincerely,

Craig T. Bouchard

Chairman of the Board and Chief Executive Officer

April [ ], 2015

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PRELIMINARY PROXY STATEMENT - SUBJECT TO COMPLETION

15301 Ventura Boulevard Suite 400

Sherman Oaks, California 91403

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS To Be Held May 28, 2015

The 2015 Annual Meeting of Stockholders of Signature Group Holdings, Inc. (the "Annual Meeting"), a Delaware corporation, ("Signature" or the "Company") will be held at the offices of Real Alloy, 25825 Science Park Drive, Beachwood, Ohio 44122, on May 28, 2015, beginning at 9:30 a.m. Eastern Time, for the following purposes:

1. To elect the following seven directors to the Board of Directors, each to hold such office until the next annual meeting of stockholders or until his successor has been qualified and elected : Craig T. Bouchard, Peter C.B. Bynoe, Patrick Deconinck, William Hall, Patrick E. Lamb, Raj Maheshwari and Philip G. Tinkler;
2. To amend the Company's Second Amended and Restated Certificate of Incorporation to change the name of the Company to "Real Industry, Inc.";
3. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015;
4. To approve the adoption of the Signature Group Holdings, Inc. 2015 Equity Award Plan;
5. To approve, by advisory vote, the compensation of our named executive officers, as described in the proxy statement accompanying this notice;
6. To adjourn the Annual Meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to approve Proposal 2 and/or Proposal 4; and
7. To transact such other business as may properly come before the Annual Meeting, and any adjournment or postponement thereof.

Our Board of Directors recommends that you vote "FOR" the election of each of the director nominees; "FOR" the amendment to the Company's Second Amended and Restated Certificate of Incorporation; "FOR" the ratification of the selection of our independent registered public accounting firm; "FOR" the approval of the Signature Group Holdings, Inc. 2015 Equity Award Plan; "FOR" the approval, by advisory vote, of the compensation of our named executive officers; and "FOR" the adjournment of the Annual Meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to approve Proposal 2 and/or Proposal 4.

Only stockholders of record at the close of business on April 20, 2015 (the "Record Date") will be entitled to notice of, and to vote at, the Annual Meeting. Please vote in one of the following ways:

- Vote by Telephone: You can vote your shares by telephone by calling the toll-free number indicated on your proxy card on a touch-tone telephone 24 hours a day. Easy-to-follow voice prompts enable you to vote your shares and confirm that your instructions have been properly recorded. If you are a beneficial owner, or you hold your shares in "street name," please check your voting instruction card or contact your bank, broker or nominee to determine whether you will be able to vote by telephone.
- Vote by Internet: You can also vote via the Internet by following the instructions on your proxy card. The website address for Internet voting is indicated on your proxy card. Internet voting also is available 24 hours a day. If you are a beneficial owner, or you hold your shares in "street name," please check your voting instruction card or contact your bank, broker or nominee to determine whether you will be able to vote via the Internet.

·Vote by Mail: If you choose to vote by mail, complete, sign, date and return your proxy card in the postage-paid envelope provided. Please promptly mail your proxy card to ensure that it is received prior to the Annual Meeting.

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Your vote is very important. Whether or not you plan to attend the Annual Meeting, you are urged to read the enclosed proxy statement and then vote your proxy card promptly by telephone, via the Internet, or by completing, signing, dating and returning the enclosed proxy card in the postage-paid envelope provided. If you are the beneficial owner or you hold your shares in "street name," please follow the voting instructions provided by your bank, broker, or other nominee to direct them to vote your shares on your behalf.

If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy. However, in order to vote your shares in person at the Annual Meeting, you must be a stockholder of record on the Record Date or hold a legal proxy from your bank, broker or other holder of record permitting you to vote at the Annual Meeting.

If you have any questions or need assistance in voting your shares of Signature common stock, please contact our proxy solicitor Morrow & Co., LLC ("Morrow") by calling 800-662-5200. Banks and brokerage firms should call Morrow at 203-658-9400.

#### IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FOR THE ANNUAL MEETING TO BE HELD ON MAY 28, 2015

The proxy statement, the proxy card and related proxy materials for this Annual Meeting and Signature's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 can be obtained free of charge at the Company's website at [signaturegroupholdings.com](http://signaturegroupholdings.com), or at the Securities and Exchange Commission's website at [sec.gov](http://sec.gov).

Only the latest validly executed proxy that you submit will be counted. To obtain directions to the Annual Meeting, contact Morrow at 800-662-5200.

By Order of the Board of Directors

W. Christopher Manderson

Corporate Secretary and General Counsel

Sherman Oaks, California

April [ ], 2015

SIGNATURE GROUP HOLDINGS, INC.

15301 Ventura Boulevard Suite 400

Sherman Oaks, California 91403

## PROXY STATEMENT

### FOR THE 2015 ANNUAL MEETING OF STOCKHOLDERS

Our Board of Directors is soliciting proxies to be voted at our 2015 Annual Meeting of Stockholders (the “Annual Meeting”) on May 28, 2015, at 9:30 a.m. Eastern Time, and at any adjournment or postponement thereof, for the purposes set forth in the attached Notice of Annual Meeting of Stockholders (the “Notice”). This proxy statement and the proxies solicited hereby are being first sent or delivered to stockholders on or about April [ ], 2015.

As used in this proxy statement, the terms “Signature,” “Company,” “we,” “us” and “our” refer to Signature Group Holdings, Inc., a Delaware corporation, and the terms “Board of Directors” and the “Board” refer to the Board of Directors of Signature.

### INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Why did I receive these proxy materials from Signature?

The Board of Directors has made these materials available to you on the Internet or has delivered printed versions of these materials to you by mail in connection with the solicitation by the Board of Directors of proxies for use at the Annual Meeting, which will be held on May 28, 2015 at 9:30 a.m. Eastern Time, at the offices of Real Alloy, 25825 Science Park Drive, Beachwood, Ohio 44122. We made these materials available to stockholders beginning on or about April [ ], 2015 on the Securities and Exchange Commission’s (“SEC” or the “Commission”) website, sec.gov, and the Company’s website, signaturegroupholdings.com. We will begin mailing the proxy statement and the proxies solicited hereby to stockholders beginning on or about April [ ], 2015. Our stockholders are invited to attend the Annual Meeting and are requested to vote on the proposals described in this proxy statement using the instructions on the proxy card.

Who is entitled to vote?

Stockholders who own shares of our common stock of record or beneficially at the close of business on April 20, 2015 (the “Record Date”) are entitled to vote on matters that come before the Annual Meeting. As of the Record Date, we had [ ] shares of common stock outstanding and entitled to vote at the Annual Meeting. Each share of common stock is entitled to one vote.

What is included in these proxy materials?

These materials include:

- The Notice;
- This proxy statement; and
- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, which includes our audited consolidated financial statements.

If you were mailed a full set of proxy materials or requested printed versions of these materials by mail, these materials also include the proxy card for the Annual Meeting.

What am I voting on at the Annual Meeting?

Stockholders will be voting on the following proposals at the Annual Meeting:

- Proposal 1—the election of the following seven directors to serve until the next annual meeting of stockholders or until their successors have been qualified and elected: Craig T. Bouchard, Peter C.B. Bynoe, Patrick Deconinck, William Hall, Patrick E. Lamb, Raj Maheshwari and Philip G. Tinkler;
- Proposal 2—the approval of the amendment of the Company’s Second Amended and Restated Certificate of Incorporation to change the name of the Company to “Real Industry, Inc.”;

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- Proposal 3—the ratification of the selection of Ernst & Young LLP (“E&Y”) as our independent registered public accounting firm for the fiscal year ending December 31, 2015;
- Proposal 4—the approval of the adoption of the Signature Group Holdings, Inc. 2015 Equity Award Plan (the “Plan”);
- Proposal 5—the approval, by advisory vote, of the compensation of our named executive officers as described in this proxy statement; and
- Proposal 6—the adjournment of the Annual Meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to approve Proposal 2 and/or Proposal 4. We may also transact such other business as may properly come before the Annual Meeting, and any adjournment or postponement thereof.

What constitutes a quorum for the Annual Meeting?

The presence of the owners of a majority of the shares eligible to vote at the Annual Meeting is required in order to hold the Annual Meeting and conduct business. Presence may be in person or by proxy. You will be considered part of the quorum if you voted by telephone, via the Internet or by properly submitting a proxy card or voting instruction form by mail, or if you are present and vote at the Annual Meeting. Under the General Corporation Law of the State of Delaware (the “DGCL”), at the Annual Meeting, both the shares associated with withheld votes, abstentions and broker non-votes will be counted as present and entitled to vote and therefore, will count for purposes of determining whether a quorum is present at the Annual Meeting.

How does the Board recommend that I vote?

The Board recommends that you vote your shares (i) “FOR” each of the director nominees specified under Proposal 1; (ii) “FOR” the amendment to the Company’s Second Amended and Restated Certificate of Incorporation under Proposal 2; (iii) “FOR” the ratification of the appointment of E&Y as our independent registered public accounting firm for the fiscal year ending December 31, 2015 under Proposal 3; (iv) “FOR” the approval of the adoption of the Plan under Proposal 4; (v) “FOR” approval, by advisory vote, of the compensation of our named executive officers under Proposal 5; and (vi) “FOR” adjournment of the Annual Meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to approve Proposal 2 and/or Proposal 4.

How do I vote for the Board’s recommended nominees and the various other proposals?

Only stockholders of record at the close of business on the Record Date will be entitled to notice of, and to vote at, the Annual Meeting. Please vote in one of the following ways:

- **Vote by Telephone:** You can vote your shares by telephone by calling the toll-free number indicated on your proxy card on a touch-tone telephone 24 hours a day. Easy-to-follow voice prompts enable you to vote your shares and confirm that your instructions have been properly recorded. If you are a beneficial owner, or you hold your shares in “street name,” please check your voting instruction card or contact your bank, broker or nominee to determine whether you will be able to vote by telephone.
- **Vote by Internet:** You can also vote via the Internet by following the instructions on your proxy card. The website address for Internet voting is indicated on your proxy card. Internet voting also is available 24 hours a day. If you are a beneficial owner, or you hold your shares in “street name,” please check your voting instruction card or contact your bank, broker or nominee to determine whether you will be able to vote via the Internet.
- **Vote by Mail:** If you choose to vote by mail, complete, sign, date and return your proxy card in the postage-paid envelope provided. Please promptly mail your proxy card to ensure that it is received prior to the Annual Meeting. By submitting a proxy, you are legally authorizing another person to vote your shares on your behalf. We urge you to promptly vote your proxy “FOR” each of the Board’s nominees and the other proposals recommended by the Board by telephone, via the Internet, or by completing, signing, dating and returning the enclosed proxy card in the postage-paid

envelope. If you vote your proxy by telephone, via the Internet, or submit your executed proxy card by mail, but you do not indicate how your shares are to be voted, then your shares will be voted in accordance with the Board's recommendations set forth in this proxy statement.

What if I hold my shares in “street name”?

If you hold your shares in “street name,” through a bank, broker, nominee or other holder of record (i.e., a “custodian”), your custodian is considered the stockholder of record for purposes of voting at the Annual Meeting. Your custodian is required to vote your shares on your behalf in accordance with your instructions. If you do not give instructions to your custodian, your custodian is permitted to vote your shares with respect to “routine” matters. The “routine” matters at the Annual Meeting are the approval of an amendment to the Second Amended and Restated Articles of Incorporation to change the Company’s name under Proposal 2, and the ratification of the appointment of E&Y as our independent registered public accounting firm under Proposal 3. However, if you do not give instructions to your custodian, your custodian will NOT be permitted to vote your shares with respect to “non-routine” matters. Proposals 1, 4, 5 and 6 at the Annual Meeting are considered non-routine matters. Accordingly, if you do not give your custodian specific instructions on Proposals 1, 4, 5 or 6, then your shares will be treated as “broker non-votes” and will not be voted on the proposal(s) for which you did not provide instructions. When the vote is tabulated for any particular matter, broker non-votes, if any, will only be counted for purposes of determining whether a quorum is present. Accordingly, we urge you to promptly give instructions to your custodian to vote “FOR” each of the Board’s director nominees in Proposal 1, and “FOR” Proposals 4, 5 and 6 by using the voting instruction card provided to you by your custodian. You will be given the option of voting by telephone, via the Internet, by mail or in person. Please note that if you intend to vote your street name shares in person at the Annual Meeting, you must provide a legal proxy from your custodian at the Annual Meeting.

What is required to approve each proposal?

Proposal 1: Directors are elected by a plurality of votes cast at the Annual Meeting. Therefore, the seven nominees who receive the most votes will be elected. Any shares not voted (whether by withheld vote, broker non-vote or otherwise) are not counted in determining the outcome of the election of directors. Stockholders may not cumulate votes.

Proposal 2: The approval of the amendment of the Company’s Second Amended and Restated Certificate of Incorporation to change the name of the Company to “Real Industry, Inc.” will be approved by the affirmative vote of the holders of a majority of all of the outstanding shares of our common stock as of the Record Date. Therefore, the failure to vote, either by proxy or in person, will have the same effect as a vote against the approval of the proposal. Abstentions also will have the same effect as a vote against the approval of the proposal. The proposed amendment is a “routine” item upon which brokerage firms may vote in their discretion on behalf of their clients if such clients have not furnished voting instructions.

Proposal 3: The ratification of E&Y as our independent registered public accounting firm for the fiscal year ending December 31, 2015 will be approved if the votes cast favoring the proposal exceed the votes cast opposing it. Any shares not voted (whether by abstention or otherwise) are not counted in determining the outcome of this proposal. The proposed amendment is a “routine” item upon which brokerage firms may vote in their discretion on behalf of their clients if such clients have not furnished voting instructions.

Proposal 4: The approval of the adoption of the Plan will be approved if the votes cast favoring the proposal exceeds the votes cast opposing it. Any shares not voted (whether by abstention, broker non-vote, or otherwise) are not counted in determining the outcome of this proposal.

Proposal 5: The compensation of our named executive officers will be approved, by advisory vote, if the votes cast favoring the proposal exceeds the votes cast opposing it. Any shares not voted (whether by abstention, broker non-vote or otherwise) are not counted in determining the outcome of this proposal. However, because this vote is advisory, the outcome of this vote will not be binding on the Board. The Board will review and consider the voting

results of this Proposal 5 in making future decisions regarding the compensation of the Company's named executive officers.

Proposal 6: The proposal regarding the adjournment of the Annual Meeting will be approved if the votes cast favoring the proposal exceeds the votes cast opposing it. Any shares not voted (whether by abstention, broker non-vote, or otherwise) are not counted in determining the outcome of this proposal.

Other Matters: Approval of any unscheduled matter, such as a matter incident to the conduct of the Annual Meeting, would require the affirmative vote of a majority of the votes cast. Any shares not voted (whether by abstention, broker non-vote, or otherwise) are not counted in determining the outcome of the vote.

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### Can I change my vote?

You can change your vote by revoking your proxy at any time before it is exercised at the Annual Meeting in one of four ways:

- vote again by telephone or via the Internet;
- complete, sign, date and return the enclosed proxy card with a later date before the Annual Meeting;
- vote in person at the Annual Meeting; or
- notify the Corporate Secretary, Chris Manderson, in writing before the Annual Meeting, with a date later than your submitted proxy, that you are revoking your proxy.

Only the latest validly executed proxy that you submit will be counted.

### How can I attend the Annual Meeting?

You are invited to attend the Annual Meeting only if you were a stockholder as of the close of business on the Record Date or if you hold a valid proxy for the Annual Meeting. In addition, if you are a stockholder of record (owning shares of common stock in your own name), prior to your being admitted to the Annual Meeting, your name will be verified against a list of registered stockholders on the Record Date. If you are not a stockholder of record but hold shares through a bank, broker or nominee (in street name), you must provide proof of beneficial ownership on the Record Date, such as a recent account statement or a copy of the voting instruction card provided by your bank, broker or nominee. Both record and beneficial stockholders should bring photo identification for entrance to the Annual Meeting.

### Why did I receive only one set of proxy materials although there are multiple stockholders at my address?

If one address is shared by two or more stockholders, companies and intermediaries (such as brokers) are permitted to use a delivery practice called “householding,” pursuant to which only one set of proxy materials will be sent to that address but a separate proxy card is included for each stockholder. This reduces printing and postage costs. Once you have received notice from the Company or your broker that it will be householding communications to your address, householding will continue until you are notified otherwise or until you provide contrary instructions. If you share an address with another stockholder and have received only one set of voting materials, you may write or call us to request a separate copy of these materials at no cost to you. Similarly, if you share an address with another stockholder and have received multiple copies of our proxy materials, you may write or call us to request future delivery of a single copy of these materials. The address and telephone number of the Company is: ATTN: Corporate Secretary, Signature Group Holdings, Inc., 15301 Ventura Boulevard, Suite 400, Sherman Oaks, California 91403, (805) 435-1255. If you are a beneficial owner of shares held in street name, you can request or cancel householding by contacting your bank, broker, or nominee.

### Where can I find the voting results of the Annual Meeting?

We intend to announce preliminary voting results at the Annual Meeting and will publish final results in a Form 8-K after the Annual Meeting.

### What is the deadline for submitting proposals for next year’s annual meeting or to nominate individuals to serve as directors?

You may submit proposals, including director nominations, for consideration at future stockholder meetings only if you comply with the requirements of the proxy rules established by the SEC and our Second Amended and Restated Bylaws.

Stockholders who wish to submit proposals for inclusion in the Company's proxy statement for the 2016 annual meeting of stockholders, pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), must submit their proposals so that they are received at our principal executive offices no later than the close of business on December [ ], 2015, which is 120 calendar days prior to the anniversary of this year's proxy mailing date. A stockholder who wishes to submit a proposal under Rule 14a-8 must qualify as an "eligible" stockholder and meet other requirements of the SEC.

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Pursuant to the Company's Second Amended and Restated Bylaws, if a stockholder wishes to submit a proposal that is not intended to be included in our proxy statement under Rule 14a-8 of the Exchange Act, or wishes to nominate an individual for election to the Board, the stockholder must provide timely notice to the Company. To be timely, the stockholder proposal or nomination must be mailed and received by, or delivered to, the secretary of the Company not later than February 28, 2016 or, if the date of the 2016 annual meeting of stockholders is more than 30 days earlier or later than May 28, 2016, then not later than ten days following the date that notice of the 2016 annual meeting of stockholders is first given. To be in proper form, a stockholder's notice must include the specified information concerning the proposal as described in the Second Amended and Restated Bylaws. A copy of the Second Amended and Restated Bylaws may be obtained from the Corporate Secretary by written request, and also is available on our corporate website at [signaturegroupholdings.com](http://signaturegroupholdings.com).

Nominations for director candidates for consideration by the Board's Nominating and Governance Committee should include the information specified in our Second Amended and Restated Bylaws, which includes, among other matters, as to each person whom the stockholder proposes to nominate: (A) the name, age, business address and residence address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of shares of capital stock of the Company that are owned beneficially or of record by the person; and (D) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder.

Stockholder proposals and nominations must be in writing and should be directed to our Corporate Secretary at our principal executive offices: Signature Group Holdings, Inc., 15301 Ventura Boulevard, Suite 400, Sherman Oaks, California 91403.

How may I communicate with the Board of Directors or the independent directors on the Board?

You may contact any member of the Board of Directors by writing to the member c/o Signature Group Holdings, Inc., 15301 Ventura Boulevard, Suite 400, Sherman Oaks, California 91403. Board members may also be contacted via email through investor relations at [investor.relations@signaturegroupholdings.com](mailto:investor.relations@signaturegroupholdings.com). Each communication should specify the applicable director or directors to be contacted as well as the general topic of the communication. Our Corporate Secretary will be primarily responsible for collecting, organizing and monitoring communications from stockholders and forwarding such communications to the intended recipients where appropriate. We generally will not forward to the directors a stockholder communication that is determined to be primarily commercial in nature, that relates to an improper or irrelevant topic, or that requests general information about Signature. Concerns about accounting or auditing matters or communications intended for independent directors should be sent to the attention of the Chair of the Audit Committee at [investor.relations@signaturegroupholdings.com](mailto:investor.relations@signaturegroupholdings.com). Our directors may at any time review a log of all correspondence received by Signature that is addressed to the independent members of the Board and request copies of any such correspondence.

Whom do I contact with additional questions?

We have retained Morrow & Co., LLC to act as proxy solicitor. If you have additional questions or need assistance voting your shares of common stock, you should contact them at:

Morrow & Co., LLC

470 West Avenue

Stamford, CT 06902

Stockholders Call Toll-Free: 800-662-5200

Banks and Brokerage Firms, Please Call: 203-658-9400

## PROPOSAL 1: ELECTION OF DIRECTORS

Seven directors are to be elected at the Annual Meeting. All directors are elected annually and hold office until the next annual meeting of stockholders, and until their successors are duly qualified and elected, or until their earlier death, resignation or removal.

Our Board of Directors recently increased the size of the Board of Directors to seven directors. Our Board decided to increase the size of the Board of Directors given our recent transformative acquisition in which the size and complexity of our Company increased substantially, and which is expected to increase the amount of time, attention and participation of directors on our existing and possible additional committees in the future. The Nominating and Governance Committee has recommended and our Board of Directors has selected, qualified and approved the following persons as nominees for election at the Annual Meeting, and other than Patrick Deconinck and William Hall, each of whom currently serves on the Board and was elected by the Company's stockholders at the last annual meeting: Craig T. Bouchard, Peter C.B. Bynoe, Patrick Deconinck, William Hall, Patrick E. Lamb, Raj Maheshwari and Philip G. Tinkler. Each nominee for election has consented to be nominated, named as a nominee in this proxy statement and to serve if elected, and we do not know of any reason why any nominee would be unable to serve as a director.

If any nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of such other person as the Board may nominate. The proxies solicited by this proxy statement may not be voted for more than seven nominees.

The Board recommends that you use the enclosed proxy card (or follow the directions set forth in the proxy card to vote by telephone or via the Internet) to vote "FOR" each of the Board's seven director nominees.

### Background Information on Director Nominees

Set forth below is certain information, as of April 6, 2015, regarding each director nominee, including information regarding the experience, qualifications, attributes or skills of each nominee and a statement of why the Board determined that the person should serve on the Board.

**Craig T. Bouchard (Age 61):** Mr. Bouchard has served as the Chairman of the Board and Chief Executive Officer of Signature since June 2013. Mr. Bouchard is a New York Times Best Selling Author, co-authoring a book on corporate management, "The Caterpillar Way: Lessons in Leadership, Growth and Stockholder Value," Copyright 2013, (McGraw Hill, November 2013). Mr. Bouchard is also Chairman of the Board and Chief Executive Officer of Cambelle-Inland, LLC, a small, private entity created in 2013 through which Mr. Bouchard manages certain investment activities in China. Prior to founding Cambelle-Inland, LLC, in 2010, Mr. Bouchard founded Shale-Inland, a leading master distributor of stainless steel pipe, valves and fittings, and stamped and fabricated parts to the United States energy industry with revenues approaching \$1 billion. Mr. Bouchard served as the Chief Executive Officer and later as the Chairman of the Board of Shale-Inland through 2012. Before founding Shale-Inland, Mr. Bouchard was President and Vice Chairman of Esmark, Inc., a publicly traded company on the NASDAQ. Mr. Bouchard co-founded Esmark, Inc. in 2004. From 1998-2003, Mr. Bouchard was the President and Chief Executive Officer of New York based NumeriX, a risk management software company commanding a leading market share on Wall Street. Mr. Bouchard is currently a member of the Board of the Department of Athletics at Duke University. Mr. Bouchard holds United States Patent No. 4,212,168, Power Producing Dry-Type Cooling Systems. Mr. Bouchard holds a Bachelor of Arts degree from Illinois State University, a Master of Economics degree from Illinois State University, and a Master of Business Administration degree from the University of Chicago.

The Board will benefit from Mr. Bouchard's significant executive experience in a variety of industries, particularly metals as well as risk management, strategic planning, raising capital, financial engineering, a distinctive record of business successes and considerable experience in growing his companies both organically and through accretive acquisitions.

Peter C.B. Bynoe (Age 64): Mr. Bynoe has served as a director of Signature since July 2013 and is currently Chairman of the Compensation Committee of the Board and a member of the Audit Committee of the Board. Mr. Bynoe is currently a Managing Director of Equity Group Investments, a private equity firm based in Chicago, IL. From September 2013 to October 2014, Mr. Bynoe served as the Chief Executive Officer of Rewards Network, Inc., a provider of credit card loyalty and rewards programs. Prior to Rewards Network, Mr. Bynoe served, since February 2009, as a partner and Chief Operating Officer of Loop Capital LLC, a full-service investment banking firm based in Chicago. He joined Loop Capital as a Managing Director in February 2008. As Chief Operating Officer, Mr. Bynoe oversaw 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 (“Covanta”) (NYSE: CVA), 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) (NASDAQ: FTR), a telephone, television and internet service provider, and was formerly a director of Rewards Network Inc. 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, Master of Business Administration and Bachelor of Arts 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, a strategy effectively implemented by Covanta during the period that Mr. Bynoe served on the Covanta Board of Directors.

Patrick Deconinck (Age 61): Mr. Deconinck is a director nominee and is not currently serving on the Board. Mr. Deconinck served as Senior Vice President-West Europe for 3M Company (“3M”) from 2011 to 2015, with overall responsibility for 3M’s West Europe business. 3M’s West Europe business accounted for approximately 20% of 3M’s total revenues and Mr. Deconinck oversaw approximately 16,000 employees in 16 countries. During this period, Mr. Deconinck orchestrated the restructuring of 3M’s European supply chain organization. From 2005 to 2011, Mr. Deconinck was Vice President and General Manager of 3M’s Industrial Adhesives & Tapes Division where he provided global leadership for 3M’s largest operating unit. Mr. Deconinck retired in March 2015 after providing more than 35 years of service with 3M. Mr. Deconinck holds an Acceptance degree in Applied Sciences from Catholic University of Leuven (Belgium) and is fluent in English, Flemish, French and German.

The Board will benefit from Mr. Deconinck’s long global executive experience, leadership positions in the United States and Europe, and responsibility for global profitability. Mr. Deconinck has a record of setting strategic direction and driving operational execution to deliver quarterly and annual targets, including driving growth through organic innovation, mergers and acquisitions integration, and Lean Six Sigma driven operational excellence.

William Hall (Age 71): Mr. Hall is a director nominee and is not currently serving on the Board. Mr. Hall has served as the General Partner of Procyon Advisors LLP, a Chicago-based private equity firm providing consulting and growth capital for healthcare services companies, since 2006 following the sale of Procyon Technologies, Inc. (“Procyon Technologies”). Mr. Hall has over thirty years of senior operating executive experience at Procyon Technologies (aerospace actuation components), Eagle Industries (capital goods) (LON: ATK), Fruit of the Loom (consumer goods) (NYSE: FOL), Cummins Inc. (industrial power equipment) (NYSE:CMI), and Falcon Building Products, Inc. (specialty building products) (NYSE: FBP) where Mr. Hall, as Chief Executive officer, completed an initial public offering and later completed a leveraged buyout to take the company private.

Since 2004, Mr. Hall has been a member of the board of directors of Stericycle, Inc. (“Stericycle”) (NASDAQ: SRCL) and currently serves as the Chairman of the Compensation Committee and formerly served as a member of the Audit Committee. Stericycle is a compliance company specializing in collecting and disposing regulated substances, such as medical waste and sharps, pharmaceuticals, hazardous waste, and providing services for recalled and expired goods. Since 2002, Mr. Hall has also been a member of the board of directors of W. W. Grainger, Inc. (“Grainger”) (NYSE: GWW) and currently serves on both the Audit Committee as a financial expert, and the Governance Committee. Grainger is an industrial supply company offering motors, lighting, materials handling, fasteners, plumbing, tools and

safety supplies. From 2001 to 2014, Mr. Hall served as a member of the board of directors of Actuant Corporation (“Actuant”) (NYSE: ATU) and served on both the Audit and Governance Committees. Actuant is a diversified multi-national industrial company and a leader in a broad array of niche markets including branded hydraulic tools and solutions, specialized products and services for energy markets and highly engineered position and motion control systems. From 1984 to 2011, Mr. Hall also served as a member of the board of directors of A. M. Castle (“Castle”) (NYSE: CAS) and served as the chairman of the Governance Committee and was a member of the Audit and Compensation Committees. Castle is a global specialty metals and plastics distribution company.

Mr. Hall volunteers as an Adjunct Professor at the University of Michigan, where he has developed and taught graduate and undergraduate courses in entrepreneurial leadership of the College of Engineering and the Ross School of Business. Mr. Hall also serves as a member of the Executive Committee at the Rush University Medical Center in Chicago and as an advisory board member at the Depression Center, the Zell Lurie Institute and the Center for Entrepreneurial Leadership at the University of Michigan. During

the 1970's, Mr. Hall served as a professor at the University of Michigan, the European Institute of Business Administration and the Harvard Business School. Mr. Hall holds degrees in aeronautical engineering (B.S.E.), mathematical statistics (M.S.) and business administration (M.B.A. and Ph.D.), all from the University of Michigan. Go Blue!

The Board will benefit from Mr. Hall's extensive operational management, broad industrial background and financial expertise. Mr. Hall'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 global business initiatives.

Patrick E. Lamb (Age 55): Mr. Lamb has served as a director of Signature since April 2011 and is currently the Chairman of the Audit Committee and a member of the Nominating and Governance Committee. Mr. Lamb has over twenty years of chief financial officer experience in various public, public subsidiary and private entities, specifically in the financial services industry, including banking, commercial finance, commercial and residential real estate, debt and equity capital markets and insurance. He also has experience in mergers, divestitures and acquisitions, financing and securitization structures and public accounting. In addition, Mr. Lamb served as the Chief Financial Officer for the Los Angeles Clippers of the National Basketball Association from July 2007 until December 2014. From 2004 to July 2007, Mr. Lamb served as the Senior Vice President, Treasurer, Chief Financial Officer and Chief Accounting Officer of Fremont General Corporation ("Fremont"), the Company's predecessor. 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 Fremont. Before joining Fremont, Mr. Lamb worked at Ernst & Whinney (now Ernst & Young), serving primarily the financial services industries in various audit and consulting engagements. Mr. Lamb holds Bachelor of Science and Master in Accountancy 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 and is also involved in various community and educational organizations.

The Board will benefit from Mr. Lamb's considerable experience as a chief financial officer for over twenty years as well as his valuable insight to management on a multitude of strategic, governance, regulatory, compliance, public policy and operating issues.

Raj Maheshwari (Age 52): Mr. Maheshwari has served as a director of Signature since July 2013 and is currently a member of both the Compensation Committee and the Nominating and Governance committee. Since 2005, Mr. Maheshwari has been Managing Director of Charlestown Capital Advisors, LLC, a private merchant banking company he founded in 2005 specializing in financial advisory/merchant banking services (including mergers and acquisitions advisory) to public and private market emerging companies. In particular, Charlestown Capital assisted in Shale-Inland's acquisitions of Main Steel in 2011 and HDSupply IPVF in 2012. In 2011, Charlestown Capital led the successful reorganization of Meruelo Maddux Properties (subsequently renamed EVOQ Properties), a commercial real estate company based in Los Angeles under Chapter 11 of the U.S. Bankruptcy Code. Charlestown Capital has been a mergers and acquisitions advisor to Esmark, Inc., a steel company that was sold to OAO Severstal of Russia in August, 2008 for \$1.3 billion and has also advised Akela Pharmaceuticals, LTS Lohmann, Artevea Digital, among other emerging companies, in their mergers and acquisitions activities. In September 2013, Mr. Maheshwari was appointed Chief Operating Officer of Cambelle-Inland, LLC, an entity founded by Mr. Bouchard. From 1999 to 2005, Mr. Maheshwari was a Portfolio Manager and Managing Director at Weiss Peck and Greer Investments and its successor parent company Robeco Investment Management. From 1996 to 1999, Mr. Maheshwari was a Vice President of Research at Robert Fleming, Inc., where he helped run a \$250 million (approximately) equity arbitrage portfolio. Mr. Maheshwari holds a Bachelor of Science degree in Mathematics and Computer Sciences from the State University of New York at Albany and a Master of Business Administration degree from New York University.

The Board will benefit from Mr. Maheshwari's considerable investing experience, as well as expertise in identifying and closing value enhancing strategic transactions and in reviewing financial statements and capital allocation.

Philip G. Tinkler (Age 50): Mr. Tinkler has served as a director of Signature since August 2012 and is currently the chairman of the Nominating and Governance Committee and a member of both the Compensation Committee and the Audit Committee. Mr. Tinkler is 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. 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. 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 (NYSE: CVA), an internationally recognized owner/operator of energy-from-waste and power generation projects. During his tenure as Chief Financial Officer at Covanta, a publicly-traded company with significant net operating loss carryforwards, it was then known as Danielson Holding Corporation when it acquired Covanta Energy Corporation out of bankruptcy proceedings, successfully integrated the acquired business and changed its name to Covanta Holding Corporation, as it is currently known. He also served on the board of directors of Covanta's wholly-owned, legacy insurance subsidiaries. He began his career at Ernst & Young,

LLP. Mr. Tinkler holds a Bachelor of Science degree from Northern Illinois University and a Master of Science degree in Taxation from DePaul University.

The Board will benefit from Mr. Tinkler's significant broad financial, tax and acquisition experience, including structuring, diligence, bank financings, and securities offerings, as well as his success with working with other companies to optimize the utilization of their net operating loss carryforwards.

#### Director Nominee Qualifications and Attributes

The following table identifies the areas of expertise, experience, qualifications, skills or attributes that the Nominating and Governance Committee of the Board reviews for each potential director nominee. Further, the table below provides the Board's assessment of the qualifications of each of the current Board members, which led to the Board's conclusion that such director should be named as a nominee. This information supplements the biographical information provided above.

Experience, Qualification, Skill, or Attribute	Bouchard	Bynoe	Deconinck	Hall	Lamb	Maheshwari	Tinkler
Professional standing in chosen field	X	X	X	X	X	X	X
Mergers and acquisitions	X	X	X	X	X	X	X
Audit Committee financial expert (actual or potential)				X	X		X
Public company experience (current or past)	X	X	X	X	X	X	X
Leadership and team building skills	X	X	X	X	X	X	X
Specific skills/knowledge:							
Finance	X	X	X	X	X	X	X
Income taxes	X				X		X
Operations	X	X	X	X	X		X
Integration of acquisitions	X		X	X	X	X	X
Public affairs	X	X		X	X		X
Human resources	X	X	X	X	X	X	X
Governance	X	X	X	X	X	X	X
Stockholder	X	X			X	X	X
Vote Required							

The seven candidates receiving the highest number of affirmative votes will be elected as our directors. Shares associated with withhold votes and broker non-votes will not be counted as votes cast and, therefore, will not have an effect on this proposal. Further, the failure to vote, either by proxy or in person, will not have an effect on this proposal, assuming the quorum requirements for the Annual Meeting have been met. Unless instructions to the contrary are specified, the proxy holders will vote the proxies received by them "FOR" the nominees listed above.

#### Recommendation of the Board of Directors

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" THE ELECTION OF EACH OF THE SEVEN DIRECTOR NOMINEES LISTED ABOVE.



## PROPOSAL 2: AMENDMENT TO THE COMPANY'S SECOND

### AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

The Board unanimously adopted a resolution to submit to a vote of stockholders a special resolution to change the name of the Company from "Signature Group Holdings, Inc." to "Real Industry, Inc." If stockholders approve this proposal, the change in the Company's name will become effective promptly after the Annual Meeting upon the filing by the Company of an amendment, in the form of the amendment attached hereto as Appendix A, to its Second Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware reflecting the new name of the Company.

#### Purpose and Rationale for the Proposed Change of Name

As previously disclosed, the Company's indirect wholly owned subsidiary Real Alloy Holding, Inc. ("Real Alloy") recently completed the acquisition of the global recycling and specification alloys business of Aleris Corporation (the "Real Alloy Acquisition"). The Real Alloy Acquisition follows through on the Company's previous publicly announced strategy to become a holding company known as a stable, strategic acquirer of businesses focused on sectors that include transportation, food, water and energy. The Company seeks to acquire companies that are consistently profitable and accretive to earnings. As shown by the Real Alloy Acquisition, the Company seeks businesses with management teams that have shown success through various business cycles, and have built strong margins and defensible market positions. The Company regularly considers acquisitions in what it views as undervalued industries, as well as businesses with underlying values that we believe to be misunderstood by the marketplace.

The Company's new name has been designed as part of an effort to develop a brand that will better represent a holding company following the above described acquisition strategy, and the Board feels that the name Signature Group Holdings, Inc. no longer appropriately represents the current operations and acquisition strategy of the Company. The new name will also allow for continued strategic investment, without limiting the image of the Company to the public, as new opportunities emerge.

#### Effect of the Proposed Amendment

If approved by stockholders, the change in our name will not affect the validity or transferability of any existing share certificates that bear the name "Signature Group Holdings, Inc." If the proposed name change is approved, stockholders with certificated shares should continue to hold their existing share certificates. The rights of stockholders holding certificated shares under existing share certificates and the number of shares represented by those certificates will remain unchanged. Direct registration accounts and any new share certificates that are issued after the name change becomes effective will bear the name "Real Industry, Inc."

Our common stock currently trades on OTCQX under the symbol "SGRH." If the proposed name change is approved, our shares will continue to trade under this symbol. However, a new CUSIP number will be assigned to the common stock shortly following the name change, and we expect to change our trading symbol to "RELY."

We believe the name change will result in an immaterial cost to the Company.

If stockholders do not approve the proposal to change our name, our name and CUSIP number will remain unchanged.

#### Vote Required

This proposal will be approved if the holders of a majority of all outstanding shares entitled to vote on this proposal affirmatively vote to approve this proposal. Abstentions will have the same effect as a vote against the approval of the proposal. The proposed amendment is a “routine” item upon which brokerage firms may vote in their discretion on behalf of their clients if such clients have not furnished voting instructions. Unless instructions to the contrary are specified, the proxy holders will vote the proxies received by them “FOR” this proposal.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THE APPROVAL OF THE CHANGE IN THE NAME OF THE COMPANY FROM “SIGNATURE GROUP HOLDINGS, INC.” TO “REAL INDUSTRY, INC.”

**PROPOSAL 3: RATIFY THE SELECTION OF OUR  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Company's independent auditor for the year ended December 31, 2014 was Squar, Milner, Peterson, Miranda & Williamson, LLP ("Squar Milner"), an independent registered public accounting firm. The Audit Committee and the Board have selected E&Y as the independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending December 31, 2015. The Board is submitting the appointment of E&Y to the stockholders for ratification as a matter of good corporate practice.

On March 16, 2015, the Audit Committee approved the appointment of E&Y as the Company's new independent registered public accounting firm to perform audit services for the Company for the fiscal year ending December 31, 2015, replacing Squar Milner. As previously disclosed in the Company's Current Report on Form 8-K on March 19, 2015, there were no "disagreements" (as that term is used in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) between the Company and Squar Milner on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Squar Milner would have caused Squar Milner to make reference to the subject matter of the disagreement in connection with its reports on the Company's consolidated financial statements for the fiscal years ended December 31, 2014 and 2013.

In the event that the stockholders fail to ratify the appointment of E&Y, the Audit Committee will reconsider its selection of audit firms, but may decide not to change its selection. Even if the appointment is ratified, the Audit Committee may appoint a different independent registered public accounting firm at any time if it determines that such a change would be in the best interest of the Company's stockholders.

A representative of E&Y is expected to attend the Annual Meeting, and that representative will have an opportunity to make a statement if he or she desires to do so and is expected to be available to respond to appropriate questions from stockholders.

Please see "Audit Information" for a discussion of the fees paid by the Company to its predecessor auditor, Squar Milner, for the fiscal years ended December 31, 2014 and 2013.

**Vote Required**

This proposal will be approved if the votes cast for the proposal exceed the votes cast against it. Shares associated with abstentions will not be counted as votes cast and, therefore, will not have an effect on this proposal. Further, the failure to vote, either by proxy or in person, will not have an effect on this proposal, assuming the quorum requirements for the Annual Meeting have been met. Unless instructions to the contrary are specified, the proxy holders will vote the proxies received by them "FOR" this proposal.

**Recommendation of the Board of Directors**

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE RATIFICATION OF THE SELECTION OF E&Y AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2015.**

#### PROPOSAL 4: APPROVAL OF THE EQUITY AWARD PLAN FOR EMPLOYEES, OFFICERS AND DIRECTORS

In April 2015, the Board, upon the recommendation of the Compensation Committee, unanimously approved and adopted the Signature Group Holdings, Inc. 2015 Equity Award Plan (the “Plan”) and directed that it be submitted to our stockholders for approval at the Annual Meeting. As described below, the Plan will replace our existing equity plan and increase the total number of shares authorized for issuance. If approved by our stockholders, future equity grants will be made under the Plan and not the prior plan. The Plan will become effective when it is approved by our stockholders.

The purpose of the Plan is to promote the interests of the Company (including its subsidiaries and affiliates) and its stockholders by using equity interests in the Company to attract, retain and motivate its management, nonemployee directors and other eligible persons and to encourage and reward their contributions to the Company’s performance and profitability. The Compensation Committee and the Board believe that the ability to provide equity-based incentives has been, and will continue to be, vital to the Company’s ability to continue to attract and retain individuals in the competitive labor markets in which we compete.

The Plan replaces the currently existing equity plan: the Amended and Restated Signature Group Holdings, Inc. 2006 Performance Incentive Plan (the “Former Plan”). The Former Plan was originally effective May 18, 2006 and expires by its terms on May 17, 2016. An amendment to the Former Plan was approved by stockholders on July 24, 2012. Upon approval of the Plan by our stockholders, the Former Plan will be terminated with respect to any awards under such plan that have not yet been granted. The Former Plan is currently the only compensation plan under which the Company’s equity securities are authorized for issuance. As of March 31, 2015, 281,739 shares of common stock remained available for issuance under the Former Plan.

If approved by our stockholders, the total shares of common stock issuable under the Plan will be 1,600,000 shares, plus shares of common stock remaining available for issuance under the Former Plan, and other shares, if any, that become available pursuant to the terms of the Former Plan. The Company has not sought an increase in the number of shares issuable under the Former Plan since July 24, 2012.

#### Highlights of the Plan

The Board recommends that our stockholders approve the Plan because it believes that employee and nonemployee director ownership in the Company serves the best interests of all stockholders by promoting a focus on long-term increase in stockholder value. The Plan permits the Company to take a flexible approach to its equity awards by permitting the grant of restricted stock, restricted stock units, stock options, stock appreciation rights, performance awards and other stock awards. We have also designed the Plan to include a number of provisions that we believe promote best practices by reinforcing the alignment of equity compensation arrangements for nonemployee directors, officers, and employees and stockholders’ interests. These provisions include, but are not limited to, the following:

**No Discounted Awards.** Awards that have an exercise price cannot be granted with an exercise price less than the fair market value on the grant date.

**No Repricing Without Stockholder Approval.** We cannot, without stockholder approval, reduce the exercise price of an award (except for adjustments in connection with a Company recapitalization), and at any time when the exercise price of an award is above the market value of our common stock, we cannot, without stockholder approval, cancel and re-grant or exchange such award for cash, other awards or a new award at a lower (or no) exercise price.

No Evergreen Provision. There is no evergreen feature under which the shares of common stock authorized for issuance under the Plan can be automatically replenished.

No Automatic Grants. The Plan does not provide for “reload” or other automatic grants to recipients.

No Transferability. Awards generally may not be transferred, except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, unless approved by the Compensation Committee.

No Tax Gross-Ups. The Plan does not provide for any tax gross-ups.

Minimum Vesting requirements. Subject to certain limited exceptions, awards under the Plan will be subject to a minimum vesting period of one year.

No liberal change-in-control definition. The change-in-control definition contained in the Plan is not a “liberal” definition that would be activated on mere stockholder approval of a transaction.

“Double-trigger” change in control vesting. If awards granted under the Plan are assumed by a successor in connection with a change in control of the Company, such awards will not automatically vest and pay out solely as a result of the change in control.

No dividends on unearned performance awards. The Plan prohibits the current payment of dividends or dividend equivalent rights on unearned performance-based awards.

Limitation on amendments. No amendments to the Plan may be made without stockholder approval if any such amendment would materially increase the number of shares reserved or the per-participant award limitations under the Plan, diminish the prohibitions on repricing stock options or stock appreciation rights, or otherwise constitute a material change requiring stockholder approval under applicable laws, policies or regulations or the applicable listing or other requirements of the principal exchange on which the Company’s shares are traded.

Administered by an independent committee. The Plan will be administered by the Compensation Committee, which is comprised entirely of independent directors. See page 29 for more information about the Compensation Committee.

Clawbacks. Awards based on the satisfaction of financial metrics that are subsequently reversed, due to a financial statement restatement or reclassification, are subject to forfeiture.

#### Plan Principal Features

The principal features of the Plan are summarized below. This summary is not complete, however, and is qualified by the terms of the Plan, a copy of which is attached to this proxy statement as Appendix B.

#### Shares Available Under the Plan

The maximum aggregate number of shares of common stock available for issuance under the Plan is 1,600,000, plus the number of shares of common stock remaining available for issuance under the Former Plan and shares forfeited or otherwise not issued on exercise of awards under the Former Plan. As of March 31, 2015, a total of 281,739 shares of common stock were available for future grant under the Former Plan. Shares subject to an award may be authorized but unissued, or reacquired shares of common stock or treasury shares. If an award under the Plan (or an award under the Former Plan) expires or becomes unexercisable without having been exercised in full, or an award is settled for cash, the unissued shares that were subject to the award will become available for future grant under the Plan, as will any shares that are withheld by the Company when an option is exercised or tax withholdings are satisfied by the tendering of shares. However, shares that have actually been issued under the Plan will not be returned to the Plan and will not be available for future distribution under the Plan.

#### Plan Administration

The Plan is administered by the Compensation Committee of the Board. The Compensation Committee has the exclusive authority, subject to the terms and conditions set forth in the Plan, to determine all matters relating to awards under the Plan, including the selection of individuals to be granted an award, the type of award, the number of shares of common stock subject to an award, and all terms, conditions, restrictions and limitations, if any, including, without limitation, vesting, acceleration of vesting, exercisability, termination, substitution, cancellation, forfeiture, or repurchase of an award and the terms of any instrument that evidences the award. The Compensation Committee may, however, authorize any one or more of its members or an officer of the Company to execute and deliver documents on

behalf of the Compensation Committee, or delegate to an officer the authority to make certain decisions under the Plan.

#### Term

The Plan will become effective upon the approval of the Company's stockholders and shall continue in effect for a term of ten (10) years, unless sooner terminated pursuant to its provisions.

#### Eligibility

Awards under the Plan may be granted to employees (including officers) and directors of the Company, its subsidiaries and affiliates. In addition, an award under the Plan may be granted to a person who is offered employment by the Company or a subsidiary

or affiliate of the Company, provided that such award shall be immediately forfeited if such person does not accept such offer of employment within an established time period. If otherwise eligible, an employee or director who has been granted an award under the Plan may be granted other awards. Although all employees of the Company, its subsidiaries and affiliates are eligible to receive awards under the Plan, it is not possible to estimate the number of additional individuals who may become eligible to receive awards under the Plan from time to time.

#### Limitations on Awards Granted to Recipient

No recipient may be granted (i) options or stock appreciation rights during any 12-month period with respect to more than 500,000 shares, and (ii) restricted stock awards, restricted stock unit awards, or performance shares during any calendar year that are intended to comply with the “performance-based” exception under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Tax Code”) and are denominated in shares under which more than 500,000 shares may be earned for each twelve (12) months in the vesting period or performance period. During any calendar year no recipient may be granted performance units that are intended to comply with the “performance-based” exception under Section 162(m) of the Tax Code and are denominated in cash under which more than \$5,000,000 may be earned for each twelve (12) months in the performance period. Each of the limitations in this section shall be multiplied by two (2) with respect to awards granted to a recipient during the first calendar year in which the recipient commences employment with the Company and its Subsidiaries. In addition, no director, except the Chairman of the Board and any Vice Chairman of the Board, may be granted equity awards under the Plan with an aggregate grant date fair value in excess of \$300,000 in any calendar year, excluding any shares received in lieu of fees. If any award (or portion of an award) is cancelled, the shares subject to the cancellation will count toward these limits.

#### Awards

The Plan is broad-based and flexible, providing for awards to be made in the form of (a) restricted stock and restricted stock units, (b) incentive stock options, which are intended to qualify under Section 422 of the Tax Code, (c) non-qualified stock options, which are not intended to qualify under Section 422 of the Tax Code, (d) stock appreciation rights, (e) performance awards, (f) performance shares, (g) performance units or (f) other stock-based awards that relate to or serve a similar function to the awards described above. Awards may be made on a standalone, combination or tandem basis. Additional information about some of the awards is set forth below.

#### Restricted Common Stock Awards and Restricted Stock Units

Awards of Restricted Common Stock Awards and Restricted Stock Units. Awards of restricted common stock are shares of common stock awarded to the recipient, all or a portion of which are subject to a restriction period set by the Compensation Committee during which restriction period the recipient shall not be permitted to sell, transfer or pledge the restricted common stock. Restricted stock units are notional accounts that are valued solely by reference to shares of common stock, subject to a restriction period set by the Compensation Committee and payable in common stock, cash or a combination thereof. The restriction period for both restricted stock and restricted stock units may be based on period of service, which shall not be less than one (1) year, performance of the recipient or the Company, subsidiary, division or department for which the recipient is employed or such other factors as the Compensation Committee may determine.

Rights as a Stockholder. Subject to any restrictions set forth in the award agreement, a recipient of restricted common stock will possess all of the rights of a holder of common stock of the Company, including the right to vote and receive dividends. Cash dividends on the shares of common stock that are the subject of a restricted common stock award shall be paid in cash to the recipient and may be subject to forfeiture as set forth in the award agreement. The recipient of restricted stock units shall not have any of the rights of a stockholder of the Company; the Compensation Committee shall be entitled to specify with respect to any restricted stock unit award that upon the payment of a

dividend by the Company, the Company will hold in escrow an amount in cash equal to the dividend that would have been paid on the restricted stock units had they been converted into the same number of shares of common stock and held by the recipient on that date. Upon adjustment and vesting of the restricted stock unit, any cash payment due with respect to such dividends shall be made to the recipient.

Termination of Employment or Director Relationship. Generally, upon termination of employment or a director relationship for any reason during the restricted period, the recipient will forfeit the right to the shares of restricted common stock to the extent that the applicable restrictions have not lapsed at the time of such termination.

## Common Stock Options

**Types.** Common stock options may be granted under the Plan to directors in the form of nonqualified stock options and to employees in the form of incentive stock options or nonqualified stock options.

**Exercise Price.** The per share exercise price for shares underlying common stock options will be determined by the Compensation Committee, provided that the exercise price must be at least equal to 100% of the fair market value per share of common stock on the date of grant. In the case of an incentive stock option granted to an employee who, at the time of grant, owns more than 10% of the total combined voting power of all classes of stock of the Company, the per share exercise price must be at least equal to 110% of the fair market value per share of common stock on the date of grant.

**Term of Option; Vesting.** The term during which a common stock option may be exercised will be determined by the Compensation Committee, provided that no common stock option will be exercisable more than ten (10) years from the date of grant. In the case of an incentive stock option granted to an employee who, at the time of grant, owns more than 10% of the total combined voting power of all classes of stock of the Company or its subsidiaries, the term of such common stock option may not be more than five (5) years. The Compensation Committee has full authority, subject to the terms of the Plan, to determine the vesting period or limitation or waiting period with respect to any common stock option granted to a participant or the shares purchased upon exercise of such option; provided, however, that such vesting restriction or limitation or waiting period shall not be less than one (1) year. In addition, the Compensation Committee may, for any reason, accelerate the exercisability of any common stock option.

## Other Awards

**Stock Appreciation Rights.** The Compensation Committee may grant to an employee or a director a right to receive the excess of the fair market value of shares of the Company's common stock on the date the stock appreciation right is exercised over the fair market value of such shares on the date the stock appreciation right was granted. Such spread may, in the sole discretion of the Compensation Committee, be paid in cash or common stock or a combination of both.

**Performance Awards.** The Compensation Committee may grant performance awards to employees based on the performance of a recipient over a specified period. Such performance awards may be awarded contingent upon future performance of the Company or its affiliates or subsidiaries during that period. A performance award may be in the form of common stock (or cash in an amount equal to the fair market value thereof) or the right to receive an amount equal to the appreciation, if any, in the fair market value of common stock over a specified period. Performance awards may be paid, in the Compensation Committee's discretion, in cash or stock or some combination thereof. Each performance award will have a maximum value established by the Compensation Committee at the time the award is made. Unless otherwise provided in an award or by the Compensation Committee, performance awards terminate if the recipient does not remain an employee or director of the Company, or its affiliates or subsidiaries, at all times during the applicable performance period.

**Other Stock-Based Awards.** The Compensation Committee may, in its discretion, grant other stock-based awards that are related to or serve a similar function to the awards described above.

## Material Terms of Performance Goals for Qualified Performance-Based Compensation

Under section 162(m) of the Tax Code, in order for the Company to deduct compensation in excess of \$1,000,000 that is paid in any year to any "covered employee," such compensation must be treated as "qualified performance-based," within the meaning of section 162(m) of the Tax Code. A "covered employee" is defined under section 162(m) of the

Tax Code as a company's principal executive officer or any of such company's three other most highly compensated executive officers named in the proxy statement (other than the principal executive officer or principal financial officer). Section 7 of the Plan sets forth the procedures the Compensation Committee should follow to avoid the deductibility limitations of section 162(m) of the Tax Code when making long-term incentive performance awards under the Plan to current covered employees and employees whom the Compensation Committee anticipates may become covered employees between the time of grant and payment of the award. However, there can be no guarantee that amounts payable under the Plan will be treated as "qualified performance-based" compensation and the Company reserves the flexibility to pay nondeductible compensation when necessary to achieve our compensation objectives.

Among other things, in order for an award under Section 7 of the Plan to be treated as “qualified performance-based” compensation that is not subject to the \$1,000,000 cap, stockholder approval of the material terms of the performance goals is required at least every five (5) years. The material terms include the employees eligible to receive the compensation, a description of the performance criteria and the maximum amount of compensation that may be paid to any one employee. A description of the material terms for qualified performance-based compensation in the Plan follows.

**Employees Eligible to Receive Compensation.** A performance-based award under the Plan may be granted to employees (including officers) of the Company, its subsidiaries and affiliates. In addition, a performance-based award may be granted to a person who is offered employment by the Company or a subsidiary or affiliate of the Company, provided that such award shall be immediately forfeited if such person does not accept such offer of employment within an established time period.

**Performance Criteria.** When making an award under the Plan, the Compensation Committee may designate the award as “qualified performance-based compensation,” which means that performance criteria must be satisfied in order for an employee to be paid the award. Qualified performance-based compensation may be made in the form of restricted common stock, restricted stock units, common stock options, performance shares, performance units or other stock equivalents. Section 7 of the Plan includes the performance criteria the Compensation Committee has adopted, subject to stockholder approval, for a “qualified performance-based compensation” award, which shall consist of objective tests based on one or more of the following:

- earnings;
- operating profits (including measures of earnings before interest, taxes, depreciation and amortization, referred to in this proxy statement as “EBITDA”, or adjusted EBITDA);
- free cash flow or adjusted free cash flow;
- cash from operating activities;
- revenues;
- net income;
- financial return ratios;
- market performance;
- stockholder return and/or value;
- net profits, before or after tax;
- earnings per share;
- profit returns and margins;
- stock price;
- stock price compared to a peer group of companies;
- working capital;
- capital investments;
- returns on assets;
- returns on equity;
- returns on capital investments;
- selling, general and administrative expenses;
- discounted cash flows;
- productivity;
- expense targets;
- market share;
- cost control measures;
- strategic initiatives;
- changes between years or periods that are determined with respect to any of the above-listed performance criteria;

- net present value;
- sales volume;
- cash conversion costs;

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- leverage ratios;
- maintenance of liquidity;
- integration of acquired businesses;
- operational efficiencies, including Lean Six Sigma initiatives;
- regulatory compliance, including the Sarbanes-Oxley Act of 2002; and
- economic profit.

Performance criteria may be measured solely on a corporate, subsidiary or business unit basis, on specific capital projects or groups of projects or a combination thereof. Further, performance criteria may reflect absolute entity performance or a relative comparison of entity performance to the performance of one or more peer groups of entities or other external measure of the selected performance criteria. The measure for any such award may include or exclude items to retain the intents and purposes of specific objectives, such as losses from discontinued operations, extraordinary gains or losses, the cumulative effect of accounting changes, acquisitions or divestitures, foreign exchange impacts, acceleration of payments, costs of capital invested, discount factors, and any unusual or nonrecurring gain or loss. In order to qualify as performance-based under section 162(m) of the Tax Code, the performance criteria will be established before 25% of the performance period has elapsed and will not be subject to change (although future awards may be based on different performance criteria). The performance periods may extend over one to five calendar years, and may overlap one another.

#### Other Provisions

Termination, Amendment and Employee Retirement Income Security Act of 1974 (“ERISA”) Status. The Plan provides that the Board may generally amend, alter, suspend or terminate the Plan and the Compensation Committee may prospectively or retroactively amend any or all of the terms of awards granted under the Plan, so long as any such amendment does not impair the rights of any recipient without the recipient’s consent. Stockholder approval is required for any material Plan amendment or any amendment necessary to comply with the Tax Code or any other applicable laws or stock exchange requirements. The Plan is not subject to the provisions of ERISA.

Antidilution Provisions. Subject to any required action by the stockholders of the Company, the number of shares of common stock covered by each outstanding award (and the purchase or exercise price thereof), and the number of shares of Common Stock that have been authorized for issuance under the Plan, but as to which no awards have yet been granted (or which have been returned to the Plan upon cancellation or expiration of an award or the withholding of shares by the Company) will be proportionately adjusted to prevent dilution or enlargement of rights in the event of any stock split, stock dividend, combination or reclassification of the common stock or other relevant capitalization change.

Prohibition on Loans to Participants. The Company may not lend money to any participant under the Plan for the purpose of paying the exercise or base price associated with any award or for the purpose of paying any taxes associated with the exercise or vesting of an award.

Withholding Obligations. The Company may take such steps as are considered necessary or appropriate for the withholding of any federal, state, local or foreign taxes of any kind that the Company is required by any law or regulation of any governmental authority to withhold in connection with any award under the Plan, including, without limiting the generality of the foregoing, the withholding of all or any portion of any payment or the withholding of the issue of Common Stock to be issued under the Plan, until such time as the recipient has paid the Company for any amount the Company is required to withhold with respect to taxes. Unless otherwise determined by the Compensation Committee, withholding obligations may be settled with vested common stock, including vested common stock that is part of the award that gives rise to the withholding requirement. The Compensation Committee may establish such procedures as it deems appropriate, including the making of irrevocable elections, for the settlement of withholding obligations with vested common stock.



Annual Awards. The Company has not approved any awards that are conditioned on stockholder approval of the Plan proposal. The Company cannot currently determine the benefits or number of shares subject to awards that may be granted in the future to executive officers and employees under the Plan due to the discretionary nature of the Company's equity grant awards. The following table sets forth information regarding annual benefits under the Plan that would have been received by nonemployee directors, based on the closing price of our common stock on December 31, 2014, had the Plan been in place on January 2, 2015.

Group	Shares Granted
Nonemployee Directors (4 persons)	41,960

The following table provides the number of shares of common stock subject to equity award grants under the Former Plan, for the listed individuals and specified groups, during the year ended December 31, 2014:

Group	Shares Granted
Craig T. Bouchard	12,500
Kyle Ross	7,500
W. Christopher Manderson	7,500
Executive Officers (3 persons)	27,500
Employees, excluding Executive Officers (11 persons)	17,986

#### Potential Dilutive Impact of Plan

We are committed to effectively managing our employee equity compensation programs while minimizing stockholder dilution. For this reason, in administering our equity compensation program, we consider both our "burn rate" and our "overhang" in evaluating the impact of the program on our stockholders. We define "burn rate" as the number of equity awards granted during the year, divided by the weighted average number of shares of common stock outstanding during the period. The burn rate measures the potential dilutive effect of our equity grants. We define "overhang" as the number of full value awards granted (but not yet vested or issued) and stock options granted (but not yet exercised) divided by the number of shares of common stock outstanding at the end of the period.

**Burn Rate Analysis.** The Compensation Committee approved and recommended that the Board approve the Plan, which would increase the number of available shares of Common Stock by 1,600,000 to 1,881,739, based on its analysis that this amount will be sufficient to cover awards for at least three years depending on the price of our common stock at the time of actual grants. The Board subsequently approved the Plan, subject to approval by our stockholders. In setting the amount of shares subject to the Plan, the Compensation Committee and the Board considered the historical amounts of equity awards the Company has granted in the past three years. In fiscal years 2012, 2013, and 2014, the Company granted equity awards under the Former Plan representing approximately 4.0%, 2.7%, and 0.6% of weighted average common shares outstanding in each year, respectively. Using grants under the Former Plan, the Company calculated its three-year average equity share usage at 2.4% of weighted average common shares outstanding. The Compensation Committee intends to manage the Company's burn rate by continuing to review institutional investor guidelines and market practices, and, in connection with that, believes the 1,600,000 shares of Common Stock for which stockholder approval is being sought represents an appropriate increase at this time.

**Overhang Analysis.** In setting the amount of additional shares to be subject to the Plan, the Compensation Committee and the Board also considered the total amount of awards outstanding under existing grants. As of March 31, 2015, awards covering an aggregate of 1,141,502 shares of Common Stock were outstanding under the Former Plan (if the Plan is approved, the shares available for issuance under the Former Plan will be moved to the Plan and no new

awards will be made under the Former Plan). Accordingly, our outstanding awards and shares available for issuance under the Former Plan, consisting of approximately 1.4 million shares of Common Stock (commonly referred to as the “overhang”), represented approximately 5.0 % of our outstanding shares of common stock as of March 31, 2015, on a fully diluted basis. If stockholders approve the Plan, an additional 1.6 million shares will be available for future grants, which will bring the total overhang to approximately 10.1%, which we believe is within industry norms.

#### New Plan Benefits Table

The benefits under the Plan that will be received by or allocated to participants, other than nonemployee directors, are not currently determinable. Such awards are within the discretion of the Compensation Committee, and the Compensation Committee has not determined future awards or who might receive them. As evidenced by our reasonable burn rate and the fact that we have not sought to authorize and increase in common shares since July 24, 2012, the Compensation Committee and the Board have been judicious in granting such awards and have displayed a sensitivity to minimizing the impact of the potential dilution that such awards

could have on our stockholders. However, as the Plan does not contemplate the amount or timing of specific equity awards, it is not possible to calculate the amount of subsequent dilution that may ultimately result from such awards. Based on the foregoing, the Compensation Committee and the Board believe that the Plan, which represents an increase of 1,600,000 shares of common stock above the combined shares of common stock available as of March 31, 2015 under the Former Plan, is appropriate at this time. Information about awards granted in 2014 under the Former Plan to our named executive officers can be found in the table under the heading “Grants of Plan-Based Awards - 2014” in this proxy statement.

#### Criteria Relied Upon for Equity Award Grant Decisions

In making its decisions regarding equity award grants, the Compensation Committee generally considers the scope of the potential grantee’s responsibility at the Company, the relative internal value to the Company of the position, the potential grantee’s experience, past performance, and expected future contributions to the Company, the need to attract or retain the particular potential grantee, and, in the case of executive officers, peer group data provided by the Compensation Committee’s independent consultant. The Compensation Discussion and Analysis (“CD&A”), found on pages 34—41 of this Proxy Statement, describes in further detail the criteria and measures used by the Compensation Committee in making equity award grant determinations for our named executive officers in 2014. These determinations are in turn submitted by the Compensation Committee to the Board for ratification. The Compensation Committee and Board intend to continue to consider the Company’s equity expenditures in a manner that effectively attracts, retains, and motivates individuals to achieve long-term value creation in line with the interests of our stockholders.

#### Our Security Ownership Guidelines

Stockholders should also consider the Company’s security ownership guidelines that define ownership expectations for directors and certain executive officers. We believe that our directors and executive officers should have a significant financial stake in the Company to encourage alignment of their interests with those of our stockholders. Accordingly, we recently adopted security ownership guidelines for our directors and executive officers that is discussed more fully on page 39 of this Proxy Statement. The Company’s security ownership guidelines contemplate that nonemployee directors should own shares of common stock equal to at least five (5) times their annual cash compensation as a director, and that officers should hold Company securities equal in value to five (5) times base salary (for our Chief Executive Officer), three (3) times base salary (for Executive Vice Presidents), and one (1) times base salary (for Senior Vice Presidents). The Compensation Committee will annually review each officer’s progress toward meeting the stock ownership guidelines.

#### Certain Federal Income Tax Consequences

The following is a brief summary of the principal federal income tax consequences of the receipt of restricted common stock and restricted stock units, the grant and exercise of common stock options awarded under the Plan and the subsequent disposition of shares acquired upon such exercise and the receipt of certain other awards under the Plan. This summary is based upon the provisions of the Tax Code as in effect on the date of this proxy statement, current regulations adopted and proposed thereunder and existing judicial decisions, as well as administrative rulings and pronouncements of the Internal Revenue Service (all of which are subject to change, possibly with retroactive effect). This summary is not intended to be exhaustive and does not describe all federal, state or local tax laws. Furthermore, the general rules discussed below may vary, depending upon the personal circumstances of the individual holder. Accordingly, participants should consult a tax advisor to determine the income tax consequences of any particular transaction.

Taxation of Restricted Common Stock. In general, except in the case of an election under section 83(b) of the Tax Code, a participant will not incur any tax upon the grant of shares of stock which are subject to a substantial risk of forfeiture. However, when the restrictions lapse or the shares become freely transferable, the participant will recognize ordinary income equal to the fair market value of the applicable shares at such time, less the amount, if any, paid for such shares, unless the participant has made a section 83(b) election with respect to such shares or has elected to defer receipt of such shares, as discussed below.

If a participant makes a section 83(b) election within 30 days of a grant of restricted common stock, the participant will recognize ordinary income at the time of grant in an amount equal to the difference between the fair market value of the restricted shares on the grant date and the amount, if any, paid for such restricted shares. If the participant makes such an election, he or she will not recognize any further income with respect to such shares solely as a result of a later lapse of the restrictions.

If a participant holds the restricted common stock as a capital asset after the earlier of either (1) the vesting of such restricted common stock or (2) the making of a timely section 83(b) election with respect to such restricted common stock, any subsequent gain or loss will be taxable as long-term or short-term capital gain or loss, depending upon the holding period. For this purpose, the basis in the restricted common stock generally will be equal to the sum of the amount (if any) paid for the restricted common stock and the

amount included in ordinary income as a result of the vesting event or section 83(b) election, as applicable; provided, however, that, if a participant forfeits restricted common stock with respect to which a section 83(b) election was made prior to vesting, the participant's capital loss is limited to the amount (if any) paid for such restricted common stock.

In general, at the time a participant recognizes ordinary income with respect to the restricted common stock, the Company will be entitled to a deduction in an amount equal to the ordinary income recognized by the participant, which deduction may be limited by section 162(m) of the Tax Code.

**Taxation of Restricted Stock Units; Stock Appreciation Rights; Performance Shares and Performance Units.** In general, a participant will not incur any tax upon the grant of either restricted stock units, stock appreciation rights, performance shares or performance units. However, when the restrictions lapse, the participant will recognize ordinary income in an amount equal to the sum of the cash and the fair market value of any property received.

**Taxation of Non-Qualified Stock Options.** In general, a participant will not recognize any income upon the grant of a non-qualified stock option. Upon the exercise of a non-qualified stock option, however, a participant generally will recognize ordinary income in an amount equal to the excess of the fair market value of the non-qualified option stock on the date of exercise over the exercise price (i.e., the "spread") and the Company will be entitled to a deduction in an equal amount, which may be limited by section 162(m) of the Tax Code.

Upon subsequent sales of shares obtained through the exercise of non-qualified stock options, the participant may realize short-term or long-term capital gain or loss, depending upon the holding period of the shares, if such shares constitute capital assets in the participant's hands. The gain or loss will be measured by the difference between the sales price and the tax basis of the shares sold. The tax basis for this purpose generally will be fair market value of the shares on the date of exercise.

**Taxation of Incentive Stock Options.** A participant who is granted an incentive stock option does not recognize taxable income at the time the option is granted or upon its exercise, although the exercise is an adjustment item for alternative minimum tax purposes and may subject the participant to alternative minimum tax. If the shares acquired upon exercise are sold after the expiration of two years from the grant of the option and one year after exercise of the option, any gain or loss is treated as long-term capital gain or loss. If these holding periods are not satisfied, the participant recognizes ordinary income at the time of disposition equal to the difference between the exercise price and the lower of (1) the fair market value of the shares at the date of the option exercise or (2) the sale price of the shares. Any gain or loss recognized on such a premature disposition of the shares in excess of the amount treated as ordinary income is treated as long-term or short-term capital gain or loss, depending on the holding period. Unless limited by section 162(m) of the Tax Code, the Company is generally entitled to a deduction in the same amount as the ordinary income recognized by the participant.

**Taxation of Other Stock Based Awards.** Other awards may be granted under the Plan. Since the amount, character and timing of income recognized in connection with such awards will vary depending upon the specific terms and conditions of such awards, no information regarding the tax consequences of the receipt of such awards may be provided at this time.

**Tax Withholding.** The obligations of the Company under the Plan are conditioned upon proper arrangements being in place with participants in the Plan for the payment of withholding tax obligations. Unless otherwise determined by the Compensation Committee, withholding tax obligations may be settled with shares of common stock, including shares that are part of the award that gives rise to the withholding obligation.

In light of the factors described above, including the limited increase in the total number of shares of common stock available for issuance as future equity awards, and the fact that the Company has not sought an increase in shares of common stock available for issuance as equity awards since July 24, 2012, the Compensation Committee believes that the ability to grant equity compensation is vital to the Company's ability to continue to attract, motivate, reward, and retain individuals.

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The inclusion of certain information in this Proxy should not be regarded as an indication that the assumptions used to determine the number of additional shares will be predictive of actual future equity grants. These assumptions are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995, as amended. These statements involve known and unknown risks, uncertainties,

assumptions and other factors which may cause our actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements, including our ability to attract and retain talent, achievement of performance metrics with respect to certain equity-based awards, and others described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and our other filings with the SEC.

#### Vote Required

This proposal will be approved if the votes cast for the proposal exceed the votes cast against it. Shares associated with abstentions and broker non-votes will not be counted as votes cast and, therefore, will not have an effect on this proposal. Further, the failure to vote, either by proxy or in person, will not have an effect on this proposal, assuming the quorum requirements for the Annual Meeting have been met. Unless instructions to the contrary are specified, the proxy holders will vote the proxies received by them "FOR" this proposal.

#### Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE ADOPTION OF THE PLAN.

## PROPOSAL 5: ADVISORY VOTE REGARDING EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act added Section 14A to the Exchange Act, which requires that we provide stockholders with the opportunity to vote to approve, on an advisory basis, the compensation of our named executive officers. Commonly known as a “say-on-pay” vote, this proposal gives our stockholders the opportunity to express their views on our executive compensation policies and programs and the compensation paid to the named executive officers.

The Company’s current policy, upon the recommendation of our stockholders, is to provide stockholders with an opportunity to approve, on an advisory basis, the compensation of the named executive officers each year at the annual meeting of stockholders. Therefore, it is expected that the next such vote will occur at the 2016 annual meeting of stockholders.

In the CD&A section of this proxy statement, we describe how the Company, the Compensation Committee and the Board view basic compensation, bonus, equity opportunities and goals of our named executive officers. We are asking our stockholders to indicate their support for the compensation of our named executive officers as described in this proxy statement by approving the following resolution at the Annual Meeting:

“RESOLVED, that the Company’s stockholders approve, on an advisory basis, the compensation paid to the named executive officers, as disclosed in the Company’s proxy statement for the 2015 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation tables and accompanying narrative disclosure.”

The Board of Directors recommends a vote “FOR” approval of the advisory resolution because it believes that the Company’s executive compensation policies and practices are effective in achieving the Company’s goals of rewarding sustained financial and operating performance, aligning the executives’ interests with those of the stockholders, and attracting, retaining, motivating and rewarding highly talented executives. We strongly encourage stockholders to read “Executive Compensation and Other Information,” “Compensation Committee,” and the CD&A section in this proxy statement, including the tabular and narrative disclosure regarding executive compensation, for details about our executive compensation policies and programs and information about the 2014 compensation of our named executive officers.

The vote on this proposal is advisory and therefore not binding on the Company, the Board of Directors or the Compensation Committee. However, the Board of Directors and the Compensation Committee will review and consider the voting results in future decisions regarding executive compensation.

### Vote Required

This proposal will be approved if the votes cast for the proposal exceed the votes cast against it. Shares associated with abstentions and broker non-votes will not be counted as votes cast and, therefore, will not have an effect on this proposal. Further, the failure to vote, either by proxy or in person, will not have an effect on this proposal, assuming the quorum requirements for the Annual Meeting have been met. Unless instructions to the contrary are specified, the proxy holders will vote the proxies received by them “FOR” this proposal.

### Recommendation of the Board of Directors

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE ADVISORY RESOLUTION APPROVING THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.**



## PROPOSAL 6: ADJOURNMENT OF THE ANNUAL MEETING

In the event there are not sufficient votes at the time of the Annual Meeting to approve Proposal 2 and/or Proposal 4, our Board may propose to adjourn the Annual Meeting to a later date or dates in order to permit the solicitation of additional proxies. Pursuant to the DGCL, the Board is not required to fix a new record date to determine the stockholders entitled to vote at the adjourned meeting. If the Board does not fix a new record date, it is not necessary to give any notice of the time and place of the adjourned meeting other than an announcement at the meeting at which the adjournment is taken unless the adjournment is for more than 60 days. If a new record date is fixed, notice of the adjourned meeting will be given as in the case of an original meeting.

In order to permit proxies that have been received by us at the time of the Annual Meeting to be voted for an adjournment, if necessary, we have submitted this proposal to you as a separate matter for your consideration (the "Adjournment Proposal"). If approved, the Adjournment Proposal will authorize the holder of any proxy solicited by our Board to vote in favor of adjourning the Annual Meeting and any later adjournments. If our stockholders approve this Adjournment Proposal, we could adjourn the Annual Meeting, and any adjourned session of the Annual Meeting, to use the additional time to solicit additional proxies in favor of Proposal 2 and/or Proposal 4, including the solicitation of proxies from our stockholders who have previously voted against these proposals. Among other things, approval of the Adjournment Proposal could mean that, even if proxies representing a sufficient number of votes against Proposal 2 and/or Proposal 4, have been received, we could adjourn the Annual Meeting without a vote on the proposal and seek to convince the holders of those shares to change their votes to votes in favor of Proposal 2 and/or Proposal 4.

### Vote Required

This proposal will be approved if the votes cast for the proposal exceed the votes cast against it. Abstentions and broker non-votes will not be counted as votes cast and, therefore, will not have an effect on this proposal. Further, the failure to vote, either by proxy or in person, will not have an effect on this proposal, assuming the quorum requirements for the Annual Meeting have been met. Unless instructions to the contrary are specified, the proxy holders will vote the proxies received by them "FOR" this proposal.

### Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ADJOURNMENT OF THE ANNUAL MEETING TO A LATER DATE OR DATES, IF NECESSARY, TO PERMIT FURTHER SOLICITATION OF PROXIES IF THERE ARE NOT SUFFICIENT VOTES AT THE TIME OF THE ANNUAL MEETING TO APPROVE PROPOSAL 2 AND/OR PROPOSAL 4.

## CORPORATE GOVERNANCE AND BOARD MATTERS

### Director Independence

Based on information supplied to it by the directors in April 2015, the Board determined that each of Messrs. Bynoe, Deconinck, Hall, Lamb, Maheshwari and Tinkler were “independent” under both the rules of the New York Stock Exchange and the NASDAQ Stock Market. The Board made such determinations based on the fact that such directors have not had, and currently do not have, any material relationship with the Company or its affiliates or any executive officer of the Company or their affiliates that would impair their independence, including, without limitation, any commercial, industrial, banking, consulting, legal, accounting, charitable or familial relationship. In addition, the Board considered any business relationships that the directors may have outside of the Company, including those described herein, and determined that such relationships would not impair their independence.

### Meetings and Committees of the Board

At the beginning of 2014, the Board of Directors had three standing committees: the Audit Committee, the Nominating and Governance Committee and the Compensation Committee.

During 2014, the Board of Directors and the various committees of the Board held the following number of meetings: Board of Directors—39; Audit Committee—4; Compensation Committee—3; and Nominating and Governance Committee—3. During 2014, no director attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings of any committees of the Board held while such director was serving on the Board or such committee. Each of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee has a written charter that is reviewed annually and revised as appropriate. A copy of each committee’s charter is available on the “Governance” page of our corporate website at [signaturegroupholdings.com](http://signaturegroupholdings.com) or a copy may be obtained without charge upon request by writing to the following address: Corporate Secretary, Signature Group Holdings, Inc., 15301 Ventura Boulevard, Suite 400, Sherman Oaks, California 91403.

### Audit Committee

The Audit Committee assists the Board in monitoring: (a) the integrity of the Company’s financial statements and the Company’s accounting and financial reporting processes; (b) the qualifications and independence of the Company’s independent registered public accounting firm; (c) the engagement and performance of the Company’s independent registered public accounting firm; (d) the Company’s systems of disclosure controls and procedures, internal control over financial reporting, and compliance with ethical standards adopted by the Company; and (e) the Company’s compliance with legal and regulatory requirements. The Audit Committee evaluates the performance of the Company’s independent registered public accounting firm, and makes decisions regarding the selection, retention and, where appropriate, the replacement of, the Company’s independent registered public accounting firm. As noted in Proposal 2 of this Annual Meeting, on March 16, 2015, the Audit Committee recommended and the Board approved the replacement of Squar Milner with E&Y as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2015. The Audit Committee also reviews with management and the Company’s independent registered public accounting firm the Company’s interim and annual consolidated financial statements and internal control over financial reporting and discusses with management and the Company’s independent registered public accounting firm any significant accounting, internal control or reporting issues and conformance of the Company’s consolidated financial statements with applicable accounting and regulatory requirements. The Audit Committee is responsible for recommending to the Board of Directors whether the Company’s audited consolidated financial statements should be included in the Company’s annual report on Form 10-K and is responsible for the oversight of the creation and implementation of corporate risk policies and procedures.

The current members of the Audit Committee are Messrs. Lamb (Chairman), Bynoe and Tinkler. Mr. Bynoe joined the committee in April 2014, replacing Mr. Maheshwari who served on the committee until April 2014. Each of Messrs. Lamb, Bynoe and Tinkler is, and Mr. Maheshwari was during his time of service as a member of the committee, “independent” under the rules of the New York Stock Exchange, the NASDAQ Stock Market and Rule 10A-3 under the Exchange Act. The Board determined that each of Messrs. Lamb and Tinkler satisfies the criteria for classification as an “audit committee financial expert” as set forth in the applicable rules of the Commission.

In 2014 and thru March 15, 2015, the Audit Committee met with management and the Company’s registered independent public accounting firm, Squar Milner, to make inquiries regarding the manner in which the responsibilities of each were being discharged and to report their findings to the Board. The Audit Committee also met separately with Squar Milner, without management present. The Audit Committee was primarily concerned with the integrity of the Company’s consolidated financial statements, compliance with legal and regulatory requirements and the independence and performance of Squar Milner.

## Nominating and Governance Committee

The current members of the Nominating and Governance Committee are Messrs. Tinkler (Chairman), Maheshwari and Lamb. The Board determined that all members of the Nominating and Governance Committee were nonemployee, independent directors within the meaning of Rule 16b-3 under the Exchange Act.

The Nominating and Governance Committee assists the Board in: (a) identifying individuals qualified to become members of the Board and its committees, and recommends individuals to the Board for nomination as members of the Board and its committees; (b) evaluating and recommending to the Board the composition and compensation of the Board and its committees; and (c) developing and recommending to the Board a set of corporate governance principles applicable to the Company. The Nominating and Governance Committee also oversees the evaluation process of the Board and management.

The Nominating and Governance Committee will consider all qualified director candidates identified by members of the Nominating and Governance Committee, by senior management and, as described below, by stockholders. However, the Nominating and Governance Committee has not, at this time, put in place a formal policy with regard to procedures to identify such candidates. The Board believes that it is appropriate for the Company not to have a specific policy because stockholders are always free to submit recommendations for Board candidates, simply by following the procedures described below.

In nominating candidates, the Nominating and Governance Committee takes into consideration such factors as a candidate's experience with businesses and other organizations of comparable size, their judgment, skill, diversity, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. The minimum qualifications and attributes that the Nominating and Governance Committee will consider necessary for a director nominee include: the ability to apply good business judgment, the ability to exercise his or her duties of loyalty and care, proven leadership skills, diversity of experience, high integrity and ethics, the ability to understand principles of business and finance and familiarity with issues affecting the Company's businesses.

The Nominating and Governance Committee will consider director candidates recommended by stockholders, provided the recommendations are timely and include certain specified information. To be timely, the recommendation must be received by the Company's Secretary within the time period prescribed for stockholder proposals. (See "What is the deadline for submitting proposals for next year's annual meeting or to nominate individuals to serve as directors?" on page 8.) The Nominating and Governance Committee does not intend to alter the manner in which it evaluates candidates, including the criteria set forth above, based on whether the candidate was recommended by a stockholder or not.

The Nominating and Governance Committee has the authority to retain and/or replace, as needed, such experts, advisors or consultants as it believes to be necessary or appropriate. In connection with the Nominating and Governance Committee's review of the compensation of the Board's nonemployee directors and committee members, in 2014, the Nominating and Governance Committee retained Frederic W. Cook & Co., Inc. ("FWC"), an independent compensation consulting firm, to assist in the review of the Company's nonemployee director compensation. FWC reports directly to the Nominating and Governance Committee and except as described below under Compensation Committee, does not provide any other services, beyond compensation consulting, to the Company. The services of Pearl Meyer & Partners ("PM&P"), an independent compensation consultant, were retained by Nominating and Governance Committee in December 2013, to assist in the review of the Company's nonemployee director compensation and executive compensation. Such services have been terminated and PM&P provided no other services to the Company.

## Compensation Committee

The current members of the Compensation Committee are Messrs. Bynoe (Chairman), Maheshwari and Tinkler. The Board determined that all members of the Compensation Committee were nonemployee independent directors, within the meaning of Rule 16b-3 under the Exchange Act, and each are considered “outside directors” for purposes of section 162(m) of the Tax Code.

The primary responsibilities of the Compensation Committee include reviewing and making recommendations to the Board with respect to awards and other contractual arrangements for the named executive officers and management’s proposals regarding the Company’s various compensation programs, and administering the Company’s long-term or equity-based incentive plans. The Compensation Committee conducts an annual performance review of the Chief Executive Officer and approves compensation and stock grants to senior executives. In addition, the committee also periodically evaluates and, at least annually, recommends to the Board the compensation of executive officers.

The Compensation Committee has the authority to retain and/or replace, as needed, any compensation and benefits consultants, independent counsel or other outside experts, advisors or consultants as the committee believes to be necessary or appropriate. In addition, the Compensation Committee may delegate any or all of its responsibilities to a subcommittee of the committee, to the extent consistent with the Company's certificate of incorporation, bylaws and other rules and regulations.

In 2014, the Compensation Committee retained FWC to assist in the review of the Company's executive compensation. FWC reports directly to the Compensation Committee and, except as described above under "Nominating and Governance Committee," does not provide any other services, beyond compensation consulting, to the Company. In 2014, the Compensation Committee considered and assessed all relevant factors that could give rise to a potential conflict of interest with respect to FWC's work and FWC has confirmed its independence to the Committee in writing. Based on this review and FWC's confirmation, we are not aware of any conflict of interest of FWC.

#### Code of Ethics for Senior Financial Officers

We maintain a Code of Ethics for Senior Financial Officers, which is our code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, controller and other persons performing similar functions. The code of ethics is posted on our corporate website at [signaturegroupholdings.com](http://signaturegroupholdings.com). A copy may also be obtained without charge upon request by writing to the following address: Corporate Secretary, Signature Group Holdings, Inc., 15301 Ventura Boulevard, Suite 400, Sherman Oaks, California 91403. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of our code of ethics by posting the required information on our website, at the Internet address and location specified above. In addition, the Company has a code of conduct that applies to all employees and directors.

#### Board of Directors Leadership Structure

Our Board of Directors has no fixed policy with respect to the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer. Our Board retains the discretion to make this determination on a case-by-case basis from time to time as it deems to be in the best interests of the Company and our stockholders at any given time. Currently, the Chairman of the Board also serves as the Chief Executive Officer of the Company, and the Board believes this is the best structure to fit the Company's present needs.

The Board does not have a separate lead independent director, but all of the independent directors of the Company are actively involved in decision-making by the Board. The Board has determined that the current structure is appropriate for the Company and enhances the Company's ability to execute its business and strategic plans, while maintaining strong independence over Board decisions and oversight through the involvement and participation of the independent directors.

#### Board of Directors Risk Oversight

The understanding, identification and management of risk are essential elements for the successful management of our Company. The entire Board is responsible for oversight of the Company's risk management processes. The Board delegates many of these functions to the Audit Committee. Under its charter, the Audit Committee is responsible for monitoring business risk practices and legal and ethical programs. In this way, the Audit Committee helps the Board fulfill its risk oversight responsibilities relating to the Company's financial statements, financial reporting process and regulatory requirements. The Audit Committee also oversees our corporate compliance programs, as well as the internal audit function. In addition to the Audit Committee's work in overseeing risk management, our full Board regularly engages in discussions of the most significant risks that the Company is facing and how these risks are being managed, and the Board receives reports on risk management from senior officers of the Company and from the

Chairman of the Audit Committee. The Board receives periodic assessments from the Company's ongoing enterprise risk management process that are designed to identify potential events that may affect the achievement of the Company's objectives. In addition, our Board and its standing committees periodically request supplemental information or reports as they deem appropriate.

#### Annual Meeting Attendance

We do not have a formal policy regarding attendance by members of our Board of Directors at annual meetings of our stockholders; however, directors are encouraged to attend all such meetings. All of our then-current directors attended our 2014 annual meeting of stockholders.

## Director Compensation

The following table sets forth information regarding total compensation paid to each director in respect of his service on the Board in 2014, excluding Mr. Bouchard, whose service on the Board was always concurrent with service as an executive officer during 2014. Messrs. Deconinck and Hall did not serve on the Board in 2014.

Name	Fees Earned or Paid in Cash	Stock Awards <sup>(1)</sup>
Current Directors <sup>(2)</sup> :		
Peter C.B. Bynoe	\$25,000	\$75,003
Patrick E. Lamb	45,000	75,003
Raj Maheshwari	25,000	75,003
Philip G. Tinkler	25,000	75,003

<sup>(1)</sup> The dollar amounts shown represent the aggregate grant date fair value of restricted common stock awards granted, determined in accordance with Financial Accounting Standards Board Accounting Standards Codification 718, Compensation—Stock Compensation (“ASC 718”). For additional information about equity grants, see Note 12—Share-based Payments and Employee Benefits in the Notes to Consolidated Financial Statements included in Part IV, Item 15 of our Annual Report.

<sup>(2)</sup> As of December 31, 2014, the independent directors held the following number of shares of restricted common stock, all of which vested on January 1, 2015: Mr. Bynoe—6,977; Mr. Lamb—6,977; Mr. Maheshwari—6,977; and Mr. Tinkler—6,977.

Each independent member of the Board receives annual compensation of \$100,000, comprised of \$25,000 in cash, payable in advance in quarterly installments, and \$75,000 in shares of restricted common stock, issued annually in advance on the first business day of each calendar year. In each case, the per share value of the restricted common stock is determined on the basis of the closing price on the last business day of the immediately preceding year. The restricted common stock vests on the first day of the year following the grant, but will vest immediately in the event of a change in control, death or disability of a director, or in the event a member is not re-elected to the Board or is not nominated for election to the Board by the Company after indicating a willingness to serve. In addition, independent members of the Board are entitled to annual supplements (payable in advance in quarterly installments) as follows: Chairman of the Board—\$25,000; and Audit Committee Chair—\$20,000. No additional amounts are paid for attending meetings of the Board or any committee of the Board. From time to time, the Board approves additional fees for independent directors for significant additional work on behalf of the Board or its committees.

## EXECUTIVE OFFICERS, COMPENSATION AND OTHER INFORMATION

## Executive Officers

Set forth below is information concerning the executive officers of Signature as of December 31, 2014. All executive officers of Signature serve at the discretion of the Board. There are no family relationships among any of our directors or executive officers.

Craig T. Bouchard (Age 61): Mr. Bouchard has served as the Chairman of the Board and Chief Executive Officer of Signature since June 2013. For the rest of Mr. Bouchard’s biographical information, please refer to “Background

Information on Director Nominees” on page 10 above.

Kyle Ross (Age 38): Mr. Ross has served as the Executive Vice President and Assistant Secretary of Signature since June 2010, and as the Chief Financial Officer of Signature since March 2011. Mr. Ross was part of the management team that sponsored the Company’s predecessor entity, Fremont General Corporation’s (“Fremont”) reorganization process. Prior to participating in the Fremont bankruptcy, Mr. Ross was a co-founder of Signature Capital Partners, LLC, a special situations investment firm formed in 2004. Mr. Ross was directly involved in all of Signature Capital’s investment activity, including playing active roles in structuring, underwriting, overseeing portfolio companies, and managing the exit of transactions. Mr. Ross previously spent over four years with the investment banking firm Murphy Noell Capital where he was directly involved in more than 20 transactions, including both healthy and distressed mergers and acquisitions, capital raises, and debt restructurings. He was also responsible for managing the firm’s analyst and associate staff. Mr. Ross holds a Bachelor of Science degree and a Bachelor of Arts degree from the Haas School of Business and the College of Letters and Science, respectively, at the University of California, Berkeley.

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W. Christopher Manderson (Age 45): Mr. Manderson has served as our Executive Vice President, General Counsel and Secretary since November 2012. Prior to joining the Company, Mr. Manderson founded Manderson, Schafer & McKinlay LLP, a law firm specializing in business and transactional law, in February 2009. From 2009 to 2010, Mr. Manderson and his firm represented Signature Group Holdings, LLC as the successful plan proponent against four competing plans of reorganization in the bankruptcy of Fremont. Mr. Manderson also represented the Company in its July 2011 acquisition of North American Breaker Co., Inc. Prior to that, he worked as a corporate lawyer, specializing in mergers and acquisitions and corporate law, at international law firms including Paul, Hastings, Janofsky & Walker LLP and Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Manderson holds a Bachelor of Arts degree from University of California, Santa Barbara and a Juris Doctor degree from the UCLA School of Law.

## STOCK PERFORMANCE GRAPH

The following Stock Price Performance Graph includes comparisons required by the Commission. The graph does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Signature filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.

The graph below compares cumulative total return (i.e., change in stock price plus reinvestment of dividends of Signature common stock) measured against the five-year cumulative total return of the Russell 2000 Index™ and the S&P 600 Materials Index™ from 2010 through 2014. The stock price performance shown in this graph is not necessarily indicative of, and not intended to suggest future stock price performance.

Comparison of Five-Year Total Returns Among

Signature Group Holdings, Inc., the Russell 200 Index and

the S&P 600 Materials Index

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### Introduction

This CD&A is designed to provide stockholders with an understanding of our compensation program and to discuss the compensation earned for 2014 by our named executive officers. Our Compensation Committee (the “Committee”) oversees our executive compensation program. The Committee reviews and establishes the compensation for our executive officers and is responsible for administering and awarding equity grants under our existing stock incentive plans.

Our 2014 executive compensation program:

- Aligns the interests of our executives with those of our stockholders through long-term stock-based awards and cash payouts linked to Company performance; and
- Reflected the transitional nature of the Company in 2014 with compensation directly tied to our success in transforming the Company.

#### 2014 Key Business Highlights and Compensation Actions

Compensation for 2014 was primarily driven by our success in the following:

- entering into a definitive agreement for the Real Alloy Acquisition with Aleris Corporation for \$525 million;
- implementing a creative financing structure involving secured and unsecured debt, common stock offerings and a stapled rights offering of common stock to existing stockholders to fund the Real Alloy Acquisition; and
- positioning our transformation from a wholesale distributor with annual revenues of approximately \$42 million into a global recycling and specification alloys company with annual revenues that we expect to be in the range of \$1.5 billion.

Accordingly, our compensation actions in 2014 were based upon and in response to these transformative transactions. We expect that the core elements of our executive compensation program in the future will incentivize the profitable operation of Real Alloy, support our ongoing acquisition strategy and encourage the creation of stockholder value. The Committee is also committed to continued improvement in response to executive compensation trends and regulatory developments.

#### Named Executive Officers

For 2014, our named executive officers were:

- Craig T. Bouchard, Chairman of the Board and Chief Executive Officer;
- Kyle Ross, Executive Vice President and Chief Financial Officer; and
- W. Christopher Manderson, Executive Vice President, General Counsel and Secretary.

#### Our Philosophy on Executive Compensation

Our compensation for 2014 reflected the transitional nature of our business and our efforts to acquire Real Alloy and to position us to use our significant net operating loss tax carryforwards (“NOLs”) with base compensation and bonus consistent with these goals. Going forward, we intend to design a compensation program to enable the Company and its subsidiaries to provide competitive compensation packages that attract, retain and motivate talented executives and managers to operate their businesses and identify and acquire additional businesses while aligning management’s and stockholders’ interests in the enhancement of Company performance and stockholder value.

Our compensation programs are generally structured to provide a balance of both cash and equity compensation elements and beginning in 2015 will involve multiple elements to deliver a total package including cash and equity compensation components. In addition, the Committee has and will retain discretion to make adjustments necessary to balance the overall performance of the Company and the individual performance of our executive officers such that we maintain a “pay-for-performance” philosophy.

Due to the relatively short tenure of our named executive officers, we do not currently consider the size of previous equity-based grants and current equity holdings in current compensation decisions. The Committee does expect over time to begin to review tally sheets showing cumulative wealth associated with prior awards as it considers future grants when making long-term incentive award decisions and overall compensation decisions. The Committee generally applies its compensation philosophy and policies consistently in determining the compensation of each of our senior executives, while being mindful of individual differences such as experience, level of responsibility, potential contributions to future growth opportunities and individual performance, as well as the practical implications of arms-length negotiations at the time each executive is hired or promoted. Greater relative percentages of

potential compensation are at risk for the most senior officers to reflect their respective areas and levels of responsibility for the Company's performance.

#### Consideration of Say-on-Pay Results

At the Company's annual meeting of stockholders held in April 2014, approximately 94% of the votes cast on the advisory vote to approve the compensation of our named executive officers were voted in favor of the proposal. The Committee believes this affirms our stockholders' support for the Company's approach to executive compensation and therefore we have not implemented any changes to our executive compensation program as a direct result of the advisory vote.

#### Our Process for Executive Compensation

The Committee oversees our executive compensation program. Each Committee member is an independent nonemployee director and qualifies as an "outside director" under Section 162(m) of the Tax Code. The Committee develops and recommends to the Board the overall compensation package for our Chief Executive Officer and, with the additional assistance of our Chief Executive Officer, for each of our other executive officers. Our Chief Executive Officer does not participate in determining his compensation. Although objective criteria may be used, the Committee retains final discretion in determining the compensation of our executive officers. In general, the Committee makes its final determination of both annual incentive awards and awards earned based on long-term performance in the first quarter following the end of each performance period.

In implementing and administering the Company's compensation philosophy, the Committee, in consultation with its independent executive compensation consultants, regularly:

- Reviews market data to assess the competitiveness of the Company's compensation policies;
- Evaluates the Company's compensation policies compared to its peers and in the context of broader industry surveys;
- Reviews the Company's performance against the Company's plans and budgets and considers the degree of attainment of performance goals and objectives; and
- Reviews the individual performance of each executive officer.

As a general practice, the Committee makes significant decisions over multiple meetings, discussing conceptual matters, reviewing preliminary recommendations, reviewing final recommendations and reviewing advice of independent executive compensation and legal advisors before acting. The Committee also holds special meetings as necessary in order to perform its duties.

#### Benchmarking Executive Compensation

Our philosophy emphasizes "pay for performance" with competitive objectives for executive pay, while being mindful of individual differences such as tenure and performance, as well as the practical implications of pay, on occasion, being the product of an arms-length negotiation at the time an executive is hired or promoted. In December 2013, the Committee engaged Pearl Meyer & Partners ("PM&P") to conduct a competitive review of our executive compensation program. Due to our holding company structure and strategy, with the objective to acquire other businesses to take advantage of significant NOLs, development of a relevant peer group of similarly-situated publicly-traded companies was challenging, due to the following:

- our financial characteristics, including significant NOLs, were difficult to match in a competitive marketplace; and
- the Company's revenues in 2014 were relatively low compared to the expected future revenues following implementation of its business acquisition strategy.

We initially referenced a peer group of approximately 20 businesses, but refined the analysis to the following eight publicly traded companies that more-closely resembled our near-term growth expectation for the Company. The following peer group had average annual revenues centered in the range of \$325 million, and involved multi-sector holdings in the businesses of (i) asset management and custody banks and (ii) specialized finance:

American Capital Ltd.	JMP Group Inc.
Blucora, Inc.	NewStar Financial Inc.
Griffon Corp.	PICO Holdings Inc.
HFF Inc.	Triangle Capital Corp.

Given the limited size of the applicable peer group, we also examined broader industry surveys of publicly traded companies with annual revenues in the range of \$600 million, where the Company had initially projected 2014 revenues to be following implementation of its business acquisition strategy.

However, due to the substantial differences between the peer group companies and the transformative nature of the Real Alloy Acquisition pursued by the Company during 2014, the Committee's ultimate decisions on compensation for 2014 reflected the actual performance of entering into a definitive purchase agreement to acquire Real Alloy for \$525 million and arranging financing from multiple sources, including (1) an asset-backed secured financing arrangement, (2) a high-yield debt issuance, (3) common stock offerings, and (4) a stapled rights offering of common stock to existing stockholders, in order to position the Company to consummate the Real Alloy Acquisition in the first quarter of 2015. Accordingly, compensation decisions for 2014 were not based on the December 2013 compensation review, and instead were predicated on the success of these transformative transactions.

As a result of the transformative nature of the sale of the legacy North American Breaker Co. ("NABCO") business, de-emphasizing the specialty finance business, and the consummation of the Real Alloy Acquisition to the business conducted by the Company going forward, the Compensation Committee is in the process of evaluating and developing a new peer group to assist the Company in establishing appropriate compensation levels and components for 2015.

Beginning in 2015 we intend to design our incentive plans to provide the Committee with the flexibility to reward outstanding performance significantly above the targeted range in the case of outstanding performance; conversely, when performance is below expectations, our plans will be designed to deliver compensation that is below the targeted range and to allow the Committee the discretion to reduce or eliminate certain compensation elements.

#### Role of the Chief Executive Officer

As part of its review and determination of the Company's compensation objectives, philosophy, programs and decisions, the Committee works with and receives advice and recommendations from our Chief Executive Officer (other than with respect to his own compensation). The Committee's charter provides that our Chief Executive Officer may attend meetings at which the compensation of other named executive officers is under review and consideration. In this capacity, the Chief Executive Officer may take the following actions:

- Work with the Committee regarding the approval of all general compensation plans and policies, including pension, savings, incentive and equity-based plans;
- Review and determine the respective corporate and individual goals and objectives for the other named executive officers relevant to their compensation;
- Provide the Committee with an evaluation of the performance of the other named executive officers in light of their respective corporate and individual goals and objectives; and
- Recommend to the Committee the compensation levels of the other named executive officers.

The Committee considers the recommendations of our Chief Executive Officer, together with the review by its independent compensation consultant, in making independent determinations regarding executive compensation.

Our Chief Executive Officer attends all Committee meetings, other than those portions that are held in executive session, and he is not present during voting or deliberations on matters involving his compensation in accordance with the Committee's charter.

#### Role of Compensation Committee Consultants

The Committee has authority under its charter to retain its own advisers, including compensation consultants. To assist in its review and oversight of our executive compensation program in late 2013, the Compensation Committee engaged PM&P as its independent compensation consultant. The Committee consulted with PM&P throughout 2014 and representatives from PM&P attended certain Committee meetings at the Committee's request. PM&P advised the Committee in connection with developing the peer group and industry survey used in the December 2013 competitive review and in establishing initial compensation levels for 2014 and equity awards granted in 2014 for 2013 performance. In compliance with SEC rules, the Committee assessed the independence of PM&P and concluded that no conflict of interest existed that prevented PM&P from independently representing the Committee. PM&P did not provide any services to the Company in 2014 other than the services provided directly to the Committee and the Nominating and Governance Committee.

In 2015 the Committee engaged FWC as its independent compensation consultant. The Committee expects to consult with FWC regularly throughout the year and FWC may attend Committee meetings upon the Committee's request. FWC advised the Committee in connection with reviewing and assessing the pay-for-performance, stockholder alignment and executive retention goals of the Committee in approving compensation for 2014 performance that was paid in 2015. In addition, FWC is providing advice on

designing and implementing the Company's executive compensation program for 2015, including with respect to compensation philosophy, objectives, annual and long-term plan designs and market pay levels. In compliance with SEC rules, the Committee has assessed the independence of FWC and concluded that no conflict of interest exists that would prevent FWC from independently representing the Committee. FWC has confirmed its independence to the Committee in writing. FWC did not provide any services to the Company in 2014. FWC does not currently provide any services to the Company other than the services provided directly to the Committee and the Nominating and Governance Committee as previously discussed. Billing by FWC is provided directly to, and approved for payment by, the Committee.

#### Overview of Compensation Elements

The general elements and characteristics of our executive compensation programs are summarized below. Detailed narratives of these compensation elements are provided below under "Compensation Program Details" and a table of executive compensation is provided below under "Summary Executive Compensation."

- Base salary: Base salary is determined by our philosophy, the position (skills, duties, responsibilities, etc.), market pay levels and trends, individual performance and prior salary;
- Annual incentive awards: Variable compensation payable in cash (or at the discretion of the Committee, shares of restricted stock) following the fiscal year the pay is earned based upon the Committee's determination in their discretion of performance; and
- Long-term incentive awards: Variable compensation payable in time-vested and/or performance based shares of restricted stock and/or stock options.

#### Compensation Program Details

##### Base Salary

Base salary provides a secure fixed-level of compensation in an amount that recognizes the role and responsibility of the executive officer, as well as experience, performance and expected contributions. The Committee typically reviews the salaries of our named executive officers annually (in the fourth quarter or early the following year). The amount of any increase is based primarily on the named executive officer's performance, level of responsibilities and external competitiveness of their base salary and overall total compensation. In addition, the Committee may review the salaries of our named executive officers in connection with a promotion or other change in responsibility. The Committee's review of these factors is subjective and no fixed value or weight is assigned to any specific factor when making salary decisions.

In 2014, the Committee increased Mr. Bouchard's annual base salary from \$225,000 to \$300,000 retroactive to the beginning of 2014 in recognition of leading the Company on a number of successful corporate initiatives including the reincorporation into a Delaware holding company, the substantial reduction of corporate expenses and positioning the Company for growth with the filing of a \$300 million shelf registration on Form S-3. 2014 annual base salaries for Mr. Ross, \$275,000, and Mr. Manderson, \$270,000, remained unchanged from their 2013 base salaries.

##### Annual Incentive Awards

Annual incentive awards are intended to motivate and reward our executive officers for achieving the Company's financial and operational objectives through awards of cash, restricted common stock and/or options to purchase our common stock.

In determining the compensation of our named executive officers in 2014, the Committee considered not only our operating and financial performance as a whole, but also, and more importantly, management's success in the

following accomplishments:

- Entering into a definitive agreement to acquire Real Alloy from Aleris Corporation and implementing a creative financial structure, including an asset-based lending facility, high-yield debt, common stock offerings and a stapled rights offering to existing stockholders to finance such purchase and transform the Company from a wholesale distributor into a global leader in aluminum recycling and specification alloys;
- Completing the reincorporation of Signature as a Delaware holding company;
- Expanding NABCO markets and positioning it as a more desirable and valuable acquisition target; and
- Continuing efforts to exit or reduce ongoing exposure to non-core, legacy businesses, including the specialty finance business.

Based on the foregoing, the alignment of annual incentive awards with the Committee's goals of "paying for performance" and aligning the interests of management and the Company's stockholders, in February 2015, the Committee in the exercise of its discretion after taking into account the recommendations of the Chief Executive Officer and the advice of its independent compensation consultants at FWC, determined that the annual incentive award for 2014 would be payable 50% as a cash incentive

bonus and 50% in the form of a restricted common stock award vesting in equal annual installments over three years. We did not award any common stock options to named executive officers in 2014. The annual incentive awards to the named executive officers relating to 2014 performance were as follows:

Named Executive Officer	Cash	Restricted Common	
		Stock	Total
Craig T. Bouchard	\$175,000	\$175,000	\$350,000
Kyle Ross	137,500	137,500	275,000
W. Christopher Manderson	25,000	25,000	50,000

In addition, although not included in 2014 compensation, in connection with its compensation decisions in February 2015, the Committee also approved and recommended the following additional awards in 2015 subject to and conditioned upon the consummation of the Real Alloy Acquisition:

Named Executive Officer	Cash	Restricted Common	
		Stock	Total
Craig T. Bouchard	\$112,500	\$337,500	\$450,000
Kyle Ross	43,750	131,250	175,000
W. Christopher Manderson	12,500	37,500	50,000

The restricted common stock vests in equal annual installments over three years following issuance, conditioned upon continued employment on each anniversary date.

In determining the compensation of Mr. Bouchard, as our Chief Executive Officer, the Committee believes that the Chief Executive Officer has the most control and responsibility for our overall performance of any officer and, accordingly, it is appropriate that he have the relatively greatest percentage of compensation be at risk and tied to our overall performance in order to best align his interests with those of our stockholders. Due to his responsibility for our performance as Chief Executive Officer, consistent with the intents and purposes of the compensation structure, Mr. Bouchard's compensation was materially higher than the other named executive officers.

Beginning in 2015, the Committee intends to annually review and approve performance metrics and target goals supportive of our business strategies. The Committee intends to develop target goals that it believes are challenging but reasonably attainable. If the Company achieves its targeted performance goal for each of the metrics, the payout percentage for the Company portion of the target bonus would be 100%. The maximum payout percentage for the Company portion of the target bonus will be 200%. If the threshold amounts are not achieved for a particular metric, no amount will be paid for that metric. However, in each case, the Committee will retain discretion to modify or eliminate any incentive awards if the Committee determines such actions are warranted.

Target annual incentive compensation opportunities for 2015 for named executive officers will be based upon the following respective percentages of base salary: Mr. Bouchard 80%; Mr. Ross 60%; and Mr. Manderson 40%. In addition, in 2015, Terrance Hogan, President of Real Alloy Holding, Inc. and John Miller, Executive Vice President, Operations will be deemed named executive officers with annual incentive compensation targeted at 70% of their annual base salaries. The Committee determined these target annual incentive opportunities as part of its total

compensation program to provide the Company's named executive officers total compensation with incentive compensation arrangements to drive strong operational performance and create stockholder value. The specific nature of the annual target financial performance measures, individual performance measures and the allocation of awards between such measures, as well as the targets and thresholds for such awards, will be determined by the Committee.

#### Long-Term Incentive Awards

The Long-Term Incentive Plan (the "LTIP") is designed to align executive compensation with the interests of the Company's stockholders by linking compensation to share price performance over a multi-year period and supporting the retention of our management team. LTIP awards currently take the form of awards of restricted common stock vesting in equal annual installments over three years, conditioned upon continued employment. The Committee believes that awarding long-term incentive awards in the form of time-vested equity compensation encourages retention and aligns the interests of our named executive officers with the interests of our stockholders in creating incentives for long-term value creation. As noted above, 50% of the 2014 incentive award was in the form of restricted common stock awards and 75% of the compensation related to the successful completion of the Real Alloy Acquisition was awarded in 2015 in the form of restricted common stock.

In the future, the Committee intends to continue to grant equity awards and to structure guidelines to stress alignment with stockholders (in addition to retention) as a primary goal of the equity component of compensation.

## Stock Options

Stock option grants are made on a case-by-case basis to executive officers in connection with hiring awards and to recognize promotions and under other circumstances where deemed appropriate in the Committee's discretion. It has been the Committee's practice to approve all option grants at Committee meetings. Option grants are a high-risk, high-return component of the executive total compensation program because common stock options deliver value to an executive only if the share price is above the grant price after the date of vesting. Therefore, common stock options directly align executive officer and stockholder interests. We did not award any common stock options to any named executive officers in 2014.

## Retirement Benefits

In 2012, the Company implemented a 401(k) savings plan (the "Savings Plan") under which all full-time employees, including the named executive officers, are eligible to participate. Employee contributions are limited to the maximum amount allowed by the Tax Code. For 2014, the Company matched 100% of each employee contribution to the Savings Plan, up to a maximum match of 4% of each employee's annual base compensation.

## Perquisites

The Company offers only limited perquisites to its named executive officers, which for 2014 consisted of matching 401(k) contributions, health club reimbursements of less than \$3,000 per year, and supplemental insurance. The following table provides details of perquisites provided to our named executive officers in 2014:

Named Executive Officer	401(k)	Executive		Total
	Matching Contribution	Benefit Program	Health Club Membership	
Craig T. Bouchard	\$ 10,400	\$ —	\$ —	\$10,400
Kyle Ross	10,400	2,144	—	12,544
W. Christopher Manderson	10,400	17,660	2,800	30,860

## Determining Benefit Levels

The Committee reviews benefit levels periodically to ensure that the plans and programs create the desired incentives for our employees, including named executive officers, which are generally competitive with the applicable marketplace, are cost-effective, and support our human capital needs. Benefit levels are not tied to company, business area or individual performance and due to the relatively short history of our named executive officers with Signature, we have not reviewed or tied retirement benefits to gains realized upon the exercise of common stock options or the sale of restricted common stock.

## Compensation Policies

### Stock Ownership Guidelines

Prior to March 2015, we did not maintain stock ownership guidelines for our executives and independent directors. Following the consummation of our transformative Real Alloy Acquisition, and consistent with our Board's belief that it is important for all of our officers, including officers of our subsidiaries, to acquire and maintain a substantial equity ownership position in our Company, we have established stock ownership guidelines for our officers in order to specifically identify and align the interests of our officers with our stockholders and focus attention

on managing our business as an equity owner. Shares counted as ownership include shares owned outright and time-based restricted stock awards. Until officers achieve the required stock ownership level, they are required to retain 50% of the net-after-tax shares received from the vesting or exercise of equity compensation. The current guidelines for officers are as follows:

	Multiple of
Title	Base Salary
Chief Executive Officer	5.0 x Base Salary
Executive Vice President	3.0 x Base Salary
Senior Vice President	1.0 x Base Salary

The Compensation Committee has the sole discretion and authority to modify the stock ownership guidelines at any time.

### Insider Derivative and Short-Sale Trading Restrictions

In order to avoid any appearance of a conflict of interest and to prevent opportunities for trading in violation of applicable securities laws, the Company's insider trading policy prohibits our officers, directors and all other employees from engaging in transactions in which they may profit from short-term speculative swings in the value of the Company's securities. This includes "short sales" (selling borrowed securities that the seller hopes can be purchased at a lower price in the future), "put" and "call" options, straddles, equity swaps or other derivative securities that are linked directly to our common stock. These prohibitions prevent our employees, officers and directors from hedging the economic risk inherent with their ownership of our common stock. In addition, this policy is designed to ensure compliance with all insider trading rules relating to the Company's securities.

While we do not prohibit either hedging or monetization transactions involving our securities or holding or pledging our securities in margin accounts, we do require that such officer, director or employee first obtain the consent of our compliance officer prior to entering into any such transaction.

### Return and/or Forfeiture of Performance-Based Payments or Awards

As required by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or of any applicable laws, rules or regulations promulgated by the SEC from time to time, our Board of Directors will, to the extent permitted by applicable law, in all appropriate cases, require reimbursement of any bonus or incentive compensation paid to an employee, cause the cancellation of restricted common stock awards and outstanding common stock options, and seek reimbursement of any gains realized on the exercise of common stock options attributable to such awards, if and to the extent that: (a) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a restatement; (b) our Board of Directors or an appropriate committee determines that the employee engaged in any fraud or misconduct that caused or contributed to the need for the restatement; and (c) the amount of the bonus or incentive compensation that would have been awarded to the employee had the financial results been properly reported would have been lower than the amount actually awarded.

### Timing of Equity Awards

Generally, the Committee makes incentive pay decisions at regularly scheduled Committee and Board of Director meetings. The Committee may also make compensation determinations at other times during the year for newly-hired executives or in connection with the promotion of existing employees. The Committee does not time any form of compensation award, including equity-based awards, to coincide with the release of material non-public information.

### Income Tax Consequences

Section 162(m) of the Tax Code generally disallows a tax deduction for annual compensation in excess of \$1 million paid to certain executive officers; however, compensation above \$1 million is deductible if such compensation is "performance-based" and meets other criteria as specified under Section 162(m) of the Tax Code.

The Committee agrees with the premise of pay-for-performance and it has considered the impact of Section 162(m) on the design of our compensation program. However, the nature of our business, not the least of which is the impact of metal prices on our results, limits the ability to pre-determine meaningful goals without substantial subsequent discretionary adjustments. The Committee believes that such discretion is necessary and would not be available as a compensation management tool if incentive payments were to be "performance-based" as defined and required under Section 162(m). Accordingly, it is not the Committee's goal for all compensation to be deductible by us under Section 162(m).

The Committee will continue to consider and weigh the potential loss of expense deductions against its need for discretion in designing programs for the named executive officers. The Committee does not expect the loss of any such deductions to have a significant impact on the Company.

#### Compensation Risk Assessment

The Committee reviews the relationship between our risk management policies and practices and the incentive compensation we provide to our named executive officers to confirm that our incentive compensation does not encourage unnecessary or excessive risks. Following the transformative Real Alloy Acquisition, we intend to review our compensation programs with regard to the discretion, balance and focus of compensation on the long-term growth and success of the Company. The Committee will also review the relationship between risk management policies and practices, corporate strategy and senior executive compensation. Accordingly, our intention is to develop a structure in which management can achieve the highest amount of compensation through consistent superior performance over extended periods of time. This will incentivize management to manage the Company for the long-term and to avoid excessive risk-taking in the short-term. With limited exceptions, the Committee retains discretion to modify or eliminate any

incentive awards if the Committee determines such actions are warranted. Based on its assessment of our compensation policies and practices, the Committee has determined that it is not reasonably likely that Company's compensation and benefit plans would have a material adverse effect on the Company.

#### Employment Arrangements with Named Executive Officers

##### Agreements

The Company has entered into a term employment agreement with its Chief Executive Officer, Craig T. Bouchard (the "Bouchard Agreement") reflecting the Committee's belief that the best interests of the Company and its stockholders would be served by securing a long-term employment relationship with its Chief Executive Officer at the time of his hire. Following the expiration of the extended terms of the employment agreements entered into by the Company with its Executive Vice President and Chief Financial Officer, Kyle Ross, and its Executive Vice President, General Counsel and Secretary, Christopher Manderson, on July 31, 2014, the Company replaced those agreements on August 1, 2014 with evergreen employment agreements providing for a continuing at-will employment relationship (the "Evergreen Agreements"). Based on the Company's businesses, revenues, prospects and potential benefits to be realized through leveraging the Company's NOLs to support a business acquisition strategy, the Committee believed that the best interests of the Company and its stockholders would be served by securing employment relationships with its named executive officers and providing severance and other benefits to retain their services.

##### Bouchard Employment Arrangements

The Bouchard Agreement provides for a two-year term subject to automatic renewal unless terminated within thirty (30) days prior to the renewal period. Mr. Bouchard was initially entitled to an annual base salary of \$225,000, which was increased in March 2014 to \$300,000, retroactive to January 1, 2014. Additionally, Mr. Bouchard was entitled to earn, on a pro-rated basis, an annual bonus of \$100,000 during the term of the Bouchard Agreement if certain common stock price targets were achieved as of December 31, 2013 and 2014. The common stock target was achieved as of December 31, 2013 and a pro-rated \$100,000 bonus was paid to Mr. Bouchard in addition to his discretionary cash award. In 2014, the common stock price target was not achieved and the \$100,000 bonus was not awarded; however, in consideration of Mr. Bouchard's efforts in structuring and guiding the Real Alloy Acquisition, he received a discretionary award in 2014 as described above and presented below in the Summary Compensation Table. The Bouchard Agreement also entitles Mr. Bouchard to participate in all employee benefit plans, programs or arrangements, generally made available to the Company's senior executives, including, but not limited to, annual discretionary bonus programs, medical, dental and vision plans.

In the event of Mr. Bouchard's termination of employment (i) by reason of death or disability, (ii) by the Company at any time for "Cause" (as defined below), or (iii) by Mr. Bouchard without a "change in control" event (as defined below), the Bouchard Agreement provides that Mr. Bouchard will receive from the Company: (a) any earned but unpaid base salary through the date of termination; (b) reimbursement of any unreimbursed expenses properly incurred and paid through the date of termination; (c) payment of any accrued but unused vacation time in accordance with Company policy; and (d) such vested accrued benefits, and other benefits and/or payments, if any, as to which Mr. Bouchard (and his eligible dependents) may be entitled under, and in accordance with the terms and conditions of, the employee benefit arrangements, plans and programs of the Company as of the date of termination other than any severance payment plan (collectively, the "Amounts and Benefits"). For the purposes of the Bouchard Agreement, "cause" is defined, subject to certain rights to cure, to include the following:

- the executive's willful failure to attempt in good faith to substantially perform the duties of their employment other than due to disability;

the executive's willfully engaging in fraud or other financial dishonesty, including theft or misappropriation of funds or property of the Company, insider trading or any unauthorized attempt to secure personal profit related to the business or from any business opportunities of the Company;

·the executive's material breach or violation of the Bouchard Agreement, the Company's Code of Conduct or other written policies of the Company;

·the executive's conviction of, or plea of nolo contendere to, a felony or other crime involving moral turpitude or dishonesty;

·The Executive's other willful misconduct, gross negligence or knowing violations of securities laws has or may have a materially adverse impact on the Company, as determined in good faith by the Board of Directors.

Severance is payable in the event that Mr. Bouchard is terminated for reasons other than cause. See also "Employment Arrangements and Potential Payments upon Termination or Change in Control" below in this proxy statement for more information regarding the severance payments and payments following a change in control. In the event of Mr. Bouchard's termination of employment (i) by the Company without "cause" (other than a termination by reason of death or disability) or (ii) by Mr. Bouchard within the 90-day period following the occurrence of a change in control event, then the Company will pay or provide Mr. Bouchard the Amounts and Benefits and, subject to Mr. Bouchard executing and not revoking a waiver and general release in a form acceptable

to the Company, an amount equal to one year's base salary in effect as of the date of termination, paid in equal installments over a period of one year from the date of termination in accordance with the usual payroll practices of the Company. In addition, in the event that Mr. Bouchard properly elects to continue health benefit coverage under COBRA, he shall only be responsible to pay the active employee rate for such coverage (the "subsidized rate") for so long as he remains eligible to receive COBRA continuation coverage and for so long as the subsidized rate is permissible by law and/or would not result in a penalty. If Mr. Bouchard's employment is terminated in connection with or following the occurrence of a change in control event, the aforementioned severance payments and any other compensation to be received from the Company will be subject to reduction to the extent that such payments would constitute an "excess parachute payment" pursuant to Section 280G of the Tax Code.

The Bouchard Agreement also contains provisions requiring Mr. Bouchard not to solicit the Company's employees or its customers or clients for a period of one year following his termination.

The terms of Mr. Bouchard's outstanding award agreements also provide that unvested shares of restricted common stock and common stock options will be accelerated and vest in full upon a "change in control." For purposes of these agreements, a "change in control" shall be deemed to occur upon a majority of members of the Corporation's Board of Directors being replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors prior to the date of the appointment or election. See also "Employment Arrangements and Potential Payments upon Termination or Change in Control" below in this proxy statement for more information regarding the acceleration of rights following a change in control.

#### Ross Employment Agreement

Mr. Ross entered into an employment agreement dated August 2, 2011, which was amended as of June 4, 2013, and terminated on July 31, 2014 upon its expiration. Upon the expiration of such employment agreement, Mr. Ross and the Company entered into an Evergreen Agreement on August 1, 2014, which provided for the continuation of employment on an at-will basis on the terms of the initial employment agreement, reviewed annually and provided set compensation for Mr. Ross upon separation with the Company but eliminated a set term for the duration of the Evergreen Agreement. The Evergreen Agreement provides Mr. Ross with an annual base salary of \$275,000, with such increases as may be determined by the Board from time to time in its sole discretion. Under the Evergreen Agreement, Mr. Ross is eligible to participate in all employee benefit plans, programs or arrangements, generally made available to the Company's senior executives, including, but not limited to, annual discretionary bonus programs, and medical, dental and vision plans.

Under Mr. Ross' Evergreen Agreement, in the event of Mr. Ross' termination of employment (i) by the Company at any time for "cause" (as defined below), or (ii) by Mr. Ross for other than Good Reason (as defined below), Mr. Ross' Evergreen Agreement will terminate and he will receive the Amounts and Benefits, as described above under "Bouchard Employment Arrangements," from the Company. For the purposes of the Evergreen Agreements, "cause" is defined to include the following:

- the executive's willful and continued failure or refusal to attempt in good faith to perform the duties of their employment in a reasonably satisfactory manner;
- the executive's conviction of, or plea of nolo contendere to, a felony or other crime involving moral turpitude or dishonesty;
- the executive's willfully engaging in misconduct in the performance of their duties, including theft, fraud, embezzlement, securities law violations or violations of the Company's Code of Conduct or other applicable policies, that is injurious to the Company; or
- the executive's willfully engaging in misconduct not in the performance of their duties, including theft, fraud, embezzlement, or securities law violations, that is materially injurious to the Company or is determined in good faith

to be potentially materially injurious to the Company by the Board of Directors.

For purposes of the Evergreen Agreements, “Good Reason” is defined to include the following:

- a material reduction of the executive’s base salary;
- a material demotion in position and job duties;
- a relocation by more than fifty driving miles from the Company’s current location (unless closer to the executive’s primary residence); or
- a material breach of the Evergreen Agreement and failure to cure such breach within thirty days.

Pursuant to the Evergreen Agreement entered into in 2014, severance is payable in the event that Mr. Ross is terminated for reasons other than cause. See also “Employment Arrangements and Potential Payments upon Termination or Change in Control” below in this proxy statement for more information regarding the severance payments and payments following a “change in control”

(as defined below). In the event of Mr. Ross' termination of employment (i) by the Company without cause, (ii) by Mr. Ross for Good Reason, (iii) by reason of death or disability, or (iv) by the Company within the 90-day period following the occurrence of a change in control event and without cause, then the Company will pay or provide Mr. Ross the Amounts and Benefits and, subject to Mr. Ross executing and not revoking a waiver and general release, an amount equal to one year's base salary at the rate in effect as of the date of termination, paid within fifteen (15) days of the date of termination. For purposes of the Evergreen Agreement, a "change in control" event is defined as:

- any person becoming the beneficial owner, directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities;
- the consummation of a merger or consolidation of the Company with any other corporation that results in a change in ownership of more than 50% of the total voting power represented by the voting securities of the Company or approval by the stockholders of the Company of an agreement to sell or dispose of all or substantially all of the assets of the Company; or
- a change in the composition of the Board, as a result of which fewer than a majority of the directors are directors who either (A) are directors of the Company as of the date of the Evergreen Agreement, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the continuing directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company).

In addition, in the event that Mr. Ross properly elects to continue health benefit coverage under COBRA, he shall only be responsible to pay the subsidized rate for so long as he remains eligible to receive COBRA continuation coverage and for so long as the subsidized rate is permissible by law and/or would not result in a penalty.

Pursuant to his initial employment agreement and subject to the terms of the Former Plan and the respective award agreements, Mr. Ross was granted awards of restricted common stock and options to acquire common stock, with respect to which 81,000 options to purchase shares of our common stock vested in 2014.

#### W. Christopher Manderson Employment Agreement

Mr. Manderson entered into an employment agreement dated as of November 5, 2012, which was amended as of June 4, 2013, and terminated on July 31, 2014 upon its expiration. Upon the expiration of such employment agreement, Mr. Manderson and the Company entered into an Evergreen Agreement, dated August 1, 2014, which provided for the continuation of employment on an at-will basis on the terms of the employment agreement, reviewed annually and provided set compensation for Mr. Manderson upon separation with the Company but eliminated a set term for the duration of the employment agreement. The Evergreen Agreement provides Mr. Manderson with an annual base salary of \$270,000, with such increases as may be determined by the Board from time to time in its sole discretion. Under the Evergreen Agreement, Mr. Manderson is eligible to participate in all employee benefit plans, programs or arrangements, generally made available to the Company's senior executives, including, but not limited to, annual discretionary bonus programs, and medical, dental and vision plans.

Under Mr. Manderson's Evergreen Agreement, in the event of Mr. Manderson's termination of employment (i) by the Company at any time for "cause," or (ii) by Mr. Manderson for other than Good Reason, Mr. Manderson's Evergreen Agreement will terminate and he will receive the Amounts and Benefits from the Company.

Pursuant to the Evergreen Agreement entered into in 2014, severance is payable in the event that Mr. Manderson is terminated for reasons other than cause. See also "Employment Arrangements and Potential Payments upon Termination or Change in Control" below in this proxy statement for more information regarding the severance payments and payments following a change in control. In the event of Mr. Manderson's termination of employment (i) by the Company without cause, (ii) by Mr. Manderson for Good Reason, (iii) by reason of death or disability, or (iv) by the Company within the 90-day period following the occurrence of a change in control event and without cause,

then the Company will pay or provide Mr. Manderson the Amounts and Benefits and, subject to Mr. Manderson executing and not revoking a waiver and general release, an amount equal to one year's base salary at the rate in effect as of the date of termination, paid within fifteen (15) days from the date of termination. In addition, in the event that Mr. Manderson properly elects to continue health benefit coverage under COBRA, he shall only be responsible to pay the subsidized rate for so long as he remains eligible to receive COBRA continuation coverage and for so long as the subsidized rate is permissible by law and/or would not result in a penalty.

Pursuant to his initial employment agreement and subject to the terms of the Former Plan and the respective award agreements, Mr. Manderson was granted awards of restricted common stock and options to acquire common stock, with respect to which 37,800 options to purchase shares of our common stock vested in 2014.

### Severance and Change in Control Benefits

Our policy is to provide certain severance and change in control protections to our named executive officers based on competitive practice in the industry. As incorporated into the Bouchard Agreement and the Evergreen Agreements with Messrs. Ross and Manderson, we believe that providing our named executive officers with specified benefits in the event of termination of employment under certain circumstances (such as by the Company without cause) or in connection with a change in control of the Company, helps us to retain executives and maintain leadership stability. These arrangements have been intended to attract and retain qualified executives that could have other job alternatives that may appear to them to be less risky absent these arrangements. Furthermore, we believe the change in control protections serve to maximize stockholder value by creating incentives for named executive officers to explore strategic transactions and work to bring such transactions to fruition, if appropriate.

Severance benefits under the Evergreen Agreements for Messrs. Ross and Manderson following a change in control event are only provided on a “double trigger” basis, meaning that payment of the benefit is not awarded unless the executive’s employment is terminated by the Company without cause or by the executive upon certain enumerated changes in the Evergreen Agreements (as specified in the applicable agreement or plan) within an agreed period following the transaction.

We believe the double trigger vesting structure strikes a balance between the incentives and the executive hiring and retention effects described above, without providing these benefits to executives who continue to enjoy employment with an acquiring company in the event of a change in control transaction. We also believe this structure is more attractive to potential acquiring companies, who may place significant value on retaining members of our executive management and who may perceive this goal to be undermined if executives receive significant acceleration payments in connection with such a transaction and are no longer required to continue employment to earn these payments.

Provisions of these arrangements for our named executive officers that relate to severance pay and termination benefits (including upon a change in control) are described below in further detail below in the section entitled “Employment Arrangements and Potential Payments upon Termination or Change in Control”.

### COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth in this proxy statement with the Company management and based on such review and discussions, the Compensation Committee recommended to the Company’s Board of Directors that the Compensation Discussion and Analysis be included in the Company’s 2014 Annual Report on Form 10-K and Company’s 2015 proxy statement.

Respectfully Submitted,

The Compensation Committee

Peter C.B. Bynoe (Chair)

Raj Maheshwari

Philip G. Tinkler

The table below presents information regarding the compensation earned during the years ended December 31, 2014 and 2013 by (i) Mr. Bouchard, who has served as our Chief Executive Officer since June 2013; (ii) Mr. Ross, who served as our Executive Vice President and Chief Financial Officer in 2012, 2013 and 2014; and (iii) Mr. Manderson, who has served as our Executive Vice President, General Counsel and Secretary since November 2012.

## Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Restricted Common Stock Awards <sup>(1)</sup>	Stock Option Awards <sup>(1)</sup>	All Other Compensation	Total
Craig T. Bouchard <sup>(2)</sup> Chairman of the Board and Chief Executive Officer (PEO)	2014	\$ 300,000	\$ 175,000	\$ 175,001	\$—	\$ 10,400	\$ 660,401
	2013	125,336	100,000	292,500	549,714	4,500	1,072,050
Kyle Ross <sup>(3)</sup> Executive Vice President and Chief Financial Officer (PFO and PAO)	2014	275,000	137,500	137,504	—	12,544	562,548
	2013	275,000	75,000	75,000	—	13,482	438,482
	2012	275,000	91,713	25,469	—	10,000	402,182
W. Christopher Manderson <sup>(4)</sup> Executive Vice President, General Counsel and Secretary	2014	270,000	25,000	25,000	—	30,860	350,860
	2013	270,000	75,000	75,000	—	11,850	431,850
	2012	38,942	—	85,800	125,000	900	250,642

<sup>(1)</sup> The value of restricted common stock awards and common stock option awards granted represents the aggregate grant date fair value as computed pursuant to ASC 718. For additional information about equity grants, see Note 12—Share-based Payments and Employee Benefits in the Notes to Consolidated Financial Statements included in Part IV, Item 15 of our Annual Report.

<sup>(2)</sup> Mr. Bouchard was appointed Chairman of the Board and Chief Executive Officer on June 4, 2013. In connection with his appointment, Mr. Bouchard entered into the Bouchard Agreement, a restricted common stock agreement and nonqualified stock option agreement. Pursuant to these agreements, on June 5, 2013, Mr. Bouchard was granted (i) 25,000 shares of our restricted common stock with a grant date fair value of \$6.70 per share, which vested in full on January 1, 2014, (ii) options to purchase 50,000 shares of our common stock with an above fair market value exercise price of \$8.50 per share, which vested in full on December 5, 2013, and (iii) options to purchase 150,000 shares of our common stock with an above fair market value exercise price of \$10.00 per share, which vest in three equal tranches on June 5, 2014, December 5, 2014 and June 5, 2015, provided that, for the final tranche, either (x) the Company's common stock price has been trading above \$12.50 per share for ten of the twenty trading days prior to June 5, 2015, or (y) if the weighted average trading price for the ten trading day period immediately preceding the last trading day immediately preceding June 5, 2015 averages or exceeds \$12.50 per share. The Bouchard Agreement further provides that a pro rated \$100,000 cash bonus ("Cash Bonus") would be earned as of December 31, 2013 and 2014, if the closing price of our common stock exceeded \$10.00 per share for ten of the twenty days prior to December 31, 2013 (\$12.50 for December 31, 2014) or if the weighted average trading price for the ten trading day period prior to December 31, 2013 equaled or exceeded \$10.00 per share (\$12.50 for December 31, 2014). Pursuant to the terms of the Bouchard Agreement, Mr. Bouchard earned the 2013 cash bonus, totaling \$57,808. Mr. Bouchard also participated in the Company's annual discretionary bonus program in 2013 and 2014. For 2014, Mr. Bouchard was awarded a \$175,000 cash bonus and 26,677 shares of the Company's restricted common stock with a grant date fair value of \$175,001 (based on an estimated grant date fair

value of \$6.56 per share), which shares vest in equal annual installments over three years. For 2013, Mr. Bouchard was awarded a \$42,192 discretionary cash bonus and 12,500 shares of the Company's restricted common stock with a grant date fair value of \$125,000, which shares vest in equal annual installments over three years. All other compensation for Mr. Bouchard consists of employer matching 401(k) contributions totaling \$10,400 and \$4,500 in 2014 and 2013, respectively.

- (3) Mr. Ross participated in the Company's annual discretionary bonus program in 2012, 2013 and 2014. For 2014, Mr. Ross was awarded a \$137,500 cash bonus and 20,961 shares of the Company's restricted common stock with a grant date fair value of \$137,504 (based on an estimated grant date fair value of \$6.56 per share), which shares vest in equal annual installments over three years. For 2013, Mr. Ross was awarded a \$75,000 cash bonus and 7,500 shares of the Company's restricted common stock with a grant date fair value of \$75,000, which shares vest in equal annual installments over three years. For 2012, Mr. Ross was awarded a \$91,713 cash bonus and 5,724 shares of restricted common stock with a grant date fair value of \$4.40 per share, which shares vested immediately. All other compensation for Mr. Ross consists of employer matching 401(k) contributions totaling \$10,400, \$10,200 and \$10,000 in 2014, 2013 and 2012, respectively, and executive health benefits totaling \$2,144 and \$3,282 in 2014 and 2013, respectively.

(4) Mr. Manderson participated in the Company's annual discretionary bonus program in 2013 and 2014. For 2014, Mr. Manderson was awarded a \$25,000 cash bonus and 3,811 shares of the Company's restricted common stock with a grant date fair value of \$25,000 (based on an estimated grant date fair value of \$6.56 per share), which shares vest in equal annual installments over three years. For 2013, Mr. Manderson was awarded a \$75,000 cash bonus and 7,500 shares of the Company's restricted common stock with a grant date fair value of \$75,000, which shares vest in equal annual installments over three years. For 2012, in connection with his employment agreement, Mr. Manderson was granted (i) 19,000 shares of restricted common stock with a grant date fair value of \$85,800, which shares vested on December 31, 2013, and options to purchase 75,600 shares of common stock with a grant date fair value of \$125,000, of which 18,900 shares vested on each of May 5, 2013, January 1, 2014 and May 5, 2014; the remaining 18,900 shares are scheduled to vest on May 5, 2015. All other compensation for Mr. Manderson consists of employer matching 401(k) contributions totaling \$10,400, \$10,200 and \$900 in 2014, 2013 and 2012, respectively, health club membership fees totaling \$2,800 and \$1,650 in 2014 and 2013, respectively, and executive health benefits totaling \$17,660 in 2014.

Grants of Plan-Based Awards

The following table provides information about grants of equity awards made under the Former Plan in the year ended December 31, 2014.

Name	Grant Date	Estimated future payouts under non-equity incentive plan awards			Estimated future payouts under equity incentive plan awards			All other awards: Number of shares of stock or units (#)	All other awards: Number of securities of underlying options (#)	Exercise or base price of awards (\$/Sh)	Grant date fair value of option stock and awards
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Craig T. Bouchard	2/24/14	\$—	\$—	\$—	—	—	—	12,500	—	\$—	\$125,000
Kyle Ross	2/24/14	—	—	—	—	—	—	7,500	—	—	75,000
W. Christopher Manderson	2/24/14	—	—	—	—	—	—	7,500	—	—	75,000

Option Exercises and Stock Vested

The following table provides information about common stock options exercised and restricted common stock that vested during the year ended December 31, 2014:

Common Stock Option Awards	Restricted Common Stock Awards
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