

1 will invest \$10 million, comprised of at least \$5 million in cash (along with an in-kind contribution of
2 loan and lease assets consistent with the future business plan of the Reorganized Debtor of up to \$5
3 million) on the Effective Date of the Signature Plan to purchase approximately 12,500,000 million
4 shares of Common Stock (the “Signature Equity Contribution”). See Section IX.A of this Disclosure
5 Statement. In addition to the Signature Equity Contribution, the anticipated tax refund to be received
6 by the Debtor will provide additional cash to assure that Repurchase Claims will be satisfied in full.
7 See Section VIII.A of this Disclosure Statement. After the Effective Date, the Reorganized Debtor
8 may adjust the amount of the reserves as deemed appropriate by the Reorganized Debtor and any
9 Final Order of the Bankruptcy Court requiring a different or greater reserve.

10 In the event that the Post-Effective Date Merger Claims do exceed the amounts being reserved
11 or otherwise available from the above-described cash infusions, the Reorganized Debtor will be able
12 to pay out such claims in the ordinary course from cash generated from operations by means of the
13 successful execution of its business plan. In the event that the Post-Effective Date Merger Claims do
14 not exceed the sums being reserved after resolution and payment of all claims, the remaining funds
15 held in the reserve shall be remitted to the Reorganized Debtor.

16 **2. Postconfirmation Business Operations of the Reorganized Debtor**

17 **(a) The Market Opportunity**

18 Signature brings an established business, business plan, enviable track record, distinguished
19 team, and fresh capital that will allow the Reorganized Debtor not only to deliver a full recovery to
20 each of its existing creditors, but to grow the business and deliver sustainable growth and stable
21 recurring profitability for its shareholders (both existing and new) going forward. It is fair to say that
22 never have the overall market dynamics aligned to create environment so favorable to the sort of
23 special situation lending and investing that characterizes Signature’s activities. Accordingly,
24 Signature’s business model is particularly apt for this environment which is expected to be prevalent
25 for the next several years.

26 Signature not only has the right business model for the current environment, it also has the
27 proven experience and the right team to execute on it. Signature’s capabilities are well demonstrated.
28 Since inception, Signature has originated 27 investments in this strategy, 16 of which have been

1 realized at a weighted average, gross IRR of 29%. Signature has been in business, profitably lending
2 and investing in special situation opportunities, for over 5 years. A summary of Signature's track
3 record from 2004-2008 is shown below:

4
5 **Signature Group Holdings, LLC**
6 Consolidated Track Record- All Affiliates

7

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
All Investments	22.95%	26.59%	26.80%	39.64%	23.33%

8 (1) Unleveraged gross returns before fees.
9 (2) Results from inception through 12/31/07 have been examined by
10 McGladrey & Pullen, LLP, the Fund's auditor. An updated examination is
11 expected to be completed by 1/31/2010.

12 Craig Noell, Signature's CEO, has 25 years of financial industry experience, including 19
13 years of lending and investing in special situation investments with the concomitant experience in
14 structuring, managing, restructuring, workout and, on occasion, liquidation of such investments. He
15 has an additional six years of investment banking experience dealing with mergers, bankruptcies and
16 other complex financial transactions. Tom Donatelli brings 22 years financial industry experience
17 including six years of principal investing experience and six years as a highly regarded institutional
18 special situations analyst at Wertheim Schrodgers, and Kyle Ross brings 10 years experience including
19 5 years principal experience since co-founding Signature. Three other executives that are to be part of
20 the team have between 20 and 35 years relevant experience in commercial finance and special
21 situations lending while a fourth has several years of financial experience including multiple years
22 investing in bankrupt and distressed securities.

23 It is no secret that the financial markets have been experience great turmoil for over two years.
24 This is the result of nearly a decade of excessive credit availability. Excessive credit availability
25 across the board led to a bubble that has, in turn, imploded. The result is a general situation where
26 severe discontinuities have developed in the capital markets.

27 This implosion in the financial markets is not readily reversed and it is not limited simply to
28 the housing markets or sub-prime mortgages. One cannot imagine a quick recovery for the
securitization market for auto leases allowing average citizens to own expensive SUVs, BMWs, and

1 Lexus for no money down on a three year lease with a 4.5% imputed interest rate. Nor can one
2 imagine that credit card issuance, HELOCs, CDOs, CLOs, SIVs and any variety of other instruments
3 make any sort of a comeback- now or in the next 5 to 10 years. While this does not imply a
4 depression or even that today's slow growth environment is with us forever, what it does mean is that
5 the amount of credit within the system has evaporated and that its effects will be felt across the
6 spectrum for many years to come in the form of reduced availability of credit.

7 Government policy has exacerbated this crisis and injected a large dose of uncertainty into
8 everything. A year ago the government told the banks it was their patriotic duty to accept an injection
9 of 7 year TARP money. The stated concept was to use the money to strengthen bank balance sheets
10 and cushion the blow from reduced lending. Soon after, new strings were attached. Now there is a
11 public outcry from the same politicians that banks that can are supposed to pay the TARP money
12 back. So instead of using newly found TARP money to keep lending and cushion the blow, banks are
13 hoarding their capital and shrinking their balance sheets to meet arbitrary capital guidelines and pay
14 back TARP money that the bank was supposed to use to improve their capital ratios, absorb their
15 losses and make prudent loans.

16 Notwithstanding some of what is written in the press, financial institutions are avoiding steps
17 they might normally take to clean up their portfolios through the normal routes (sale of the company-
18 in or out of bankruptcy, sale of the loan, equity conversion, foreclosure, etc); instead, the mantra of
19 the banks has become "amend, extend, and pretend" where financial institutions are bloated with sub
20 par loans to businesses and other commercial enterprises as well as commercial real estate loans that
21 these borrowers. They can't sell or foreclose on these loans because they are not willing to take the
22 likely loss that is inherent in such a move. In this regard, they are aided by a cadre of willing enablers
23 - the tranche b lenders, subordinated debt Holders, and private equity firms who are eager to postpone
24 their own day of reckoning and hope against hope for a spectacular confluence of events that
25 somehow gives them a shot at recovering on their position.

26 As evidence of this, consider that recent loan purchase negotiations Signature has been
27 involved with. Pricing has ranged from 30-50% of par. This compares with a historical range of 50-
28 80% of par for most Signature purchases in the 2004-2007 era. From Signature's standpoint, the

1 lower bid range is not at all a result of trying to buy cheaper. Indeed, Signature would prefer that it
2 had more opportunities to buy assets of a sufficient quality to pay a higher price. By and large it is a
3 reflection of the banks inability to proactively deal with their problems as they occur. Instead they are
4 only selling their worst credits, those basket cases where they can no longer rely on “rosy scenarios”
5 to prop up their valuation and where liquidation is likely imminent. For the remainder, the banks seek
6 to mask their problems and kick the can down the road.

7 Meanwhile, many large and important non-bank financial institutions that once were a primary
8 source of financing for middle-market companies have exited the market or, in some circumstances,
9 liquidated and closed. The recent CIT bankruptcy is just one particularly visible example of a once
10 formidable market presence brought down by market circumstances, but it is just a more visible
11 example among many. Other lenders that were formerly significant market factors have either
12 formally or informally withdrawn from active participation in the middle market: GMAC
13 Commercial Finance, Textron Commercial Finance, GE Commercial Credit, American Capital
14 Strategies, Allied Capital, Citicorp, DB Zwirn, Laurus, New Star, Gladstone, Patriot Capital. Among
15 those that remain, many are largely on the sidelines, cherry picking an occasional opportunity and
16 masking their absence from the active market place under such euphemisms as ‘de-risking’.

17 The borrower trapped in such an institution which cannot respond to its circumstances is likely
18 to atrophy and continuously melt away while waiting for its lender to engage in productive
19 discussions. Management teams of over-levered and under-capitalized businesses cannot invest for
20 the future. Many of these businesses remain fundamentally sound and, in a different environment
21 would readily find a home with a new lender. Perversely, the better the quality of the borrower the
22 worse it may be treated by its lender. While the lender knows it cannot exit its more distressed
23 credits, these better quality borrowers are readily saleable. They might have had several alternatives
24 to refinance with another bank three years ago but in today’s market they have limited opportunities;
25 however, they do not get the forbearance of their more distressed brethren. Instead, the bank is likely
26 to push the borrower to sell itself- a sale that is likely to get the bank out whole but leave little left
27 over for the equity. This provides a significant opportunity for the Reorganized Debtor as these
28

1 borrowers have limited opportunities in today's market and will pay a premium for the sort of stable
2 lending relationship that can be provided by the Reorganized Debtor under the Signature direction.

3 **(b) Signature's Business Plan for the Reorganized Debtor**

4 The Signature Plan utilizes the asset base of the current Fremont estate as a foundation for the
5 creation of a broad based, high growth, and solidly profitable licensed commercial finance platform
6 oriented toward originating special situations financing in what is commonly referred to as the
7 "middle market." Signature believes there is a particularly acute need for this type of financing under
8 current market conditions, but it also believes that there is a continuing opportunity in all markets.
9 Signature has an established track record, market presence, and team.

10 Signature's proposed management team (including John Nickoll, its anticipated board
11 Chairman) is made up of a highly experienced and seasoned group of financial professionals who
12 have operated very successfully within this market segment for decades. The assets underlying the
13 portfolio in the Signature Plan are not securities; they are loans sourced through the Signature teams
14 proprietary network, individually structured based on the unique circumstances of the individual
15 situation, diligenced and documented through the collective efforts of the Signature team drawing on
16 the significant breadth of experience of Signature and its team. Signature does not buy investments or
17 assets off of trading desks or Bloomberg terminals. Signature's plan is not predicated simply on
18 exploiting - via open market purchase - distressed securities. Signature's is an affirmative strategy
19 based on building relationships with companies that recognize the reality of the borrower's situation
20 and work to create find the best available solution under the circumstances. This is Signature's
21 approach whether it is a new loan origination or a bank reject in need of restructuring. While
22 Signature has and remains an active source of liquidity for banks seeking to monetize
23 underperforming commercial assets, Signature believes that there are significant issues inhibiting
24 financial institutions from selling their subperforming assets (i.e. they are not willing/able to take
25 appropriate writedowns) and that these financial institutions are likely to continue to defer their desire
26 or willingness to liquidate subperforming loans thus exposing this aspect of the company's business
27 plan to events that are beyond management's control. Thus, Signature's strategic thrust is nicely
28 balance by the ability of its team to balance the uncertainties of loan purchases with its ability to

1 originate corporate loans by leveraging its relationships with the financial and corporate restructuring
2 community, borrowers, and other resources - relationships that have been built over years of serving
3 this unique corporate market.

4 Over the past decade, the environment for the formation of credit-based capital grew
5 inexorably due to the investment preferences many global financial institutions combined with the
6 monetary policies adopted during this same period by various governmental policy makers. This led
7 to a widespread mispricing of credit risk which, subsequently led to the current market turmoil
8 causing a wide array of established lenders to the “middle market” to become over extended with
9 excessively leveraged balance sheets and depleted capital ratios. The net effect of this has caused
10 many important providers of capital to retrench and, in some cases, exit this market. Today, formerly
11 dominant companies such as General Electric Capital Corporation, CIT, Textron Financial (as well as
12 many other traditional commercial lenders) have been left with no other choice but to curtail their
13 lending activities as they work to repair themselves; a process that is likely to take years.

14 This fact presents a highly attractive strategic opening for new market participants with the
15 right relationships, market access, skill-set and investment acumen to exploit such a severe financial
16 dislocation. Importantly, Signature does not seek to create a new CIT, GECC, or even a new Foothill;
17 specifically, it seeks to avoid ‘me too’ commodity financings that have low margins but do not always
18 have lower risk. The Signature business plan is not reliant on securitization, commercial paper, or
19 high leverage. Instead, Signature management intends to build a highly differentiated platform that
20 finances middle market companies which have a fundamentally viable businesses but have limited
21 access to the capital markets. Existing funding sources do not adequately meet their needs.
22 Accordingly, they are willing to pay what is often a significant premium to a financial provider who
23 can address their needs with a tailored solution. Signature’s team has not only been operating
24 successfully in this specific market for decades, it has largely avoided the current financial crisis by
25 refusing to deploy capital into a market it deemed unattractive on a risk-adjusted basis. Now, with the
26 constriction of credit underway, it is Signature’s plan to leverage its expertise in this market by
27 reformulating Fremont General into a well-capitalized and profitable finance company serving this
28 large and attractive market in the following areas:

- 1 ○ Commercial Finance – Financings collateralized by assets typically for businesses in
2 transition. The loans are expected to cover a broad cross section of industries,
3 including without limitation, industrial, retail, franchise food, leasing and
4 transportation, media and entertainment
- 5 ○ Portfolio Acquisitions– Opportunistic purchases of senior secured bank loans either as
6 a whole portfolio or as “carved out” from large bank owned portfolios at meaningful
7 discounts to face value. Frequently, acquired portfolios may be to specialized
8 industries such as technology, retail, media, restaurants, casino, hospitality, healthcare,
9 agriculture and lead to further opportunities over the long term, particularly when they
10 come with talented management talent.
- 11 ○ Individual Loan Purchases – Signature will continue to be actively involved in
12 purchasing sub performing and distressed loans from financial institutions. As an
13 example, Signature recently acquired the debt of the largest domestic operator of auto
14 racing schools from a top 5 financial institution. Although the business is very
15 sensitive to, and, therefore, reeling from the current economic environment,
16 management has aggressively reduced its cost base and shareholders have supported it
17 through additional capital injections. Signature is currently negotiating with
18 management regarding the terms for extending one of the facilities which matured in
19 December.
- 20 ○ **Equity Investments** — In the right circumstances, the Reorganized Debtor may
21 acquire controlling interests in operating companies, including through purchasing
22 senior debt of companies to be later converted into equity, or through outright
23 purchases of controlling equity interests.
- 24 ○ Distressed Situations – The Company will also pursue opportunistic corporate
25 financings for asset-rich companies requiring near-term liquidity including, without
26 limitation, bridge loans, transition financing, debtor-in-possession loans (“DIPs”),
27 senior secured bank debt, bonds in liquidation and trade claims in anticipation of a
28 recapitalization or other clearly defined event. As an example, Signature recently

1 provided a structured lending solution for the Fatburger franchisor that included both
2 DIP financing to subsidiaries reorganizing in Chapter 11 and traditional financing to
3 the parent franchisor who does not anticipate a bankruptcy filing.

4 ○ Specialty Lending Niches – The reorganized debtor may identify specific market
5 niches (technology, retail, media, restaurants, casino, hospitality, healthcare,
6 agriculture) that are underserved and present excellent risk/reward business
7 opportunities. These may be identified as a result of portfolio acquisitions (see above)
8 or through other activities the Reorganized Debtor. Signature also anticipates that it
9 will be contacted by management teams seeking a new platform to put their expertise
10 to work. In the past year, Signature has reviewed several different niche related
11 opportunities including a factoring business specializing the agriculture industry, a
12 niche oriented equipment finance company, and a marketer of in-store display media
13 advertising for the medical industry seeking an acquirer for its existing lease portfolio
14 (held by a troubled financial institution) and forward financing.

15 ○ Good Bank/Bad Bank Transactions – As widely reported, many banks face
16 significant capital constraints, high ratios of criticized assets, and doubts regarding
17 their future viability. Signature believes there are opportunities for structured
18 transactions where Signature buys their criticized assets enabling them to raise new
19 capital or complete a merger that would not otherwise be feasible due to regulatory and
20 other issues. This line has similar metrics as its other lines that acquire subperforming
21 and distressed loans with the added incentive that the purchaser may be able to
22 augment its return with a significant equity kicker. Although the reorganized Debtor
23 may acquire a significant ownership position or even 100% ownership as a result of
24 such a transaction, there may be significant regulatory impediments and such
25 transactions are not central to the Reorganized Debtor’s plan.

26 ○ Senior Stretch and Tranche B – The Reorganized Debtor expects to be presented
27 opportunities to acquire or originate senior secured “stretch” loans and Tranche B
28 loans that are junior secured loans subject to an intercreditor agreement. These loans

1 go beyond normal senior lending guidelines but present significant risk/reward
2 opportunities.

3 Under its plan, Signature expects that the Reorganized Debtor would generate substantial
4 ordinary income against which it could offset the NOL tax credits. The Plan therefore proposes to
5 utilize the Debtor's substantial NOL carry forwards to generate significant after-tax returns to the
6 Reorganized Debtor's shareholders. The ability to offset current period income against the NOLs
7 affords the Reorganized Debtor to pursue a business plan that targets loan investments that generate
8 above average returns because they are outside the box while simultaneously reducing shareholder
9 risk by operating with below average leverage.

10 Although the immediate goal of the Signature Plan is obviously to provide a source for full
11 repayment of Claims against the Debtor after appropriate reserves for contingent and Post Effective
12 Date Merger Claims of FGCC and FRC, the long-term strategy is to utilize the assets of the
13 Reorganized Debtor to expand Signature's existing special situation lending platform and expand the
14 business to grow a significant portfolio of income generating assets.

15 The business plan will build upon the existing platform established by Signature. In
16 conjunction with assuming managerial responsibility for the Reorganized Debtor, Signature expects to
17 wind down all of its existing activities or fold them into the Reorganized Debtor as appropriate.

18 Signature was founded in 2004 and since that time has been actively lending and investing in
19 special situation opportunities. During the 5½ year period since its formation, Signature and its
20 affiliates have successfully generated annualized unleveraged returns of approximately 25%. From
21 2004 through 2006, Signature financed its investing and lending activities utilizing lines of credit
22 providing for financing advance rates of 90%. Signature also extended its financial reach by utilizing
23 joint venture partnerships with various strategic partners including Goldman Sachs, American Capital
24 Strategies, and Sheridan Opportunity Fund to close larger transactions beyond the scope of the capital
25 managed by the firm. Importantly, during the period of mid-2006 through the end of 2008, Signature
26 prudently scaled back its deployment of capital as it correctly surmised that the markets had turned
27 decidedly riskier. Signature made this decision at a time when aggressive debt financing was flowing
28 readily in the market and Signature's existing lenders were encouraging Signature to become more

1 aggressive. Signature also scaled back its use of leverage, accelerating the repayment of debt making
2 payments in excess of contractual mandates and making purchases from mid-2006 through late-2008
3 without use of debt financing. Accordingly, the decreasing use of leverage at a time when the market
4 was amplifying leverage dramatically reduced the risk to Signature's investors both from the lower
5 leverage and risk inherent in the existing portfolio but also from the generally more conservative tact
6 that allowed Signature to avoid participation in the over inflated deals that have crippled many
7 funds and financial institutions.

8 The Signature business plan, while attractive, requires several important components. First, a
9 diverse management team with enough breadth and depth and one that possesses the requisite
10 experience to identify, assess and underwrite credit linked investments to appropriate risk-based
11 standards. Second, an appropriate set of risk based guidelines for the proper monitoring and servicing
12 of the underlying investment portfolio. Third, a properly capitalized balance sheet with enough equity
13 to not only support the existence of a properly sized revolving credit line, but also to provide enough
14 financial support to the Debtor's existing subordinated creditors. Finally, a seasoned and experienced
15 Board of Directors and one that is intimately familiar with all of the policies and procedures necessary
16 for the running and the governance of a public company. The TOPrS Group and Jim McIntyre, the
17 largest Holders of claims in Class 3C and Equity Interests in Class 4, respectively, spent considerable
18 effort vetting Signature's management team and business strategy before deciding to co-sponsor the
19 Signature Plan with Signature.

20 Signature expects that the Reorganized Debtor would generate substantial ordinary income
21 against which it could offset the NOL tax credits. The Signature Plan therefore proposes to utilize the
22 Debtor's substantial NOL carry forwards to generate significant after-tax returns to the Reorganized
23 Debtor's shareholders.

24 **3. Post-Effective Date Management: Management Agreement with CP**
25 **Management, Inc.**

26 On the Effective Date, the Reorganized Company's Board of Directors will enter into a
27 temporary management contract with the senior management team of Signature to provide day to day
28 interim management services to the Company consistent with the business plan as outlined herein and

1 to oversee the wind-down of the business affairs of the Debtor, FRCC, and FRC while a more
2 complete management agreement is negotiated between the Board and the newly formed entity
3 created by the Signature team, Credit Partners Management, Inc. (“CP Management” or “Manager”).
4 Such temporary management contract will terminate upon execution of the Management Agreement,
5 which is expected to occur within 45 days of the Effective Date.

6 The Management Agreement for the Reorganized Debtor will be based upon a commercially
7 standard business plan, consistent with the Signature Plan. It will be submitted by Credit Partners
8 Management, Inc., to the Board of Directors for approval within twenty (20) days of the Effective
9 Date. The form of the proposed Management Agreement, which CP Management anticipates will be
10 submitted to the Board of Directors for approval, is attached as Exhibit 3 to the Signature Plan and is
11 the product of arm’s-length negotiations between Signature and the Steering Committee.

12 Signature believes that the external investment management model represents best practices in
13 the industry and will maximize value for shareholders. Similar external investment management
14 models are used at major investment funds, including Apollo Investment Corporation, Ares Capital
15 Corporation, Fifth Street Finance Corp., Gladstone Capital Corporation and MCG Finance
16 Corporation. In addition, framework negotiated by the Steering Committee provides that the annual
17 salaries of Messrs. Noell, Donatelli and Ross shall not exceed \$150,000 per year for their services to
18 the Reorganized Debtor, thereby providing for compensation that is significantly below their earning
19 power on the open market, and providing significant value for the Reorganized Debtor’s shareholders.

20 Under the terms of the Management Agreement, CP Management shall:

- 21 • identify, evaluate and negotiate the structure of the investments made by the
22 Reorganized Debtor;
- 23 • determine the investments and other assets that the Reorganized Debtor will purchase,
24 retain, or sell;
- 25 • determine the composition of the portfolio of the Reorganized Debtor, the nature and
26 timing of the changes therein and the manner of implementing such changes;
- 27 • close and monitor the Reorganized Debtor’s investments;

- 1 • manage, service, administer, and collect payments related to the Reorganized Debtor's
- 2 investments;
- 3 • negotiate, restructure, settle and/or compromise any loan or other debt obligations
- 4 related to the investment portfolio;
- 5 • supervise a limited staff of FRC employees who will be employed directly by the
- 6 Reorganized Company to continue with the orderly wind-down of the Debtor and
- 7 FRC's legacy business activities;
- 8 • engage, interact and supervise any financial advisors, legal counsel, accountants, or
- 9 other outside consultants engaged by the Reorganized Company to continue with the
- 10 orderly wind-down of the Debtor and FRC's legacy business activities;
- 11 • engage, interact and supervise any financial advisors, legal counsel, accountants, or
- 12 other outside consultants engaged by the Reorganized Company to facilitate the
- 13 Reorganized Company's return to compliance with the SEC and any other
- 14 governmental agencies;
- 15 • file, continue, amend and modify any financing statements, Uniform Commercial Code
- 16 filings, mortgages, deeds, title policies, etc. related to any liens or collateral associated
- 17 with any loan or other debt obligations related to the investment portfolio; and
- 18 • provide the Reorganized Debtor with such other investment advisory, research and
- 19 related services as the Reorganized Debtor may, from time to time, reasonably require
- 20 for the investment of its funds.

21 The compensation arrangements set forth in the Management Agreement shall be renewable
22 annually based on such terms as the CP Management and the independent members of the Board of
23 Directors shall agree. Under the Management Agreement, the Reorganized Debtor will pay CP
24 Management a fee for its services pursuant to the Management Agreement. The Management
25 Agreement and its fee structure were established by arm's-length negotiation between Signature and a
26 Steering Committee consisting of James McIntyre and Seth Hamot, neither of whom holds any direct
27 or indirect economic interest in Signature or CP Management. The management fee during the initial
28 term shall be based upon an expense budget setting forth projected, commercially reasonable

1 operating expenses to be incurred by CP Management in its management of the Reorganized Debtor.
2 The framework established by the Steering Committee also provides that annual salaries for Messrs.
3 Noell, Donatelli and Ross shall be limited to \$150,000 per year for services provided to the
4 Reorganized Debtor under the Management Agreement. The Management Agreement and the
5 proposed budget shall be subject to review and approval by the entire Board of Directors within 120
6 days after the Effective Date.

7 Under the Management Agreement and pursuant to the established budget, CP Management is
8 solely responsible for: (i) compensating CP Management’s investment professionals and their
9 respective staffs (and pursuant to agreed-upon limits on the compensation of Messrs. Noell, Donatelli
10 and Ross), when and to the extent engaged in providing investment advisory and management
11 services to the Reorganized Debtor, and (ii) the compensation and routine overhead expenses of such
12 personnel allocable to such services. Notwithstanding the above, the Reorganized Debtor’s Board of
13 Directors in its sole discretion may award an annual bonus to CP Management or its professionals
14 above and beyond the budget-based upon performance. The proposed Management Agreement has an
15 initial term through December 31, 2010, and renews automatically thereafter, subject to the approval
16 of either the Reorganized Debtor’s board of directors or, alternatively, its shareholders.

17 Although Signature, after significant research and consultation with counsel does not believe
18 that either Signature’s activities or those of the Reorganized Debtor fall under the scope of the
19 Investment Advisers Act of 1940 (the “Advisers Act”), CP Management intends to register pursuant
20 to the Advisers Act.

21 **4. The CP Management Team and the Reorganized Debtor’s Management**
22 **Team**

23 The CP Management team will be led by Craig Noell, Kyle Ross, Thomas Donatelli. Each is
24 an accomplished corporate finance executive with extensive experience and an established record.
25 Some highlights of their careers include:

- 26 • Craig Noell, President & CEO: Mr. Noell is the chief executive officer of the firm. In addition
27 to setting the overall strategy of the firm he directs the investment sourcing, structuring and
28 capital raising functions of the firm and is a significant Limited Partner in the Fund. Mr. Noell

1 brings 25 years experience in corporate finance, investing banking, and special situation
2 investing with Goldman Sachs, Wells Fargo Foothill, Security Pacific, Barclays and Murphy
3 Noell Capital. At Murphy Noell, he was involved in over 50 corporate finance transactions
4 including traditional M&A, distressed M&A, capital raises, recapitalizations and
5 restructurings. Previously, as a member of the distressed investing area at Goldman Sachs,
6 Mr. Noell founded and ran Goldman Sachs Specialty Lending, investing Goldman's
7 proprietary capital in special situations opportunities. At Wells Fargo Foothill ("Foothill")
8 Noell directed the firm's New York and Los Angeles business development teams and was
9 involved in numerous recapitalizations/ restructurings, DIP loans, POR financings. He was
10 also involved in establishing multiple joint venture relationship including the acquisition of the
11 loan portfolio of Home Savings of Alaska from the FSLIC, a joint venture with Ansley
12 Associates to provide specialized financing to the resort industry and a joint venture
13 relationship with Ozer to form Paragon Retail Finance which was subsequently acquired by
14 Wells Fargo and is now the second largest asset based lender to the retail trade. Mr. Noell
15 began his career in the Merger Group of Security Pacific National Bank, N.A. and also held
16 positions at Barclays American Business Credit and BISL, a firm specializing in trade claims,
17 prior to joining Foothill. Mr. Noell is a graduate of the Wharton School of Business at the
18 University of Pennsylvania.

- 19 • Kyle Ross, Executive Vice President & COO: Mr. Ross co-founded Signature and is
20 responsible for most of the firm's daily operations including its underwriting and asset
21 management activities. Since Signature's formation he has been directly involved in all of
22 Signature's transactions, including an active role in structuring, underwriting, closing, and
23 managing the exit of transactions. Mr. Ross previously spent over four years with the
24 boutique investment banking firm Murphy Noell Capital where he was directly involved in
25 over 25 transactions including both healthy and distressed capital raises, M&A transactions,
26 and debt restructuring. He was also responsible for managing the firm's analyst and associate
27 staff. Previously, he was an analyst at Sutro & Co. Mr. Ross is a graduate of the Hass School
28 of Business at the University of California, Berkeley.

- 1
- 2 • Thomas Donatelli, Executive Vice President & Chief Investment Strategist: As Chief
- 3 Investment Strategist, Mr. Donatelli brings 20 years of experience in the financial services
- 4 industry including stints in M&A, as a highly regarded special situations equity analyst, and in
- 5 proprietary investments. Mr. Donatelli is actively involved in the daily activities of Signature.
- 6 His career includes roles in the M&A Department at Merrill Lynch (RJR Nabisco LBO, the
- 7 Time Warner bridge loan and the merger of Bass PLC and Holiday Inns), at Wertheim
- 8 Schroder & Co. as head of “Special Situations” Equity Research, as a Managing Director in
- 9 M&A at Donaldson, Lufkin & Jenrette, and, following DLJ’s acquisition by Credit Suisse, as
- 10 a Managing Director in the Mergers Group at Bank of America. In 2001, Mr. Donatelli was a
- 11 founding Partner of SageCrest, an Asset-Backed and Structured Debt fund which grew from
- 12 \$2 million in AUM to approximately \$400 million over a three year period. Feeling
- 13 uncomfortable with the outlook for the credit markets, Mr. Donatelli elected to exit the firm he
- 14 founded and sold his interest back to the management company in 2005. In 2006, Mr.
- 15 Donatelli founded Clarinbridge Capital, a relative value hedge fund backed by KBC Financial
- 16 Products. Mr. Donatelli holds a B.A. from the University of Chicago and an M.A. from
- 17 Oxford University. In 1986, Mr. Donatelli was awarded a John M. Olin Foundation
- 18 Fellowship at the U.S. Naval War College.

19 In addition to the existing Signature team, Signature has identified accomplished commercial

20 finance industry executives based in Atlanta, Los Angeles, and New York who have indicated an

21 interest to join the team. Upon a successful reorganization of the Debtor by Signature, Signature may

22 offer employment to these executives. Signature’s ability to hire these individuals will depend in

23 large part on the budget negotiated with the Steering Committee and the Board. Summary information

24 on their biographies is below, with certain names redacted pursuant to confidentiality requests. As

25 with other proprietary or confidential information regarding Signature, Signature has offered to

26 provide further detail to the Debtor and the Equity Committee pursuant to appropriate non-disclosure

27 arrangements.

28

- 1
- 2 • Mr. [A], Managing Director: Mr. [A] has over 25 years of experience originating, structuring
- 3 and managing financings for middle market companies in the U.S. and Europe. In the past 10
- 4 years, Mr. [A] was recruited by two major European banks to launch, create and lead corporate
- 5 banking, trading and lending platform businesses in the U.S. He is a seasoned executive who
- 6 has arranged financings for clients to support acquisitions, growth, leveraged buyouts, debtors-
- 7 in-possession, plans of reorganization, distressed debt, cash flow, working capital and
- 8 turnarounds. During his career, Mr. [A] has overseen and completed more than 700
- 9 transactions across diverse industries. He was ranked as one of the most active senior lenders
- 10 in the U.S. leveraged finance market by Private Equity Magazine. Mr. [A] started his career at
- 11 Lloyds Bank as a financial analyst and spent 12 years with Manufacturers Hanover (now part
- 12 of JP Morgan Chase) and The CIT Group (after its acquisition by Manufacturers Hanover),
- 13 serving in increasingly responsible roles in auditing, credit underwriting and loan portfolio
- 14 management. Mr. [A] next joined GMAC Commercial Finance as Global Marketing Director
- 15 and EVP. He led over 25 marketing officers, regional managers and underwriters throughout
- 16 the U.S. and Europe. After GMAC, Mr. [A] went to Wells Fargo Foothill, Inc. and helped
- 17 build brand value for the bank in mid-Atlantic and New England region. During his tenure at
- 18 Wells Fargo, he originated and structured loans to middle market companies owned by private
- 19 equity groups, hedge funds and individual investors. Mr. [A] was then recruited by Royal
- 20 Bank of Scotland to start up and serve as President of RBS Business Capital, a middle market
- 21 lending platform. He built a team and an infrastructure for a business that generated positive
- 22 cash flow within 6 months and exceeded plan by over 150%. Mr. [A] also served as the
- 23 National Sales Director for HSBC Business Credit where he was instrumental in building a
- 24 loan origination platform. Most recently, Mr. [A] was recruited by Landsbanki, a large
- 25 Icelandic Global Bank, to establish a U.S. bank holding company focused on leveraged loans,
- 26 second lien loans, and asset based finance in the U.S. and Europe, as well as money market,
- 27 fixed income and foreign exchange trading. Here too, he was successful in building a business
- 28 platform that generated significant shareholder value, exceeding plan by 420%. Mr. [A] has

1 been a part-time adjunct professor at New York University, teaching Harvard Case Studies in
2 Corporate Finance. He holds a B.S. degree in Finance and an M.B.A. degree from St. John's
3 University. He served on the Board of Directors for the New York Chapter of the Turnaround
4 Management Association and was a Committee Chairperson and Board member for the New
5 York Chapter of the Association for Corporate Growth. Mr. [A] also served on the National
6 Board of Directors for American Bankruptcy Institute. This individual has a career spanning
7 over 25 years in lending and commercial finance. He has served as the president of the U.S.
8 affiliate of a global multi-billion financial institution as well as president of a commercial
9 finance affiliate of a top 20 global banking institution. Earlier in this career, he served as an
10 executive vice president and global loan origination manager of a major commercial finance
11 company and held positions at both CIT Group and Manufacturer's Hanover. He holds a BS
12 and an MBA from St. John's University.

- 13 • Mr. [B], Managing Director: Mr. [B] has over 29 years of experience in the commercial
14 finance, cash flow, and senior stretch lending arena. Mr. [B]'s experience spans the gamut of
15 virtually all aspects of the business including originating, structuring and managing both asset-
16 based, stretch, and cash flow-leveraged financings for middle-market companies. Mr. [B] has
17 originated loans to accomplish a wide variety of corporate finance needs including
18 acquisitions, recapitalizations, turnarounds and Chapter 11 DIP loans and exit financings.
19 During his career, Mr. [B] has overseen and completed more than 1,000 transactions across
20 diverse industries and transaction sizes. During his early career, Mr. [B] held varying
21 management and loan origination positions with Aetna Business Credit, Heller Financial, and
22 The CIT Group. In 1990, he joined Wells Fargo Foothill and eventually became its Director
23 of National Loan Originations, managing more than 30 originators and underwriters across six
24 regional offices. In 2000, Mr. [B] founded and successfully managed the growth of a niche
25 oriented division of a major US bank from startup to more than 160 loans with aggregate
26 commitments in excess of \$4.0 billion primarily across the healthcare, restaurant, media, and
27 gaming industries utilizing a team of more than 50 professionals including loan originators,
28 underwriters, account managers and compliance officers. Age 58, Mr. [B] recently elected to

1 take an early retirement package from his institution and is formally available to join the
2 Reorganized Debtor effective January 1, 2010. He is an alumnus of the University of
3 California, Irvine.

- 4 • Mr. [C], Managing Director: Mr. [C] has a career spanning 25 years in the commercial finance
5 industry having worked and managed units as a Senior Vice President or Executive Vice
6 President with senior debt capital market leaders GE Capital, Wells Fargo Foothill, Fremont
7 Financial and First Union National Bank. He has extensive experience in the negotiation and
8 origination of asset-based, leveraged cash flow and structured product financings for both
9 public and privately owned companies in a broad range of industries. Specific financing
10 experience includes re-financings, leveraged buyouts, recapitalizations, special situation
11 financings, turnarounds, DIP financings, sale leasebacks, preferred equity partnerships, project
12 finance and growth-oriented credit facilities. Throughout his career, he has been responsible
13 for over 200 funded transactions with commitments and fundings exceeding \$3.5 billion and
14 \$2.0 billion, respectively. He previously served as a President of a chapter of the Commercial
15 Finance Association (CFA) as well as a National Board Member of the American Bankruptcy
16 Institute (ABI). He is presently a Board Member of the Turnaround Management Association
17 (TMA). He is a graduate of Indiana University with a BS in Business Administration.
- 18 • Mr. [D]: This individual has an extensive background in High Yield Equity and Distressed
19 Research, including serving as a member of the unsecured creditors committee in over a dozen
20 bankruptcies with at least \$100 million in unsecured claims. Currently, he is providing
21 subscription based research and consulting services to multiple parties including PIMCO. His
22 experience includes both sell side research/idea generation and buy-side analysis and portfolio
23 management. He previously served as partner and CFO of a \$100 million holding company
24 with 1,500 employees in Moscow, Russia. He holds a Ph.D. in numerical mathematics and a
25 MS with honors in Mathematics from Tbilisi State University in Tbilisi, Georgia, Former
26 Soviet Union.

1 Mr. Sanchez, Ms. Stuedli, and Mr. Royer have verbally indicated that they do not intend to
2 remain with the Reorganized Debtor on any continuing basis. The terms of the executive employment
3 agreements with each of the remaining executives expire in November 2010. We believe that they
4 desire to wind down their involvement on an orderly basis and that they are amenable to an
5 arrangement where they wind down their full-time commitment to the Debtor. We expect that the
6 three top Debtor executives accept a reduced monthly compensation package while they wind down
7 their involvement with an exit bonus rewarding their contribution to the Debtor. The involvement of
8 Royer and Stuedli in acceptable transition roles is essential to Signature.

9 **5. The Reorganized Debtor's Board of Directors**

10 The Reorganized Debtor would have a Board of Directors consisting of seven directors. Six
11 of seven directors have been identified as of this date and include two significant TOPrS holders who
12 will become significant equity holders under the Signature plan. In addition, four other directors have
13 been identified by Signature. The seventh director, to be mutually acceptable to Signature, the TOPrS
14 Group and Mr. McIntyre, will be selected from the existing Equity Interest Holders. The backgrounds
15 of the proposed board members who have been identified are included below. Three of the proposed
16 board members, Mssrs. Hochberg, Schwab, and Peiser, are existing shareholders of the Debtor.
17 Signature and the TOPrS Group believe that each of the six directors below will meet the
18 independence requirements of the applicable securities laws and exchange regulations.

- 19 • John F. Nickoll: Mr. Nickoll is expected to serve as Chairman of the Board of Directors. He
20 has over 40 years experience in the commercial finance industry including over 30 years as
21 founder and co-CEO of Foothill Group, Inc. ("FGI"), which was traded on the NYSE under
22 ticker symbol "FGI", and its commercial finance subsidiary Foothill Capital Corporation
23 ("Foothill"). From a startup in 1973, Foothill successfully grew to become, for many years,
24 the largest independent commercial finance company in the U.S. Foothill was a pioneer in
25 purchasing distressed commercial debt from major money center banks in the mid-1980s.
26 Foothill later financed the expansion of this business through limited partnerships backed by
27 major pension and institutional investors. In 1995 FGI was acquired via stock merger by
28 Norwest Corporation, which subsequently acquired Wells Fargo. Director A remained CEO

1 of all commercial finance lending operations, including Wells Fargo Foothill and Wells Fargo
2 Business Credit. Mr. Nickoll is a graduate of the University of Wisconsin and earned a JD
3 from the University of Michigan Law School.

- 4 • Robert Peiser: During his career, Mr. Peiser has successfully financed, restored profitability
5 to, or otherwise created value for a large number of companies in a variety of industries. He
6 has been an investor in Signature affiliated entities since 2004. Mr. Peiser is Chairman and
7 CEO of Omniflight, Inc., a Dallas-based, private helicopter air rescue company. He also
8 served as Vice Chairman of Imperial Sugar Company, a Houston-based refiner and marketer
9 of sugar products to retail, foodservice and industrial customers, following his service as
10 President and CEO of that company for almost six years. As CEO, he created a strong balance
11 sheet from a distressed situation, rationalized capacity and created value added margins in a
12 commodity product through innovative brand strategies. Mr. Peiser's past positions include
13 operating roles in a wide variety of turnarounds and industries including transportation
14 services, food processing, retailing, distribution and telecommunications. In addition, as
15 executive vice president and chief financial officer of St. Louis-based Trans World Airlines,
16 Inc., he was widely credited with being the architect of its successful 1995 financial
17 restructuring. He was also TWA's chief financial officer in the mid-1980's during its takeover
18 battle with Carl Icahn. Director B graduated from the University of Pennsylvania with a BA
19 in economics and also holds an MBA in finance from Harvard Business School.
- 20 • Larry Hochberg: Mr. Hochberg has a career spanning 40 years in retail, business management
21 and real estate investing. He was a pioneer of the "big box" category killer concept since the
22 early sixties with two successful chains, Children's Bargain Town and Sportmart, each of
23 which ultimately merged with a competitor to form the dominant player in its respective
24 industry, Toys R Us and Sports Authority, respectively. Under his leadership, Sportmart went
25 public in 1991 and he served as CEO until its sale in 1998. Mr. Hochberg served on the board
26 of directors of Gart Sports, the successor to Sportmart, from 1998 to 2001. He is also an
27 active real estate investor and is involved in a variety of philanthropic endeavors. Mr.
28

1 Hochberg holds a BA from the University of Wisconsin and an LLB from Northwestern
2 University Law School.

- 3 • Robert Schwab: Mr. Schwab is a successful entrepreneur with over 30 years of experience in
4 business operations and management. He is the former owner and CEO of Schwab Sales, Inc.,
5 a heavy-duty construction equipment rental company that was sold to DE Shaw affiliate in
6 2006. Mr. Schwab has extensive expertise in construction trade for both private and public
7 works, hard asset lending, construction collections, litigation assessments, asset valuation and
8 liquidation. Mr. Schwab is a graduate of the University of Southern California with a BS in
9 business.
- 10 • Howard Amster has over 40 years of business and investing experience including significant
11 experience in real estate, securities and financial services industries. He is a major investor in
12 apartment properties. He is a member of the executive committee of Horizon Group
13 Properties as well as its largest shareholder. Horizon is an operator of over 10 shopping
14 centers with over 2 million square feet. Amster is also a principal of Ramat Securities, Ltd
15 and has served on multiple corporate boards including those of 4 financial institutions.
- 16 • Seth W. Hamot is the President at RRH Capital Management Inc. He is the General Partner at
17 Costa Brava Partnership III L.P. Prior to 1997, Mr. Hamot was a Partner at the Actionvest
18 entities. He is a Director, Interim Non-Executive Chairman, Member of Audit Committee,
19 Member of Corporate Governance Committee, and Member of Nominating Committee at
20 Bradley Pharmaceuticals Inc. Mr. Hamot is also a Director at Telos Corp.

21 6. Reporting Requirements

22 At present the Debtor is classified as a “Reporting Company” for the purposes of the
23 Securities Exchange Act of 1934, as amended. The Debtor previously determined that the Debtor was
24 unable to file its Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 by the May 15,
25 2009 due date and the Debtor was not able to make that filing within the fifteen-day extension
26 permitted by the rules of the SEC. A similar disclosure has been made regarding the Annual Report
27 on Form 10-K for the fiscal year ended December 31, 2007 and 2008 in addition to the Quarterly
28 Report on form 10-Q for the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008.

1 While it implements its initial investment strategy, the Reorganized Debtor will remain a
2 public company with Equity Interests trading on the pink sheets. The Reorganized Debtor will seek
3 an accommodation from the SEC of filing and past due reporting requirements, if feasible,
4 commencing with a comprehensive Form 10K in the first quarter in which the Signature Plan goes
5 effective, which is anticipated to be the first or second quarter of 2010. In the event that the
6 Reorganized Debtor is unable to obtain the requested accommodation or if there are other
7 impediments, the Reorganized Debtor will become current in its SEC reporting requirements as soon
8 as possible post emergence. Signature believes the costs of returning to compliance may be lower
9 than the Debtor's May 2009 estimate of approximately \$2 million (although the Signature Plan
10 conservatively assumes \$2 million for this cost). Signature is in discussions with counsel and auditors
11 seeking an arrangement for the performance of outside accounting, auditing and legal services needed
12 to bring the Reorganized Debtor back into SEC compliance at fixed outside professional fees of less
13 than \$2 million in the aggregate.

14 **G. Risk Factors**

15 The Reorganized Debtor's ability to perform its obligations under the Signature Plan is subject
16 to various factors and contingencies, some of which are described in this section. The following
17 discussion summarizes some of the material risks associated with the Signature Plan, but is not
18 exhaustive.

19 Moreover, it should be read in connection with other disclosures contained in the Signature
20 Plan and the Disclosure Statement. Each Creditor and Equity Holder, in conjunction with its advisors,
21 should supplement the following discussion by analyzing and evaluating the Signature Plan and the
22 Disclosure Statement as a whole. The risks associated with the Signature Plan must be carefully
23 considered in determining whether to accept the Signature Plan.

24 **1. Additional Risks**

25 **(a) General Risks**

26 There are certain downsides and risks associated with the business plan that must be
27 considered, including the following:
28