



Item 1 – Cover Page

# Signal Securities, Inc. Advisory Program Brochure

Signal Securities, Inc.  
700 Throckmorton St. Fort Worth, Texas 76102  
817-877-4256  
signalsecurities.com  
March 30, 2011

This Brochure provides information about the qualifications and business practices of **Signal Securities, Inc.** If you have any questions about the contents of this Brochure, please contact us at **(817) 877-4256** or email ***compliance@signalsecurities.com***. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about **Signal Securities, Inc.** also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated **March 30, 2011** is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting **Carla Wright in the compliance office**, at **(817) 877-4256 ext. 210** or ***compliance@signalsecurities.com***. Our Brochure is also available on our web site ***signalsecurities.com***, free of charge.

Additional information about **Signal Securities, Inc.** is available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with **Signal Securities, Inc.** who are registered, or are required to be registered, as investment adviser representatives of **Signal Securities, Inc.**

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## Item 4 - Advisory Business

Signal Securities, Inc. (Signal) was established as a Broker-Dealer in 1984 and purchased by current owner and CEO Jerry Singleton in 1987. In 2001, the Signal Securities, Inc. Advisory Program was created to provide fee-based asset management and financial planning for our clients. Headquartered in downtown Fort Worth, Signal remains active as both a broker-dealer<sup>1</sup> and investment advisor registered<sup>2</sup> with the Securities and Exchange Commission. As of December 31, 2010, Signal manages \$169,300,000.00 of client assets on a non-discretionary basis and \$8,300,000.00 of client assets on a discretionary basis.

Signal's Advisory Program adheres to the philosophy of managing risk thru diversification. As part of our implementation and review process, we collect and analyze data concerning a Client's financial situation and assist the Client in the formulation and development of short and/or long-term individualized goals and objectives. Upon analysis, we structure an investment plan seeking to minimize the Client's risk for a given level of expected return. In making our recommendations, we consider a Client's individual needs by evaluating their stated investment objectives, risk tolerance, investment philosophy, and financial goals. Signal will work in partnership with the Client in selecting a suitable investment objective and strategy to be followed.

Signal Securities Inc. offers different programs and allocations with differing risk levels and return prospects for Clients to choose from. Listed below are Signal's current investment advisory models:

### **Asset Allocation Model**

Under the Asset Allocation Model, the firm uses a consultative, non-discretionary advisor approach. Using the firm's Client Information Worksheet and Investment Policy Statement, Signal's investment advisory representative (IAR) gathers information about the client's goals and investment risk tolerance. Based on the information gathered from the questionnaire, the IAR will recommend one of Signal's five model portfolios. These portfolios include *Conservative Income*,

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<sup>1</sup> **Signal Securities, Inc.** is a Member of the Financial Industry Regulatory Authority (FINRA) and Securities Investors Protection Corporation (SIPC)

<sup>2</sup> **Signal Securities, Inc.** is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.



*Income, Conservative Growth, Growth, and Aggressive Growth.* The fixed income portion of the portfolio will be allocated by maturity length and tax status. Signal defines these maturity terms as money market, short term, intermediate term, and long term. The IAR will recommend that this fixed income portion be invested in taxable or non-taxable funds based on the client's tax situation. The equity portion will be allocated by asset class and management style. Signal defines the asset classes as small-cap, mid-cap, large-cap and international. The management styles considered are growth and value.

Signal has prescreened a list of no-load or load waived funds for each section of a recommended portfolio. The IAR will analyze the client's objectives and risk tolerance when recommending one or more of the approved funds for each part of the allocation. The proposed allocation will seek to balance the client's long-term investment objectives with his or her means and risk tolerances as part of a long-term investment strategy. Upon review of the allocation, the client is given the right to impose reasonable restrictions on the management of their account. Upon acceptance of the recommended portfolio, the client will sign the Signal Securities, Inc. Investment Advisory Agreement. The minimum household aggregate account size for Signal's Asset Allocation Models is **\$25,000**.

#### **Private Client Asset Management Model**

Under the Private Client Asset Management Model, the firm uses a consultative, non-discretionary advisor approach. Using the firm's Client Information Worksheet the IAR gathers information about the client's goals and investment risk tolerance. Based on the information gathered from the questionnaire, the IAR will recommend a mix of investments that seek to balance the client's objectives with his or her means and risk tolerances as part of a long-term investment strategy. These recommendations may include, but are not limited to, assets such as individual stocks and bonds, open-end mutual funds, closed-end mutual funds, partnerships, annuities, unit investment trusts, money market instruments, and certificates of deposit. Signal and the IAR will effect only transactions where client consent has been given. The minimum account size is **\$100,000**.

#### **Temporary Client Transfer Accounts under \$100,000**

Client accounts containing assets under \$100,000.00 that transfer to Signal generally do not have allocations matching Signal's model portfolios. These accounts usually remain unchanged for a limited period pending consultation with the client and evaluation of the existing portfolio. In most



instances, after consultation and evaluation, the existing account portfolio is modified to be consistent with the appropriate Signal model portfolio.

Account modification generally involves liquidating certain assets and purchasing other assets in order to make the final portfolio consistent with the model portfolio selected by the client. In some instances, Signal's broker-dealer division will execute the modifying transactions, resulting in commissions or fees paid to the broker-dealer division. If an unaffiliated broker-dealer executes the transactions, that firm may receive commissions or fees for its services.

Occasionally, a client will decline having their account portfolio modified to match one of the program's model portfolios. Often the client's reluctance is due to potential tax consequences that would result from liquidating certain assets. Because Signal uses a consultative, non-discretionary advisor approach, Signal cannot forcibly modify a non-conforming account to be consistent with a conforming account for an indeterminate time; however, Signal reserves the right to reject transfer accounts if the client refuses to allow modification of the account to conform to a model portfolio.

### **Tactical Growth Portfolio Model**

With the Tactical Growth Portfolio Model, the firm uses a *discretionary* advisor approach. Signal's Tactical Growth Portfolio Model is a method designed for investors seeking growth. To determine the suitability of this investment for a client, the IAR gathers information about the client's goals and investment risk tolerance using the Firm's Client Information Worksheet. Investments in this model are intended to complement a well diversified portfolio. By investing in both individual stocks and exchange traded funds, the Tactical Growth Portfolio attempts to concentrate an investor's assets towards the best performing industries and market sectors. The investment selection process involves evaluating opinions of numerous independent research firms to narrow down the list of investment candidates to a reasonable number. Final selection for the portfolio is made after evaluating company and sector fundamentals as well as the general state of the economy. The Signal Tactical Growth Portfolio also uses technical analysis to determine sector and asset class strength. The minimum account size is **\$25,000**.

### **Commodity & Inflation Portfolio Model**

The Commodity & Inflation Portfolio Model uses a discretionary advisor approach. Signal's Commodity & Inflation Portfolio Model is designed for investors seeking to profit from trends in commodities and fixed income markets. Investments in this model are intended to complement a



well diversified portfolio. To determine the suitability of this investment for a client, the IAR gathers information about the client's goals and investment risk tolerance using the Firm's Client Information Worksheet. This portfolio places a heavy emphasis on technical analyses and market trends. The portfolio will utilize exchange traded funds, closed end mutual funds, and individual bonds. The investment model will have the flexibility to be both long or short these investment vehicles. The minimum account size is **\$25,000**.

### **SEI - Asset Allocation Model**

Signal participates in the SEI Asset Allocation Program, which is offered to high net worth individuals, defined benefit plans, participant and non-participant directed defined contribution plans, institutions, endowments, and foundations.

With the SEI Asset Allocation Program, Signal serves as the investment adviser to the client, and is responsible for analyzing the client's current financial situation, return expectations, risk tolerance, time horizon, and asset class preference, pursuant to the Adviser's investment advisory agreement. Based upon the investor's information, Signal and the client select an investment strategy and choose from one of many mutual fund asset allocation models, which may be provided by SEI Investments Management Corporation ("SIMC"), or purchase the individual mutual funds.

Signal will allocate the assets placed in the client's account among the SEI Funds (a family of mutual funds advised by SIMC) in accordance with the investment strategy or model selected by the investor. The client, through Signal, may adjust their asset allocation to help ensure that the mix reflects the objectives of the chosen strategy. The client may, at any time, impose reasonable restrictions on the management of his/her account or choose a new investment strategy.

The SEI Funds are administered, distributed, and in some cases advised by SIMC or its affiliates for which it is paid fees as disclosed in the SEI Funds' prospectuses. The prospectus(es) should be read carefully by all investors before investing in the SEI Funds. The minimum account size is \$25,000.

### **Green Investment Management (GIM) Portfolio Design Program**

Signal participates in Green Investment Management's (GIM) *Portfolio Design Program*. This is a multimanager offering sponsored and managed by GIM and custodied at Trust Company of America. This program has engaged outside strategists to provide it with additional Models (each a distinctive "Investment Strategy"). These outside Strategists provide GIM with ongoing



recommendations and investment advice regarding the Models. In this multimanager offering, GIM serves as the Program Manager and Signal serves as the Advisor. GIM performs due diligence on and monitors the performance and services provided by outside Strategists. Except for GIM in its dual role as the Program Manager and a Strategist, Strategists do not exercise investment discretion over Accounts. GIM engages Strategists to design, monitor and, as necessary, advisable or desirable update the Models conforming to the investment strategies and assist in the management of the Models. Strategists do not take individual client objectives into consideration; this duty is performed by the Program manager. GIM is solely responsible for the decision to implement Strategist's recommendations.

Clients who wish to have their monies managed will, based on their individual needs and preferences, choose one or more Models. In order to implement the strategy(ies) chosen, Client will establish an Account with Trust Company of America ("TCA") and deposit into Account those funds Client desires for GIM to manage. GIM will purchase and sell Financial Products (excluding variable annuity sub-accounts) through TCA on Client's behalf. GIM is authorized by Client with full discretionary authority to buy, sell, invest, exchange, convert, transfer, redeem, liquidate or otherwise dispose of any funds or investments held in Account, subject to such limitations as Client may impose in writing to GIM, without notice or approval of Client. All Investment purchases through TCA will be purchased at net-asset-value, free of sales charges, and held by TCA on behalf of the Client. In the case of exchange-traded funds, exchange traded notes or closed-end funds, these securities will be purchased or sold at market prices that may be more than or less than net asset value. Client may at any time deposit additional funds with selected Custodian so as to increase the managed assets in Account. Client shall at all times maintain every indicia of ownership of the Financial Products in Account, including the right to hypothecate, pledge, vote, withdraw the securities and proceed directly against the issuer of any security without the participation in the proceeding of TCA or Program Manager. The minimum account size is **\$25,000.00**

#### **401k Optimizer**

Signal Securities 401k Optimizer plans are established for clients seeking professional management of individual accounts held inside company-sponsored 401k plans. The goal of our service is to maximize returns utilizing existing investments specific to each plan, while protecting invested assets from undue risk. Each account managed by Signal is *discretionary* in nature. Assets are selected and allocated according to information obtained from the client Investment Profile Questionnaire.



### **Flat Fee Planning**

Signal Securities, Inc or one of its Investment Adviser Representatives may charge a flat fee for the creation of a financial plan or asset review. This may be performed after receiving the written permission of Signal Securities management.

### **Item 5 – Fees and Compensation**

The management fee for the **Signal's** *Asset Allocation Model, Private Client Asset Management Model, Temporary Client Transfer Account Model, Tactical Growth Portfolio Model, Commodity and Inflation Portfolio Model, and GIM's Portfolio Design Program* will be payable quarterly in advance of service based on the account valuation on the last day of the preceding calendar quarter.

Management fees for **Signal's** *401K Optimizer clients* and **SEI's** *Managed Accounts Program* Management Fees will be calculated in arrears at the end of each quarter based on the quarter ending Account balance and deducted from the Account in the following month.

For management fees payable in advance, calculations for a new account will be based upon the date the Custodian received the monies and/or securities. The management fee on new accounts will be payable in advance for the remainder of the current calendar quarter on a pro-rata basis. At the discretion of Signal, the values of related accounts may be grouped together for purposes of reducing the overall management fees being charged to each individual related account. All such fees will be deducted from Client's account or billed to client for payment to Signal depending on the client's preference.

Payment of management fees to Signal may be made by Custodian only when all three of the following criteria are met: (1) Client has provided written authorization to Signal permitting the fees to be paid directly from the Client's account held by the Custodian; (2) Custodian sends a statement to the client on at least a quarterly basis showing the advisory fees paid directly to Signal, as well as any other disbursements from the account; (3) Signal does not and will not have custody of a client's funds or securities.

Collected but unearned management fees are refundable to Client on a pro-rata basis if Investment Advisory Contract is terminated. No billing adjustment shall be made for interim additions or withdrawals from the account.



The Client has the right to rescind their Investment Advisory Contract with Signal for a complete refund of management fees within five (5) business days after entering into the contract. After this initial five business day period, either party may terminate this agreement by giving not less than ten (10) days notice in writing to the other party. Upon termination of the Investment Advisory Contract, collected but unearned management fees are refundable to the Client on pro-rata basis.

All notices required or permitted to be given under the Investment Advisory Contract are to be in writing and delivered to Signal, at 700 Throckmorton, Fort Worth, Texas 76102, or, if to client, to the address of record on the account.

Signal reserves the right to negotiate fees at its own discretion. The specific manner in which fees are charged by Signal is established in a client's written agreement with Signal, but based on the following schedule for each model:

***Asset Allocation Model***

An annual fee will be charged based on the total assets under management on a non-retroactive basis. These fees are payable in advance at the beginning of each calendar quarter.

\$25,000 – \$100,000	2.00%
\$100,001 - \$250,000	1.75%
\$250,001 - \$500,000	1.50%
\$500,001 - \$1,000,000	1.00%
Over \$1,000,001	0.75%

***Private Client Asset Management Model***

An annual fee will be charged based on the total assets under management on a non-retroactive basis. These fees are payable in advance at the beginning of each calendar quarter.

With Limited Partnerships and/or options		Without Limited Partnerships and/or options	
\$100,000 – UP	3.00%	\$100,000 - \$500,000	1.75%
		\$500,001 - \$1,000,000	1.50%
		Over \$1,000,001	1.25%



***Temporary Client Transfer Accounts under \$100,000***

These non-conforming transfer accounts will be subject to the same Fee Schedule as the Asset Allocation accounts. Fees on these accounts are payable in advance at the beginning of each calendar quarter.

***Tactical Growth Portfolio Model***

An annual fee will be charged based on the total assets under management on a non-retroactive basis. These fees are payable in advance at the beginning of each calendar quarter. The client is responsible for payment of transactional fees charged by the Custodian.

\$25,000 - \$250,000	1.50 %
\$250,001- \$500,000	1.25 %
\$500,001 – Up	1.00 %

The fees contain a 0.25% administrative fee.

***Commodity & Inflation Portfolio Model***

An annual fee will be charged based on the total assets under management on a non-retroactive basis. These fees are payable in advance at the beginning of each calendar quarter. The client is responsible for payment of transactional fees charged by the Custodian.

\$25,000 - \$250,000	1.50 %
\$250,001- \$500,000	1.25 %
\$500,001 – Up	1.00 %

The fees contain a 0.25% administrative fee.

***401K Optimizer***

Signal’s management fee for 401K Optimizer clients will be charged at an annual rate of 1.00%. The fee will be billed in arrears based on the value of the client’s account on the last market day of the previous calendar quarter. The Fee will be prorated for any partial quarter.



***Flat Fee Planning***

Signal or one of its Investment Adviser Representatives may charge an hourly fee not to exceed \$200.00 / hour for the creation of a financial plan or asset review.

***SEI Managed Account Program***

In addition to fees charged by SEI, Signal will charge the following annual advisory fee on a non-retroactive basis determined by the total assets under management:

\$25,000 - \$100,000	2.00%
\$100,000 - \$250,000	1.75%
\$250,001 - \$500,000	1.50%
\$500,001 - \$1,000,000	1.00%
Over \$1,000,001	0.75%

Pursuant to Client’s agreement with SEI, SEI may charge a separate Custody Fee for the custody service it provides the Client’s Account. Mutual fund fees and expenses are separate charges from the Account Management Fee. Standard asset allocation model mutual fund fees currently range from .45% to 1.07%, as set out in the prospectus. Mutual fund fees are established by its Board of Directors and are subject to change from time to time. The SEI Funds are administered, distributed, and in some cases advised by SIMC or its affiliates for which it is paid fees as disclosed in the SEI Funds’ prospectuses. The prospectus(es) should be read carefully by all investors before investing in the SEI Funds.

***Green Investment Management***

*Portfolio-Designs* – GIM’s Fee rate is as follows:

Value of Client’s Account	Strategists Models/Program Fees			
	UBS Global Asset Mgmt	Green Invest Mgmt Guardian	Green Invest Mgmt. Tax Aware	Saratoga Capital Mgmt
\$25,000-\$250,000	0.65%	0.95%	0.55%	0.65%
\$250,001-\$500,000	0.65%	0.85%	0.55%	0.65%
\$500,001-\$1,000,000	0.55%	0.75%	0.45%	0.55%
\$1,000,001-\$5,000,000	0.45%	0.50%	0.40%	0.45%



In addition to GIM fees, Signal will charge the following annual advisory fee on a non-retroactive basis determined by the total assets under management:

\$ 25,000 - \$250,000	1.00%
\$250,001 - \$500,000	0.85%
\$500,001 - \$1,000,000	0.75%
Over \$1,000,001	0.75%

Signal generally believes the fees charged for the services rendered hereby are similar to or less than those charged by competitors offering similar services. Signal hereby advises Client that similar or more comprehensive services may, from time to time, be available at lower cost from other investment advisers. Signal further advises Client that securities products purchased on Client's behalf, in some instances, could be purchased by Client directly from the securities product sponsors without incurring Signal's management fee.

Signal's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Signal's fee, and Signal shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Signal considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Signal does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

Signal provides portfolio management services to individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations, and corporations.



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Signal's minimum account size is \$100,000.00 for the *Private Client Asset Management Model* and \$25,000.00 household aggregate for all other models.

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Signal understands that investing in securities involves risk of loss that *clients* should be prepared to bear. With this understanding Signal believes that listening to the client is the first and most important step in the investment management process. Our investment philosophy is based on selecting investments that both individually and collectively work to accomplish our clients wants, needs, and desires. We require our clients to provide us with all relevant information on their financial condition, net worth, risk tolerances, etc. With this information, we assist the client in the formulation and development of short and/or long term individualized goals and objectives. Our investment strategy is structured to minimize the Client's risk for a given level of return. Signal will collect information from our clients and work with the client to select a suitable investment objective and strategy to be followed. The process is described below:

**Time Horizon** – The time horizon for our typical portfolio is in excess of five years. The benefit of focusing on the long-term is to avoid an emotional response to short term market volatility. Our benchmarks for evaluating investment selection are established for five year periods to assist us in meeting both the short and long term objectives of our portfolio. Historical asset class return data suggests that the risk of principal loss over a holding period of at least three to five years can be minimized with a long term investment mix employed by Signal and the client.

**Risk Tolerance / Investment Objectives** – This is determined based on the client's intended objective for their account and is based on their primary goals and risk tolerance levels for investments in the account. This selection made by the client will determine the asset allocation for the account.

**Asset Allocation** – Determined by the client's Risk Tolerance / Investment Objectives, in creating a client's portfolio, Signal will select the diversification of assets among asset classes with attention given in evaluating the historic relationships between the asset classes and overall portfolio.

**Rebalancing Procedures** – Over time, market conditions and the varying performance of the asset classes may cause the portfolio's asset mix to vary from the original target allocation. To remain consistent with the asset allocation guidelines established, each asset



class will be reviewed by Signal on a periodic basis by the Investment Advisor Representative. As necessary, the portfolio will be rebalanced to maintain (approximately) the initial target allocation.

Additionally, Signal and its investment advisor representatives will utilize the following criteria when selecting investment products and Model Portfolios for our advisory clients:

**Past Performance** - Although past performance is not a guarantee of future results, competitive performance is a criteria used for evaluation. The performance of a particular investment vehicle is considered relative to other investments having the same investment objective. Consideration will be given to both performance rankings over various time frames and consistency of performance.

**Historic Volatility** - Will be evaluated along with the downside risk of each proposed investment.

**Investment Style and Discipline** - In making an investment selection, we will look for purity and consistency within the category as investment products should remain primarily invested in the category that they have been assigned (i.e. Large Cap Growth, Small Cap Value, Long-Term Bond, etc.). This discipline is needed to properly evaluate returns and assess risk for the product.

**Current Economic Environment** - Signal and its investment advisor representatives will also evaluate current market conditions when recommending an investment selection to a client. If at any time Signal or investment advisor representatives feels that market conditions have changed to a point where a reallocation is necessary, they will contact the client to suggest a change.

Signal wishes to remind the client that if your financial condition changes, you should contact your Investment Adviser Representative to evaluate the need for readjusting your portfolio. Also, though our intention is to invest your assets utilizing one or more suggested Portfolio(s), you are free at any time to reject a suggested Portfolio, to vary from a suggested Portfolio, or to select an alternate suggested Portfolio developed by another asset allocation strategist.



## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Signal or the integrity of Signal's management. Signal discloses the following:

\*On September 26, 2000, under REL 34-43350, File No. 3-10304 the SEC alleged that Signal failed to reasonably supervise a former registered representative and failed to have appropriate supervisory and compliance controls in place that might have alerted the firm to the representative's conduct. The entire context of the Administrative proceedings can be reviewed on the SEC Web site at [www.sec.gov/litigation/admin/adm3q00.shtml](http://www.sec.gov/litigation/admin/adm3q00.shtml), case #34-43350.

\*On July 7, 2007, FINRA alleged that Signal failed as a Broker-Dealer to perform monthly reserve computations or deposits of customer funds held in established escrow accounts representing payment for the purchase of direct participation program units. No customer was harmed nor any complaints received regarding this practice.

For more information regarding either of these two events, please contact Signal's Compliance Department at (817) 877-4256 ext. 210.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Principals and investment advisory representatives of Signal may also be licensed insurance agents through Signal's Insurance Agency and registered representatives of Signal Securities, Inc., a FINRA registered broker-dealer. This presents a conflict of interest to the extent that a principal or investment advisory representative may recommend the purchase of an insurance or brokerage product to a client that results in a commission being paid to Signal and its associated person in addition to advisory fees being collected from the client. It is possible that some securities transactions in connection with Signal's investment advisory program may be executed by Signal Securities, Inc.'s Broker-Dealer Division. However, the client is under no obligation to transact securities business through the Signal Securities Broker-Dealer Division. The commissions charged by the Signal Securities Broker-Dealer Division are comparable with those of other broker-dealers



in return for like products and services, but may be higher in some instances than those obtainable from other brokers.

Signal is also involved in the business of financial planning which encompasses investment advice, tax advice, insurance sales, brokerage sales, risk management, etc. This may also present a conflict of interest in that Signal may receive compensation for these services in addition to any advisory fees paid by the Client.

As described in more detail in Item 12, Signal Securities, Inc. may recommend that clients establish brokerage accounts with Signal's preferred custodian Schwab Institutional. Signal's recommendation of Schwab Institutional is not made pursuant to any agreement or commitment with Schwab Institutional, but as part of this arrangement, Signal might receive brokerage and research services used to service all or a substantial number of Signal's accounts, including accounts not maintained at Schwab Institutional. While as a fiduciary, Signal endeavors to act in its Clients' best interests, and Signal's recommendation that Clients maintain their assets in accounts at Schwab Institutional may be based in part on the benefit to Signal of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest. Signal will periodically and systematically monitor and evaluate the execution and performance capability of Schwab Institutional and make a good faith determination regarding whether the commission rate paid is reasonable given the value of the brokerage and research services provided.

## **Item 11 - Code of Ethics**

Signal Securities, Inc. has adopted a Code of Ethics for all supervised persons of the Firm which affirms Signal's commitment to client responsibilities and fiduciary duties. The Code is based on the principal that all officers, directors, employees, and investment adviser representatives of Signal are required to deal fairly with their clients and to observe the highest ethical and fiduciary standards of conduct. The Code is designed to ensure that the activities and interests of Signal and its investment advisor representatives will not interfere with making decisions in the best interest of our advisory clients. The Code's guiding philosophy is the client comes first and Signal's success is measured by our clients' prosperity.

Among other things, the Code states that Signal and its investment adviser representatives are responsible for ensuring that the firm conducts its business in accordance with applicable securities laws and regulations. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and



the reporting of certain gifts and business entertainment items, and personal securities trading procedures. The Code is governed by the following overarching principles:

**[A] Fiduciary Duty**

Signal is responsible for investing its clients' money wisely for their sole benefit. Signal adheres to the Prudent-Man Rule, which requires that Signal act as a prudent investor would be expected to act, with discretion and intelligence, in seeking reasonable returns on its clients' investments while avoiding unnecessary risks. Signal also expects its investment adviser representatives to follow the Prudent-Man Rule in conducting their investment advisory activities, especially when making investment recommendations.

**[B] Duty to Disclose Conflicts of Interest**

Signal shall disclose to its clients any potential or actual conflicts of interest reasonably known or anticipated, which may affect its ability to act in the best interests of its clients. Signal's investment adviser representatives shall disclose to the firm any potential or actual conflicts of interest reasonably known or anticipated, which may affect their ability to act in the best interests of the firm's clients.

**[C] Duty of Care**

Signal is responsible for conducting its investment advisory business in a reasonably prudent manner. Signal's investment adviser representatives should conduct their activities relating to handling and investing client funds with the prudence of a reasonable person in similar circumstances.

**[D] Duty of Loyalty**

Signal seeks to avoid conduct that is, or may be perceived as self-dealing or creating a conflict of interest between Signal and its clients. Signal's investment adviser representatives also have a duty to avoid actions that may be considered self-dealing or that create a conflict of interests.

All Signal Securities investment advisory representatives are required to acknowledge in writing annually that they have received and understand Signal's Code of Ethics. A complete copy of the Code of Ethics is available upon request from a Signal investment advisor representative or by contacting the Signal Compliance Department at (817) 877-4256 ext. 210.



## Item 12 - Brokerage Practices

Signal has no contractual obligations to direct brokerage commissions to any custodian, but recommends and prefers that Clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, Member SIPC/NYSE. In this arrangement, Schwab maintains custody of Clients' assets and effects trades for Clients' accounts. Signal's recommendation of Schwab Institutional is not made pursuant to any agreement or commitment with Schwab Institutional, but as part of this arrangement, Signal might receive brokerage and research services and may also benefit or receive additional compensation. This compensation could include non-cash compensation such as access to research, or cash compensation such as 12b-1 fees. If the client's funds are invested in mutual funds, the account will incur fees charged by the Mutual Fund that are in addition to those charged by Signal. In addition, there may be separate fees charged by the custodian for its services.

Clients are allowed to direct brokerage if it is reasonable to do so in the opinion of Signal. When brokerage is direct, Signal does not negotiate commissions, and as a result, the client may not be receiving best execution on trades where the client has directed brokerage.

Investment advisor representatives of Signal may also be registered representatives of Signal Securities, Inc., a FINRA registered broker-dealer. Signal anticipates future employees will also be registered representatives of the broker-dealer. It is possible that some securities transactions in connection with Signal's investment advisory program may be executed by Signal Securities, Inc.'s Broker-Dealer Division. However, the client is under no obligation to transact securities business through Signal Securities, Inc. The commissions charged by Signal Securities, Inc. are comparable with those of other broker-dealers in return for like products and services, but may be higher in some instances than those obtainable from other brokers.

Signal acknowledges that Investment Advisors have a fiduciary duty to their clients and are paid to act in their clients' best interests, including obtaining "best execution" of securities trades. Signal recognizes that the current preferred custodian arrangement we have with Schwab Institutional may limit Signal's ability to negotiate commission rates. However, in obtaining the best value for its clients, an advisor is permitted to take into consideration both the quality of trade execution and other brokerage services, as well as commission rates. Signal recommends Schwab Institutional as its preferred custodian for the following reasons:

The Schwab Institutional Division of Charles Schwab & Company, Inc. is the leading provider of custodial, operational and trading support for independent, fee-based investment advisors. Its services include brokerage, custody, research and access to more than 5,000 mutual funds (many of which are exclusively available to independent advisors, and most of which are no-load and no transaction fee), as well as individual equity and fixed income investments, and a group of professionals who provide support for account operational needs. Schwab Institutional also makes available to Signal other products and services that benefit Signal in providing its services, but may



not directly benefit its Clients' accounts, including software and other technology that: provide access to client account data (such as trade confirmations and account statements) and online account initiation and management forms; facilitate online trade execution; provide research, pricing information and other market data; facilitate payment of the advisor's fees from its Clients' accounts; and assist with record-keeping and client reporting. Schwab Institutional may also provide Signal with other services unrelated to Client accounts, including publications, conferences and other presentations on such topics as information technology and regulatory compliance, which may indirectly benefit all of its clients, including those not maintained at Schwab Institutional. In addition, Schwab may make available, arrange and/or pay for these types of services to Signal by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Signal. The foregoing products and services are made available to Signal at no additional charge to its Clients, and they are not contingent upon Signal committing to Schwab Institutional any specific amount of business, other than a requirement that at least \$10 million of the Signal's Clients' assets be maintained in accounts at Schwab Institutional. These services may be used to service all or a substantial number of Signal's accounts, including accounts not maintained at Schwab Institutional.

Signal has determined that although the commission rate charged by Schwab Institutional may not be the lowest available in the industry, other brokerage firms do not currently provide the range or quality of services that are described above. As a fiduciary, Signal endeavors to act in its Clients' best interests, and Signal's recommendation that Clients maintain their assets in accounts at Schwab Institutional may be based in part on the benefit to Signal of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest. However, Signal will periodically and systematically monitor and evaluate the execution and performance capability of Schwab Institutional and make a good faith determination regarding whether the commission rate paid is reasonable given the value of the brokerage and research services provided.

### **Item 13 – Review of Accounts**

Reviews of client accounts are performed on at least an annual basis by the investment advisor representative. In some instances these reviews occur quarterly or more often. The frequency of such reviews are determined by client need, investment advisor representative's determination, or by Signal management's discretion.

A review may be conducted by the Investment Advisor Representative or by Signal's Director of Advisory Services and/or Chief Compliance Officer while conducting oversight for Signal's investment advisory activities. Other factors which may trigger a review may include trading



activity, cash movements, or account alerts / notices received from the custodian of the accounts. All trading activity in a Signal advisory accounts is reviewed by the Director of Advisory Services and/or Chief Compliance Officer on a daily basis.

This review is an important aspect of Signal's fiduciary duty to ensure accuracy, completeness, and continued applicability and suitability for each account. The nature of this review might encompass statements, confirmations, performance reports, and billing / fee analysis with such reports being generated internally by Signal or furnished from various financial services institutions with which the client transacts business. These financial services institutions may include, but are not limited to custodians, brokerages, investment companies, trust companies, other investment advisors, banks, and credit unions. This frequency of such reports may also be determined by the various financial institutions generating the reports, but are typically produced monthly, quarterly, annually, or in the instance of confirmations, as transactions occur.

#### **Item 14 – Client Referrals and Other Compensation**

Signal and its investment advisor representatives do not pay referral fees to finders or solicitors for obtaining new advisory clients. Signal may receive compensation in the form of an occasional meal, entertainment, or educational training meeting provided by a financial product vendor or affiliate of a vendor so long as the compensation is reasonable and not predicated on the achievement of any specific sales targets. Although such compensation is not tied to the expenses applied to a Client's Account, a conflict of interest exists in the recommendation of Investment Products sponsored by these vendors as Signal may receive other compensation from the vendors as described above.

#### **Item 15 – Custody**

Signal Securities, Inc. in its capacity as a Registered Investment Adviser will not physically take custody of Client assets. Signal may recommend the Client establish a custodial agreement for the benefit of the Client with Signal's preferred Custodian (Schwab Institutional). However, please be aware that Signal does deduct client fees from your account, and thus is determined to have custody of assets under SEC Release No. IA-2106. This release mandates that investment advisors that deduct fees directly from custodial accounts have custody, but do not have to mark the custody box in an affirmative manner on Form ADV.

Signal clients should receive at least quarterly statements from the qualified custodian that holds and maintains the client's investment assets. This report will detail the client's current investment



positions held with the Custodian, the prior quarter's values, contributions and/or distributions made during the quarter and the investment returns for various periods including the most recent quarter. Signal urges you to carefully review these statements and compare such official custodial records to any reports that Signal or its investment advisor representatives may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 - Investment Discretion**

On a case-by-case basis, and with the PRIOR approval of the Director of Advisory Services (DAS) and/or the Chief Compliance Officer (CCO), Signal Securities, Inc. may allow certain investment advisor representatives to have limited discretionary authority on specific accounts. Discretionary authority will be evidenced by the completion of a Limited Trading Authorization Agreement (LTAA) signed by the client(s) and the investment advisor representative, and approved by the DAS and/or the CCO. Investment advisor representatives must seek approval from Signal prior to obtaining an LTAA from a client. Clients must have a completed Investment Policy Statement (IPS) on file before any discretionary authority will be granted. As mandated in the LTAA, any discretionary trades must be consistent with the expectations, objectives, and guidelines established for the client in the IPS.

### **Item 17 - Voting *Client* Securities**

As a matter of firm policy and practice, Signal does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. If Signal receives issuer and issuer-related communications related to an account, the firm will have no responsibility concerning proxies and they will not be voted and the related information will not be retained.

### **Item 18 - Financial Information**

Signal is required in this Item to provide you with certain financial information or disclosures about our financial condition. Signal has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.