

FORM ADV – PART II

Uniform Application for Investment Adviser Registration

Updated February 2011

This brochure provides information about the qualifications and business practices of Signia Capital Management, LLC. If you have any questions about the contents of this brochure, please contact David Krebs, CCO at 509-789-8977 or david@signiacapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchanges Commission or by any state securities authority.

Material Changes:

Signia Capital Management's most recent update to Part 2 of Form ADV was made in March 2010. Signia Capital Management's business activities have not changed materially since the time of that update. However, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by Signia Capital Management in prior years.

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Advisory Business:

Signia Capital Management, LLC is an independent money-management firm founded on January 1, 2001. The firm was founded by the investment professionals Anthony Bennett, William Lang and Dan Cronen serving as operating members and Richard Thompson and Larry Braitman as non-operating members. In April of 2002 Richard Beaven joined as an investment professional and operating member. In 2008 William Lang left the firm to pursue other interests. Currently the operating members (Bennett, Beaven and Cronen) have 72% of the controlling interest Signia Capital Management, LLC.

Signia is a boutique money management firm specializing in value investing. The firm's business model is focused on asset management serving institutional clients. Signia offers three products for investments, Small Cap Value, Small to Mid Cap Value, and Broad Cap Value.

Each client completes a written document selecting the investment product with guidelines to managing their account including any reasonable restrictions. A model is used for each investment product.

Signia manages client assets on a discretionary basis subject to any restrictions imposed by the investment guidelines. As of December 31st, 2010 Signia had \$749.6 million of assets under management.

Fees & Compensation:

The fee schedule is based on a percentage of assets under management. The standard fee is one percent of the assets under management. Fees are negotiable and varies based on the size and type of the investment. Fee calculation methods and dates are negotiable and specified in the investment management agreement.

Clients may select whether Signia deducts the fees incurred from their account or to have the fee billed.

The client may pay other types of fees and expenses in connection with Signia's advisory services, such as custodian fees or mutual fund expenses. Signia's fees are separate from any fees charged by a mutual fund held in a client's account. Accounts coming through Broker's Managed Accounts programs are subject to additional fees charged by the broker. Clients will incur brokerage and other transaction costs, please see section five (Brokerage Practices).

If a client pays their fee in advance and then withdraws all assets from the account before the last day of a calendar quarter, the fee previously paid with respect to that calendar quarter shall be prorated based on the number of days elapsed in that quarter prior to the withdrawal, and the unearned portion shall be promptly refunded to the client.

Performance-Based Fees and Side-By-Side Management:

Signia does provide service for a “Performance Based” fee. This fee schedule is based on a percentage of assets under management. The fee percentage has a fixed percentage plus an additional percentage based on the incentive plan. The incentive plan increases the fee percentage based on a target excess return over that of an appropriate benchmark index. The benchmark index will be chosen by Signia and the client based on the nature of the investment strategy to be used.

The performance-based fee may create an incentive for Signia to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

The client must understand the proposed method of compensation and its risks prior to entering into the contract. Signia has an incentive to favor accounts for which they receive a performance-based fee. Signia addresses this conflict of interest by managing all accounts using the same policies and procedures. Signia monitors and compares performance between all accounts to verify that performance based fee accounts are not favored over the others. Signia’s “Performance-Based” fees will only be charged in accordance with the provisions of reg. 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations. The fees will not be offered to any client residing in a state in which such fees are prohibited.

Types of Clients:

Signia Capital Management primarily provides investment advisory services to institutional clients including but not limited to public funds, corporations, pension and profit sharing plans, foundations and endowments, and investment companies, as well as, to high-net worth individuals. Signia generally requires a minimum investment of \$1 million to open an individually managed account. This minimum may be waived by Signia at its discretion.

Methods of Analysis, Investment Strategies and Risk of Loss:

Investment Approach

Research shows that natural human psychology leads investors to project current information too far into the future. In other words, when companies experience difficult times, investors become disillusioned and assume these difficulties will persist far longer than they typically do. This behavioral bias creates substantial investment opportunities. Signia has designed a value-based investment process to focus intently on such situations, and systematically capitalize on these expectational errors.

Investment ideas

The internal screening process focuses on identifying companies at the intersection of three important criteria: a) Low Valuation: low price-to-book; low price-to-sales; low price-to-cash flow; and other relevant valuation metrics. b) High Quality: proven businesses and conservative

capital structures (low debt-to-capital, high interest coverage and other measures of financial strength). c) Identifiable Catalysts: cyclical, industry and company specific. Outside sources include investor conferences, industry publications, Wall Street research and conversations with company management. Each of our four research analysts/portfolio managers specialize in specific industries and sectors.

Research

Once we identify a company that meets our criteria, the in-depth research begins. We evaluate management quality, corporate strategy, industry conditions, and specific catalysts that will rekindle investor interest. Another important part of the research process is the evaluation of company financial statements. We find that valuable insight can be gained by carefully scrutinizing all available financial information.

Portfolio Construction

The portfolio management team constantly looks for the sixty to seventy best companies that meet our screening criteria and have the highest potential investment performance. All of the buy and sell decisions are based on the relationship between the market price and our estimate of the intrinsic value of a company. Signia is highly price sensitive and often phases into and out of positions over a thirty to ninety day period. Signia provides investment advice and management to individually managed accounts in both direct and sub-advisory agreements. Signia holds a limited power of attorney to act on a discretionary basis with client funds. Client funds are deposited in either a brokerage firm or a bank custodian account. Each client completes a written document selecting the investment product with guidelines to managing their account including any reasonable restrictions. A model is used for each investment product.

Investing in securities involves risk of loss that clients should be prepared to bear. Clients should understand that investing in any securities, including mutual funds and ETFs, involve a risk of loss of both income and principal. Signia attempts to mitigate this risk. The underlying securities in client's accounts are continuously monitored by three portfolio managers; asset allocation, cash management, market prospects and individual issue prospects are considered. Particular attention is given to changes in company earnings, industry outlook, market outlook, and price levels. Client's accounts are reviewed at least weekly by three portfolio managers. A report detailing the holdings of each account is distributed by the trader to each portfolio manager. Accounts are compared and adjusted to the appropriate product model.

Disciplinary Information:

Signia's employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Other Financial Industry Activities and Affiliations:

Signia Capital Management is not affiliated with any other entities and does not participate in any activities outside of investment manager.

Code of Ethics, Participation or Interest in Client Transactions & Personal Trading:

Signia has adopted a Code of Ethics that includes the following principles governing personal investment activities by all supervised and access persons. The Code of Ethics is predicated on the principle that Signia owes a fiduciary duty to its Clients. Accordingly, Employees must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of Clients. At all times, Signia will be mindful to:

- ***Place client interests ahead of Signia's*** – As a fiduciary, Signia will serve in its Clients' best interests. In other words, Employees may not benefit at the expense of Clients.
- ***Engage in personal investing that is in full compliance with Signia's Code of Ethics*** – Employees must review and abide by Signia's Personal Securities Transaction and Insider Trading Policies.
- ***Avoid taking advantage of your position*** – Employees must not accept investment opportunities, gifts or other gratuities from individuals seeking to conduct business with Signia, or on behalf of a Client, unless in compliance with the Gift Policy below.
- ***Maintain full compliance with the Federal Securities Laws*** – Employees must abide by the standards set forth in Rule 204A-1 under the Advisers Act and Rule 17j-1 under the IC Act. In addition, Signia Employees who are Officers of a RIC must also abide by the Fund's Officer Code of Conduct that is established by the investment company.

Signia's Code of Ethics also requires Employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide Signia with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

A client can obtain a copy of Signia's Code of Ethics by contacting the Chief Compliance Officer at (509) 789-8977.

Brokerage Practices:

Signia's policy, to the extent practicable, is to allocate investment opportunities over a period of time on a fair and equitable basis relative to other clients. Signia is not obligated to acquire for any account any security that Signia or its officers, managers, members or employees may acquire for their own account. Signia will determine for each account if it is practical or desirable to acquire a position in a security.

Signia has discretion over the selection of the broker to be used and the commission rates to be paid. In selecting a broker for any transaction or series of transactions, Signia may consider a number of factors, including, for example, net price, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, offering to Signia on-line access to computerized data regarding clients' accounts, computer trading systems and other matters involved in the receipt of brokerage services generally. Signia may also purchase from a broker or allow a broker to pay for certain

research products and services (a “soft dollar” relationship). These research products and services include online access to financial news and research, terminals to financial news and research, securities price quotes, security characteristics, and a search engine for socially responsible investments.

Subject to best execution considerations, Signia may direct client transactions to certain broker-dealers from which Signia receives research products and services. The receipt of such research services and products using “soft dollars” may be seen as benefiting Signia in the sense that Signia would otherwise have to directly pay for such products and services itself. Thus, the use of “soft dollars” generated through client transactions to acquire such products and services may raise a potential conflict of interest. Signia may have a potential conflict of interest between allocating client brokerage to broker-dealers through which Signia may generate “soft dollar” credits and allocating brokerage to other broker-dealers. However, Signia will make decisions involving “soft dollars” in a manner that satisfies the “safe harbor” provided by Section 28(e) of the Securities and Exchange Act of 1934. In doing so, Signia will use soft dollar credits generated from client commissions to obtain only those research products or services that fall within the “safe harbor” of Section 28(e) of the Exchange Act. In addition, Signia has established guidelines to effectuate and monitor such soft dollar arrangements and to ensure any products and services received through such arrangements are eligible research under Section 28(e) of the Exchange Act and to ensure that Signia seeks to achieve best execution with respect to client transactions. No soft dollar arrangement may be entered into by employees without the prior approval of the CCO.

As mentioned above, Signia may pay a brokerage commission in excess of that which another broker might charge for effecting the same transaction in recognition of the value of the brokerage, research, other services and “soft dollar” relationships provided by that broker. In such a case, however, Signia determines in good faith that such commission is reasonable in relation to the value of such brokerage, research, other services and “soft dollar” relationships, viewed in terms of either the specific transaction or Signia’s overall responsibilities to the portfolios over which it exercises investment authority. An account may, however, pay higher brokerage commissions than Signia may otherwise be able to negotiate, or may pay more brokerage commissions based on account trading activity. In addition, the research and other benefits resulting from a brokerage relationship benefit all accounts managed by Signia or Signia’s operations as a whole, including clients who direct Signia to use brokers that do not provide Signia with soft dollar services.

Signia may aggregate securities sale and purchase orders for a client with similar orders being made contemporaneously for other accounts managed by Signia or with accounts of affiliates of Signia. Transactions in the same security for multiple client accounts will be aggregated into two primary groups. The first group “Discretionary Brokerage” will include client accounts which give discretion to Signia to select the executing broker. The second group, “Directed Brokerage”, will be aggregated into blocks of accounts based on the broker the client has directed us to use. In the second group a sequential method will be used to ensure that no single broker’s block of accounts has an advantage.

In the event of aggregated transactions, each client may be charged or credited, as the case may be, the average transaction price of all securities purchased or sold in such transactions. As a

result, however, the price may be less favorable to the client than it would be if similar transactions were not being executed concurrently for other accounts.

If a client directs Signia to use a specific broker, then Signia does not have any responsibility for obtaining the best prices or particular commission rates. The client may not obtain rates as low as it might otherwise obtain if Signia had discretion to select the broker-dealer. In addition, the client will not participate in aggregate securities transactions, as described above, and will trade after such aggregate transactions and may not receive best execution.

Review of Accounts:

The underlying securities in client's accounts are continuously monitored by three portfolio managers; asset allocation, cash management, market prospects and individual issue prospects are considered. Particular attention is given to changes in company earnings, industry outlook, market outlook, and price levels. Client's accounts are reviewed at least weekly by three portfolio managers. A report detailing the holdings of each account is distributed by the trader to each portfolio manager. Accounts are compared and adjusted to the appropriate product model.

Clients receive account statements directly from their chosen custodian on at least a quarterly basis. Signia Capital Management may supplement these custodial statements with reports provided during client meetings or as requested.

Client Referrals and Other Compensation:

Signia does not compensate any person for client referrals. Signia does not receive an economic benefit from any other person providing investment advice or other advisory services to Signia's clients.

Custody:

Signia's clients select a qualified custodian and open a separate account in their name. Clients receive account statements from their broker-dealer, bank or other qualified custodian and the client should carefully review those statements. If the client elects to receive an account statement from Signia we urge the client to compare the account statements they receive from the qualified custodian with those they receive from Signia.

Investment Discretion:

Signia has complete discretion over the selection and amount of securities to be bought or sold for client accounts without obtaining specific client consent. Because Signia engages in an investment advisory business and manages more than one account, there may be conflicts of interest over Signia's time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by Signia. Signia attempts to resolve all such conflicts in a manner that is generally fair to all of its clients. Signia may give advice and take action with respect to any of its clients that may differ from any other client. It is Signia's policy

to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients.

Each client completes a written document selecting the investment product with guidelines to managing their account including any reasonable restrictions. The investment management agreement includes a limited power of attorney granting Signia the authority to exercise its discretion.

Voting Client Securities:

Signia votes all proxies on behalf of each account over which it has proxy voting authority based on its determination of the best interests of that client's account. Signia contracts the services of Broadridge in the proxy voting process. Signia will only vote proxies for which the proxy materials and related communications are received in a timely manner. In determining whether a proposal serves the best interests of a client's account, Signia considers a number of factors, including the economic effect of the proposal on shareholder value, the threat posed by the proposal to existing rights of shareholders, the dilution of existing shares that would result from the proposal, the effect of the proposal on management or director accountability to shareholders, and, if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

If a material conflict of interest over proxy voting arises between Signia and a client, Signia will vote all proxies in accordance with the policy described above. If Signia determines that this policy does not adequately address the conflict of interest, Signia will notify the client of the conflict and request that the client consent to Signia's intended response to the proxy solicitation. If the client consents to Signia's intended response or fails to respond to the notice within a reasonable period of time specified in the notice, Signia will vote the proxy as described in the notice. If the client objects to Signia's intended response, Signia will vote the proxy as directed by the client.

A client can obtain a copy of Signia's proxy voting policy and a record of votes cast by Signia on behalf of that client by contacting David C. Krebs at (509) 789-8977.

Financial Information:

Signia has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.