



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  
February 10, 2020

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 **February 10, 2020** is prepared according to the SEC’s requirements and rules.

Pursuant to SEC Rules, we are providing you with a summary of materials changes to our Brochure within 120 days of the close of our business’ fiscal year, December 31, 2019. We may further provide other ongoing disclosure information about material changes without charge as necessary.

There have been no material changes to our Brochure since the last update in March 2019.

Currently, our Brochure may be requested by contacting **Carla Wright in the compliance office**, at **(817) 877-4256 ext. 201** or ***compliance@signalsecurities.com***. Our Brochure is also available on request via email or 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.**

### Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business.....	1
Item 5 – Fees and Compensation.....	4
Item 6 – Performance-Based Fees and Side-By-Side Management.....	8
Item 7 – Types of Clients .....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9 – Disciplinary Information.....	10
Item 10 – Other Financial Industry Activities and Affiliations .....	10
Item 11 – Code of Ethics.....	11
Item 12 – Brokerage Practices .....	12
Item 13 – Review of Accounts .....	14
Item 14 – Client Referrals and Other Compensation .....	15
Item 15 – Custody.....	15
Item 16 – Investment Discretion .....	15
Item 17 – Voting Client Securities .....	16
Item 18 – Financial Information .....	16



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#### **Item 4 – Advisory Business**

Signal Securities, Inc. (Signal) was established as a Broker-Dealer in 1984 and purchased by current majority 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, 2019, Signal managed \$405,691,078 client assets on a non-discretionary basis and \$34,709,249 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.

#### **Separately Managed Accounts (SMA)**

Signal Securities, Inc. participates in the Charles Schwab managed account program. Signal offers separately managed accounts from the Managed Account Select (Select) and Managed Account Access (Access) programs. These Schwab programs allow access to independent money management firms offered by the Schwab Advisor Services division of Charles Schwab & Co. Inc. Our firm performs management searches of various investment managers. Based on the client's individual circumstances and we determine which selected manager's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the objectives of each client and the investment philosophy of the selected manager. Clients should refer to the manager's Firm Brochure or other disclosure document for a full description of the services offered. Signal will furnish a copy of the disclosure brochures for each manager selected. Signal will recommend one or more managers who will manage the client's



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account on a discretionary basis. On an ongoing basis, we monitor the performance of the manager(s).

### **Institutional Intelligent Portfolios™**

Signal Securities, Inc. provides portfolio management services through Institutional Intelligent Portfolios™, an automated, online investment management platform, for use by independent investment advisors and sponsored by Schwab Wealth Investment Advisory, Inc. (the “Program” and “SWIA,” respectively). Through the Program, we offer clients a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange traded funds (ETFs) and a cash allocation. The client may instruct us to exclude up to three ETFs from their portfolio. The client’s portfolio is held in a brokerage account opened by the client at SWIA’s affiliate, Charles Schwab & Co., Inc. (“CS&Co”). We are independent of and not owned by, affiliated with, or sponsored or supervised by SWIA, CS&Co or their affiliates (together, “Schwab”). The Program is described in the Schwab Wealth Investment Advisory, Inc. Institutional Intelligent Portfolios™ Disclosure Brochure (the “Program Disclosure Brochure”), which is delivered to clients by SWIA during the online enrollment process.

Signal has contracted with SWIA to provide us with the technology platform and related trading and account management services for the Program. This platform enables us to make the Program available to clients online and includes a system that automated certain key parts of our investment process (the “System”). The System includes an online questionnaire that helps us determine the client’s investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Client should note that we will recommend a portfolio via the System in response to the client’s answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage the client’s portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects). The minimum account size for this Program is \$25,000. The minimum required account balance for maintenance of the account, automatic rebalancing, and tax-loss harvesting is \$25,000.

Signal does not receive a portion of a wrap fee for services to clients through the Program. Clients do not pay fees to SWIA in connection with the Program, but Signal charges clients a fee for the services as described below under Item 5, Fees and Compensation.

### **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



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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 & Institutional Intelligent Portfolios™* 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* are 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. Accounts other than the 401k Optimizer accounts may be billed in arrears if requested by the client and agreed to contractually by the firm.

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.

If Investment Advisory Contract is terminated, collected but unearned management fees are refundable to Client on a pro-rata basis in amounts of ten (\$10) dollars or greater. 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%

***Institutional Intelligent Portfolios™***

Management fees for Institutional Intelligent Portfolios™ will be charged in advance at the beginning of each calendar quarter. Clients do not pay fees to SWIA or brokerage commissions or other fees to CS&Co as part of the Program. Schwab does receive other revenues in connection with the Program, as described in the Program Disclosure Brochure. Brokerage arrangements are further described below in Item 12 Brokerage Practices.





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An annual fee will be charged based on the total assets under management.

\$25,000	-	\$ 100,000	0.60%
\$100,001	-	\$ 250,000	0.55%
\$250,001	-	\$ 500,000	0.50%
\$500,001	-	\$1,000,000	0.45%
Over		\$1,000,000	0.40%

#### ***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 \$250.00 / hour for the creation of a financial plan or asset review.

#### ***Separately Managed Account (SMA)***

Managed Account Select (Select) and Managed Account Access (Access) Program Fee Schedules. Fees are charged monthly, in arrears, based on the average daily balance for the previous month. The asset-based fee of Select and Access includes Schwab's brokerage and custody services and each money manager's services. This fee is in addition to your advisory fee. Schwab calculates household fees by totaling the value of the assets in your client's Managed Accounts within the following categories: equity, ETF, fixed income and fixed income ladder.

Account minimums are \$100,000 for most equity strategies, \$250,000 for most fixed income strategies and range from \$250,000 to \$650,000 for Diversified Portfolios in Managed Account Select. The Equity Strategy Fee Schedule is also applicable to Diversified Portfolios and balanced strategies.



	Tier Chargeable Assets	Equity Strategy Tier Annual Rate	Fixed Income & Index-Based Equity Strategy Tier Annual Rate	ETF Based Strategy Tier Annual Rate	Fixed Income Ladder Strategy Tier Annual Rate
1	First \$250,000	1.00%	0.65%	0.75%	0.35%
2	Next \$250,000	0.85%	0.65%	0.75%	0.35%
3	Next \$500,000	0.80%	0.60%	0.65%	0.35%
4	Next \$1 million	0.75%	0.55%	0.50%	0.30%
5	Next \$3 million	0.70%	0.50%	0.50%	0.30%
6	Over \$5 million	0.65%	0.45%	0.50%	0.25%

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.

Signal fees are charged in advance on a quarterly basis, based on the value of the client's account on the last market day of the previous calendar quarter.

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).



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

Signal does not charge 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.

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.

Clients eligible to enroll in the Institutional Intelligent Portfolios™ include individuals, IRAs and revocable living trust. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Program.

## 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 client's 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.



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If client opens an Institutional Intelligent Portfolios™ account, they will also receive that Program Disclosure Brochure which will include a discussion of various risks associated with that program including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition, the Program Disclosure Brochure also discusses market/systemic risks, asset allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks, and large investment risks.

**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 criterion 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.



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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 has no disclosable disciplinary events.

#### **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 Advisor Services. Signal's recommendation of Schwab Advisor Services is not made pursuant to any agreement or commitment with Schwab Advisor Services, 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 Advisor Services. 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 Advisor Services 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 Advisor Services and make a good faith determination



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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 adviser 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





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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. 201.

#### **Item 12 – Brokerage Practices**

##### **The Custodian We Use**

Signal has no contractual obligations to direct brokerage commissions to any custodian, but recommends and prefers that Clients establish brokerage accounts with the Schwab Advisor Services 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 Advisor Services is not made pursuant to any agreement or commitment with Schwab Advisor Services, 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.





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### **How We Select Custodians**

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 Advisor Services 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 Advisor Services as its preferred custodian for the following reasons:

- The Schwab Advisor Services 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 Advisor Services 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 Advisor Services 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 Advisor Services. In addition, Schwab may make available, arrange and/or pay for these types of services to Signal by independent third parties.

### **Your Custody and Brokerage Costs**

Schwab Advisor Services 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 Advisor Services 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 Advisor Services. These services may be used to service all or a substantial number of Signal's accounts, including accounts not maintained at Schwab Advisor Services.

Signal has determined that although the commission rate charged by Schwab Advisor Services 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 Advisor Services 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 Advisor Services and make a good faith determination regarding whether the commission rate paid is reasonable given the value of the brokerage and research services provided.

Funds generally offer multiple share classes. In addition to retail share classes (typically referred to as class A, class B and class C shares), funds may also offer institutional share classes. Institutional share classes usually have a lower expense ratio than other share classes, while also typically having trading costs that retail share classes do not. The appropriateness of a particular fund share class selection is dependent upon a range of considerations, including clients time horizon and investment objectives. Generally, the larger investments held for a longer period of time will be put into institutional share classes due to their lower expense ratios. Smaller investments held for a shorter or unknown amount of time will be put into class A shares to avoid paying trading costs.

### **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 is 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 Chief Compliance Officer and/or their designee 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.



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#### **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 Advisor Services). 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.



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### **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.

SWIA does vote proxies for the ETFs held in the Institutional Intelligent Portfolios™ accounts. Signal has directed SWIA to process proxy votes and corporate actions through and in accordance with the policies and recommendations of a third-party proxy voting service provider retained by SWIA for this purpose. Additional information about this arrangement is available in the Program Disclosure Brochure. Clients who do not wish to designate SWIA to vote proxies may retain the ability to vote proxies themselves by signing a special CS&Co form available from Signal.

### **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 investment advisory contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. In May 2020, Signal received a Paycheck Protection Plan (PPP) Loan through the Small Business Administration as a result of allowances from the CARES Act. Signal is using the PPP loan for its intended purpose of maintaining payroll for the firm. Signal did not suffer any interruption of service.