

## Part 2A of Form ADV: *Firm Brochure*

### Item 1 – Cover Page

# Solaris Asset Management, LLC

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March 27, 2011

This Brochure provides information about the qualifications and business practices of Solaris Asset Management. If you have any questions about the contents of this Brochure, please contact us at 212-582-4500 or at [www.solarisgroupllc.com](http://www.solarisgroupllc.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. Solaris Asset Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.**

Additional information about Solaris Asset Management 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 16, 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 Stephen Brent Wells, Managing Director – Chief Compliance Officer at 212-582-5029 or [wells@solarisgroupllc.com](mailto:wells@solarisgroupllc.com). Our Brochure is also available on our web site [www.solarisgroupllc.com](http://www.solarisgroupllc.com), also free of charge. Additional information about Solaris Asset Management is also 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 Solaris Asset Management who are registered, or are required to be registered, as investment adviser representatives of Solaris Asset Management.

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## **Item 4 – Advisory Business**

### Firm Description

Solaris Asset Management (also we, the Firm, SAM or Solaris) provides investment management services to high net worth individuals, families, family advisors and family offices, foundations, endowments and charities, and institutions. The Firm began on January 1, 2004 and is a wholly owned subsidiary of The Solaris Group, LLC.

### Types of Investment Management Services We Offer

Typically we offer clients a choice of investment management portfolios, including Core Equities (stocks), Small Cap Equities, Taxable and Tax-Exempt Fixed Income (bonds) and Balanced portfolios. When appropriate we also provide clients with asset allocation advice and invest some or all of their assets in externally managed mutual funds, and/or other pooled vehicles such as limited partnerships. We begin by working with each client to identify their individual goals and capacity for investment risk. Then we design an investment portfolio that we believe meet their needs and objectives. Sometimes that portfolio can have subsets of our basic investment services. For example, where a client wants a high level of current income, a portfolio could invest in Core Equities that were high dividend producing or master limited partnerships, or both. We also offer a discrete Sector GRAT (Grantor Retained Annuity Trust) for wealthier clients looking to transfer assets to future generations.

We do not participate in any wrap fee programs.

### How We Manage Your Investment Account

Most investment management accounts are managed on a discretionary basis. This means the client gives Solaris as investment manager the authority and responsibility to formulate and then implement an investment strategy on its behalf. That means, among other things, deciding which securities to buy and sell, when to buy and sell, in what

amounts, and if applicable, through which brokers or dealers and at what commission rates or bid/ask spreads. Solaris Asset Management maintains each account separately on its portfolio accounting system and invests each portfolio consistent with Solaris' investment philosophy and approach and each client's individual needs and investment objectives.

#### Types of Investments We Invest In

For its clients, Solaris Asset Management may invest in all kinds of domestic and foreign stocks, bonds, mutual funds, options, interests in partnerships including those that invest in real estate, oil and gas, such as master limited partnerships and real estate investment trusts. If the client agrees, SAM may also invest in one of its limited partnerships, the Orion Fund and/or the Gemini Fund. These Funds are more fully described in Item 10 below titled "Other Financial Industry Activities and Affiliations – Private Investment Funds Advised by Solaris Asset Management." We tailor our selection and types of investments to each individual client's needs and objectives.

#### Restrictions on Types of Investments

The client may place restrictions on the investments that Solaris Asset Management may use. Such restrictions may be on certain market sectors, industries or securities or certain investment vehicles or types of securities. In managing a client's account, we follow those restrictions that we and the client have agreed upon.

#### Where a Client's Assets are Held

Solaris Asset Management requires that each client contract with and maintain a relationship with a reputable Qualified Custodian that is unaffiliated with and fully independent from us. A client's custodian holds the client's securities and reports directly to the client on a periodic basis. In the case of clients who invest in the Orion and/or the Gemini Funds only, those Funds keep their assets with reputable Qualified Custodians that are independent and unaffiliated from us. Custody is discussed more fully below in Item 15 titled "Custody."

#### Assets Under Management

As of January 1, 2011 the Firm manages \$233,562,023 on a discretionary basis.

## **Item 5 – Fees and Compensation**

#### How and When Fees Are Charged and Collected

The specific manner in which fees are charged by Solaris Asset Management is established in each client's written investment management agreement with Solaris. Fees for investment management services are typically payable quarterly in advance and are based on the market value of the assets on the first day of each quarter. Upon inception or termination, the fees are pro-rated for any partial period. In order to permit timely settlements of any pending trades, contracts are generally terminable on five (5) days notice. Typically the client authorizes fees to be charged and debited directly from the client's custody account.

### Fees We Charge

We typically charge clients the following fees for the investment management services set forth in Item 4 above titled “Advisory Business”: For institutional accounts the fees for equity investment services are: 1% on the first \$10,000,000; 0.80% on the next \$40,000,000; and 0.60% above \$50,000,000. For individual accounts the fees for equity investment management and asset allocation services and investing are: 1.25% up to \$5,000,000 of all assets; over \$5,000,000 and up to \$10,000,000 1% of all assets; and over \$10,000,000 0.80% of all assets. Fees for separate account fixed income investment management services are 0.50%. Fees and the time and manner of payment are negotiable based on services provided, amounts involved, or other considerations.

### What Our Fees Don’t Include

Clients incur certain charges imposed by custodians, brokers, third-party investments 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 our fees.

### Compensation that SAM Does Not Receive

SAM does not accept or receive compensation from third parties from the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds or any portion of these fees and costs. Such practice presents a conflict of interest because it creates an incentive to recommend investment products based on the compensation received rather than the client’s needs. According it is SAM’s policy not to accept such compensation.

### Factors That We Consider in Selecting Brokers and Dealers

Item 12 below titled “Brokerage Practices” describes the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions) as well as the how those commission dollars are used to acquired research.

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

### Eligibility for Performance-Based Fee Arrangements

In some select cases, we will enter into performance-based fee arrangements with clients who are qualified to do so. We structure any performance or incentive fee arrangement subject to the requirements of Section 205(a)(1) of the Investment Advisers Act of 1940, as amended.

### Performance-Based Fees

Typically, each performance-based fee is different and specific to the client. We negotiate performance-based fees individually with each eligible client who wishes to

have such a fee. In measuring clients' assets for the calculation of performance-based fees, we usually include realized and unrealized capital gains and losses.

#### Performance-Based Fees Charged by the Gemini Fund

SAM serves as investment manager to the Solaris Gemini Fund a limited partnership that is more fully described in Item 10 below titled “Other Financial Industry Activities and Affiliations – Private Investment Funds Advised by Solaris Assets Management.” The Gemini Fund charges performance-based fees to the investors in that Fund.

#### Possible Conflicts of Interest Created by Performance-Based Fees

Performance-based fee arrangements could theoretically create an incentive for Solaris Asset Management to recommend investments to those performance-based accounts which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. At Solaris Asset Management, we have adopted and employ special procedures designed to ensure that all clients are treated fairly and equally. One such procedure is average share pricing. This pricing mechanism prevents this conflict from influencing the allocation of investment opportunities among client accounts. In this procedure all clients receive the same average price for any securities purchased or sold on any day for their accounts.

## **Item 7 – Types of Clients**

#### What Types of Clients Do We Provide Investment Advice To

Solaris Asset Management currently provides investment advice and portfolio management services to individuals, high net worth individuals and families, IRA's, pension and profit sharing plans, trusts, estates, charities, foundations, endowments, private investment funds, corporations and other entities. While SAM has no requirements for opening an account, we reserve the right in our sole discretion to decide whether or not to take on a new client relationship.

#### Private Investment Funds That We Provided Advice To

Solaris Asset Management acts as investment advisor to the Solaris Orion Fund, L.P., a long only, equity pooled investment fund in a limited partnership structure offered to employees of Solaris and other accredited and non-accredited investors who may not have sufficient assets for a separately managed account. Solaris Asset Management also acts as investment advisor to the Solaris Gemini Fund, L.P., a long/short pooled investment fund in a limited partnership structure offered to employees of Solaris and accredited investors and qualified clients. The Solaris Gemini Fund, L.P. has a performance-based fee. It is discussed more fully in Item 10. below titled “Other Financial Industry Activities and Affiliations.”

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

### The Methods of Investment Analysis That We Use

Solaris Asset Management primarily uses fundamental investment analysis to formulate investment advice and manage assets. While we certainly obtain information from a variety of methods of security analysis, such as charting, technical and cyclical analysis among others, our principal focus is in-depth fundamental security analysis and selection. With regard to individual security selection in equity portfolios, such as core equities, small cap equities in separate accounts and balanced portfolios, we emphasize in-depth fundamental company analysis, looking for attractive growth relative to valuation and the potential for positive surprise in growth or valuation. With regard to mutual fund selection, we typically look at diversified funds and their up/down market capture ratios, which highlight those funds that participate in the up markets while protecting returns in down markets. With regard to fixed income security selection we generally invest in high quality, intermediate-term bonds across the fixed income spectrum, including higher yielding fixed income equivalent options such as real estate investment trusts (REITs) and master limited partnerships (MLPs).

### The Sources of Information and Data That We Use

We employ a wide array of data sources and information to collect information and research in order to analyze the companies and securities in which we invest. We utilize multiple sources of information. For long-only equity portfolios those sources would include, by way of example, company managements, competitors, suppliers and customers, industry experts, Wall Street analysts and SAM's proprietary multi-factor idea generation tool. This idea generation tool helps to identify potential investment ideas, but is not a substitute for fundamental research. We also use a variety of financial industry databases, such as Factset and Morningstar, to supply investment-related information and data.

### The Investment Strategies That We Use

As fundamental investors we look to find asset classes and investments that offer the greatest investment return and attractive growth relative to value over the investment horizon. We endeavor to assess current economic and investment environments to uncover trends. We favor asset sectors that have what we perceive to be the greatest return potential over an investment horizon. Then we tilt investment portfolios across multiple economic sectors to reflect our views of the current prevailing investment environment. We typically invest in securities that we believe have the potential to recognize value whether over the short or longer term, based upon our in-depth fundamental analysis. For taxable portfolios, we strive to maximize tax efficiency where possible by focusing on capturing long-term gains and the benefits of realizing short-term losses to improve after-tax returns. For clients who invest in the Solaris Orion Fund, L.P. or the Solaris Gemini Fund, L.P., the Private Placement Memorandum for each of those Funds provides a detailed description of each of their investment strategies as well as a disclosure of material risks for the strategies employed by each of those Funds. These Funds are more fully described in Item 10. below titled "Other Financial Industry Activities and Affiliations - Private Investment Funds Advised by Solaris Asset Management."

### The Methods of Portfolio Construction and Maintenance That We Use

With regard to asset allocation, we tilt portfolio allocations across multiple economic and asset sectors to reflect our views of the prevailing investment environment. We employ strict portfolio construction rules to create diversified portfolios that also reflect individual client needs and objectives. In core equity portfolios we favor more liquid stocks with minimum average daily trading volumes of over \$20 million. While some securities in a small-cap portfolio do not meet the target average trading volumes of core portfolios, we typically pick securities that are more liquid, while avoiding securities with low liquidity. A standard core equity portfolio is well-diversified, with approximately 40 equal-weighted security positions. A typical small-cap portfolio is also well-diversified and is likely to have a few more security positions than a core portfolio. Purchasing liquid securities, equal-weighting security positions and constructing diversified portfolios are investment strategies that are designed to mitigate risk. However, they do not guarantee success. As an additional risk control measure, we employ a strict sell discipline that is mechanical, judgmental and opportunistic. This sell discipline has sell 'trigger points' which result in higher than average portfolio turnover. While this kind of trading can increase brokerage and other transaction costs and taxes, the impact of this discipline is measured by the portfolios' net performance compared to market indices over time. Furthermore, we believe this disciplined approach is tax-efficient as it generates short-term losses which can be applied against short- and long-term gains to achieve improved after-tax returns for taxable clients. However, when investing in securities there is always a risk of loss that clients should be prepared to bear.

Once again, clients should be aware that, even with a diversified portfolio of securities and/or funds, there is always a risk of loss when investing. Every investment program has the potential for loss as well as gain. Investment returns will fluctuate, and the value of any client's portfolio will fluctuate and may be worth more or less.

## **Item 9 – Disciplinary Information**

### Disclosure of Any Legal or Disciplinary Information or Events

As a registered investment adviser Solaris Asset Management must disclose all material facts regarding any legal or disciplinary events that would be material to a client's or a prospective client's evaluation of its advisory business or of the integrity of our management.

Solaris Asset Management has no legal or disciplinary events or other information applicable to this Item 9 to disclose.

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

### Other Financial Activities That We Engage In

Solaris Asset Management's principal business activity and that of SAM's principal executive officers is to provide personal investment advice to its clients. The formal



advice that we provide is described more fully in Item 4 above titled “Types of Investment Management Services We Offer.” We are not engaged in any other types of financial activities. We do not sell products or services other than investment advice to our clients. From time to time our clients ask us our opinions about a variety of investment and non-investment related matters, but any advice we may give is purely incidental to providing investment advice.

#### Other Financial Industry Affiliations

Solaris Asset Management has an affiliated company, Solaris Advisors, LLC which provides investment consulting and wealth management services to ultra-high net worth individuals, families and institutions. Its minimum account size is \$20 million. Clients of Solaris Asset Management can, from time to time, employ in their sole discretion, Solaris Advisors for its services. There is a potential conflict of interest with respect to any client who might consider employing Solaris Advisors. Accordingly, as a matter of policy and practice, Solaris Asset Management discusses with every client in advance that 1) there is this conflict of interest; 2) that the client is not required to invest with Solaris Advisors; 3) that the client alone makes the decision to invest with Solaris Advisors; and 4) that if the client does decide to have an account with Solaris Advisors, that the client can create special termination standards and negotiate special fee arrangements.

#### Private Investment Funds Advised by Solaris Asset Management

Solaris Asset Management acts as investment advisor to the Solaris Orion Fund, L.P., a long only, equity pooled investment fund in a limited partnership structure offered to employees of SAM and other accredited and non-accredited investors who may not have sufficient assets for a separately managed account. SAM receives an investment management fee for its services to the Orion Fund.

Solaris Asset Management also acts as investment advisor to the Solaris Gemini Fund, L.P., a long/short pooled investment fund in a limited partnership structure offered to employees of SAM and accredited investors and qualified clients. SAM receives an investment management fee for its services to the Gemini Fund. The Solaris Gemini Fund, L.P. has a performance-based fee. A discussion about the possible conflicts of interest that are created by performance-based fees is set forth more fully in Item 6. above titled “Possible Conflicts of Interest Created by Performance-Based Fees.”

The four principals of Solaris Asset Management whose biographies are set forth below are the four members of BGWS, LLC, the General Partner of Solaris Orion Fund, L.P. BGWS, LLC is also the General Partner of Solaris Gemini Fund, L.P. BGWS, LLC is also the General Partner of Solaris Constellation Fund, L.P. The Solaris Constellation Fund is an investment fund in a limited partnership structure that can invest in mutual funds, ETFs, separate accounts, hedge funds and fund-of-funds. It is offered to clients of its affiliate, Solaris Advisors, LLC, who are qualified purchasers, for which Solaris Advisors is the investment manager.

Name: Albert C. Bellas  
 Year of Birth: 1942  
 Formal Education: Yale University, BA 1964; University of Chicago, JD 1967; Columbia University, MBA 1968  
 Business Background: Chairman and CEO Neuberger Berman Trust Companies, 2001-2003; Managing Director, OFFITBANK, 1991-2000  
 Mr. Bellas currently has an application pending to be a registered representative of Meeschaert Capital Markets, LLC. This possible arrangement is not material to our investment management business and does not present any conflict of interest to any client of SAM.

Name: Timothy M. Ghiskey, CFA, CIC  
 Year of Birth: 1955  
 Formal Education: Trinity College, BA 1977, University of Virginia, MBA 1985  
 Business Background: Founder, Ghiskey Capital Partners, 2001-2004; Senior Vice President and Senior Portfolio Manager, The Dreyfus Corporation, 1995-2001

Name: Ralph D. Sinsheimer  
 Year of Birth: 1954  
 Formal Education: Trinity College, BA 1977, New York University, MBA 1982  
 Business Background: Senior Vice President and Head of Wealth Management, Neuberger Berman Trust Companies, 2001-2003; Managing Director, OFFITBANK 1997-2001

Name: Stephen Brent Wells  
 Year of Birth: 1944  
 Formal Education: Princeton University, BA 1966; New York University School of Law, JD 1969  
 Business Background: President, Neuberger Berman Trust Companies, 2001-2003; Managing Director, OFFITBANK, 1994-2001

#### Compensation From Other Investment Funds and Advisors

Solaris Asset Management does not receive any compensation, direct or indirect, from any other investment advisor or mutual fund that it recommends.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### Code of Ethics

Solaris Asset Management has adopted a Code of Ethics and a Code of Business Conduct. These Codes enumerate our high standards of business conduct, our fiduciary duty to our clients and our business principles and philosophies. The Codes applies to each employee of Solaris Asset Management, its parent and affiliates, and incorporates

the Employee Investment Policy referred to below. In addition to the Employee Investment Policy, the Code, among other things, emphasizes each employee's duty to hold the client's interests first, to comply with all federal securities laws including a prohibition on insider trading, to obtain approval for certain outside activities, to avoid any conflicts of interest with any client, to treat all client information with the utmost confidentiality and to immediately report any violation of the Code Ethics to the Chief Compliance Officer. On at least an annual basis, we conduct training on the elements of the Code of Ethics and each employee acknowledges receipt of the Code of Ethics and understanding of its contents. We will provide a copy of the Code of Ethics to any client or prospective client upon request.

Employees of SAM and its affiliate, Solaris Advisors, can buy or sell securities that SAM also buys or sells for clients if they participate as investors in the Orion Fund, LP, a long-only private investment company that invests in the same securities that are held in core client accounts (see below). Fund trades are implemented alongside client trades which avoids any conflict of interest with our clients. As part of our securities trading procedures, each day we calculate the average share price for every traded security and that is the price that every client receives. As a result no employee or client receives any preferential treatment as each receives the same share price for the day. Employees can purchase or sell other securities provided that these employee transactions are conducted in accordance with the Employee Investment Policy set forth below, and the Solaris Asset Management Code of Ethics.

#### Personal Trading: Employee Investment Policy

Philosophy SAM believes that its employees should invest along side of its clients. This means buying and selling the same securities at the same time and at the same price as clients. Not only does this approach to personal investing emphasize that SAM "eats its own cooking", but it also provides a clear way to demonstrate that SAM is always conducting itself in its clients' best interest and that its employees never receive preferred treatment. Accordingly, we have set up a pooled investment fund, the Orion Fund (see below) so that all our employees can invest their equity assets in that investment along side our clients.

Procedures SAM has established procedures for all employees to follow in order to avoid any employee trading activity that could result in an unfair or improper disadvantage to clients, and we monitor employee compliance. All employees must get prior written approval for most trades and comply with the SAM's Pre-Approval and Disclosure process.

Exceptions to Employee Pre-Clearance of Personal Trades Solaris does not require pre-approval: (i) in cases where the discretion to invest has been granted to a third party; (ii) for all employee accounts that are managed on a discretionary basis by Solaris, including these limited partnership interests in the Solaris Orion Fund, L.P. or Solaris Gemini Fund, L.P.; or (iii) for investments in (a) direct obligations of the Government of the United States or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States; (b) certificates of deposit for any such securities;

(c) bankers' acceptances; (d) bank certificates of deposit; (e) commercial paper; and/or (f) shares of non-affiliated registered open-end investment companies (i.e. mutual funds).

#### Participation or Interest in Client Transactions

Principal Trades Neither Solaris Asset Management nor any of its related persons acts as a principal and buys securities from or sells securities to any client.

Broker or Agent Neither Solaris Asset Management nor any of its related persons acts as a broker or agent to buy or sell securities to any client whether with or without compensation or to effect transactions in which client securities are sold to or bought from a brokerage customer. SAM does not enter into any agency cross transactions between client accounts.

Recommendations as an Investment Advisor As an investment advisor, Solaris Asset Management does recommend securities to clients that it buys and sells for itself. As set forth in Item 10 above titled "Other Financial Industry Activities and Affiliations," Solaris Asset Management acts as investment advisor to the Solaris Orion Fund, L.P., a long only equity pooled investment fund in a limited partnership structure offered to employees of SAM and other accredited and non-accredited investors who may not have sufficient assets for a separately managed account. Solaris Asset Management also acts as investment advisor to the Solaris Gemini Fund, L.P., a long/short pooled investment fund in a limited partnership structure offered to employees of Solaris and accredited investors and qualified clients.

#### Potential Conflicts of Interest

Pricing - Investing in the same securities The Solaris Orion Fund, L.P. and the Solaris Gemini Funds, L.P. (the Funds) invest in the same securities that we invest in for our clients in their separate accounts. There is a potential conflict of interest that the Funds could receive preferential treatment in the pricing of securities. However, we apply a daily average share price practice as part of our securities trading procedures. Each day we calculate the average share price for every traded security and that is the price that everyone who traded that day in that security receives. Since fund trades are implemented alongside client trades, we avoid any conflict of interest with our clients because the result is that no employee, fund or client receives any preferential treatment as each receives the same share price for the day. As seen from the description of employee trading, this average share pricing and pooling approach significantly reduces the potential for conflict of interest with respect to employee trading as well. Commission costs are shared equally as all accounts benefit pro rata from the execution. Allocations among accounts are made prior to the placement of orders. Completed orders are allocated as specified and partially filled orders are allocated in accordance with our trading procedures. We retain detailed records of each order and its allocation and any exceptions are noted to confirm compliance with our procedures and that all clients are treated fairly.

Preferential Security Selection - Investing to benefit the Fund over Client accounts (or vice versa) There is a potential conflict of interest that either clients or the

Funds could receive preferential treatment if certain investments made for clients are different from those made for the Funds so that either clients or the Funds benefit one over the other. From an economic perspective, the Orion Fund has a lower fee schedule than a separate account so the conflict would occur if the separate accounts were benefited. With regard to the Gemini Fund, it has a higher fee as well as a performance fee because it is a long/short fund, so it would benefit from preferential security selection. We deal with these potential conflicts of interest by investing for the Funds in the same manner as we manage our core separate accounts. We compare holdings and performance periodically of our core accounts to that of the Orion Fund and the Gemini Fund, identifying and explaining any discrepancies to confirm equal treatment. In addition, because the four principals of SAM who are the four members of BGWS, LLC, the General Partner of the Funds receive no economic benefit from their role as members of the General Partner, they have no direct conflict of interest. Their potential indirect conflict of interest is dealt with by the preferential security selection procedures.

Employing Solaris Asset Management's Affiliate, Solaris Advisors There is a potential conflict of interest with respect to any client who might consider employing Solaris Asset Management's affiliate, Solaris Advisors, as a wealth manager or investment consultant. As a matter of policy and practice, Solaris Asset Management discusses with every client in advance that 1) there is this conflict of interest; 2) the client is not required to invest with Solaris Advisors; 3) the client alone makes a decision to invest with Solaris Advisors; and 4) if the client does decide to have an account with Solaris Advisors, that the client can create special termination standards. Special fee arrangements can also be negotiated.

## **Item 12 – Brokerage Practices**

Solaris Asset Management's authority over investment or brokerage discretion varies depending upon the requirements of each client and the nature of the investment management relationship. Those authorities and constraints are reflected in each client agreement.

### Factors We Consider in Selecting Brokers

SAM takes several factors into consideration when selecting, recommending or utilizing broker-dealers for client transactions. These factors include the broker's financial strength, reputation, execution capabilities, pricing, research, access to markets and service among others.

### Benefits We Receive from Client Commissions

Solaris Asset Management seeks competitive commission rates, but the commissions and/or transaction fees charged by a broker-dealer may be higher or lower than those charged by other broker-dealers. SAM does not receive any portion of the brokerage commissions and/or transaction fees charged to clients. SAM does receive an indirect benefit from the brokerage that it places. In return for effecting securities transactions

through certain brokers, Solaris Asset Management receives their proprietary and/or independent third-party research and brokerage services which may directly or indirectly benefit clients. Consistent with our obtaining best execution, SAM receives services in conjunction with these brokerage arrangements that assist it either: 1) in the investment decision-making process for its investment management activities; or 2) are incidental to custody, clearance and settlement activities. Because our investment processes involve strict sell disciplines to control downside risk, defined trigger points result in higher than average portfolio turnover. Solaris Asset Management benefits by using client brokerage commissions to obtain a broker-dealer's proprietary and/or independent third-party research and brokerage services instead of paying for that research, products or services. SAM believes that its clients benefit from increased brokerage even though it results in greater transactions costs because we employ those commission dollars to acquire additional proprietary and/or independent third-party research and brokerage services which we expend on the client's behalf as part of our investment process. Brokerage commissions paid by a specific client and used to pay for any or all of such services may pay for services that are not used in managing that specific client's account.

#### A General Description of Research Services We Obtain

Solaris Asset Management and its affiliate, Solaris Advisors use research, brokerage and related services which include written or electronically transmitted information and analyses concerning specific securities, companies, sectors, markets, managers and client portfolios; asset allocation, style and sector analysis and risk modeling; market, financial and economic data, including forecasts, statistics and pricing services, as well as discussions with research personnel; software, data bases and other news, technical and telecommunications services; products and services incidental to clearance, settlement and custody services; and products and services authorized by our clients that assist SAM in its investment management activities.

#### A Sampling of Actual Research Services

Currently, the following are some of the vendors that provide proprietary and/or independent third-party research, brokerage and related services that Solaris Asset Management and its affiliate, Solaris Advisors receive through the use of brokerage commissions: Factset Research Systems, Morgan Stanley, J.P. Morgan, MKM Partners, Fox Pitt, Oppenheimer, Auriga Research, Empirical Research, FIG Partners, CSFB, Stifel, Informa Investment Solutions, Thomson Financial, Bloomberg Financial Markets, SNL Financial, American and New York Stock Exchanges, Dow Jones News, Hedgefund.net, Informa PSN, Omgeo, Hart Publishing, Wall Street Source LLC and Briefing.com.

#### Mixed Use Services

In the case of services or products which are used in part in connection with the activities described above and in part for administrative functions, SAM makes a good faith attempt to reasonably allocate the anticipated use of the product or service between research and administrative functions. Solaris Asset Management uses brokerage commissions only for the portion of the product or service that is allocated to the brokerage and research functions disclosed above.

### Steps We Take to Determine Commissions are Reasonable

The brokerage commissions and/or transaction fees charged by brokers are exclusive of, and in addition to, SAM's fees. Although the commissions paid by SAM's clients shall comply with its duty to obtain best net execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction when Solaris Asset Management determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services it receives. In seeking best net execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best net qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although SAM seeks competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions.

Solaris Asset Management typically has discretionary authority to execute trades in such manner as it deems best if it believes that at times it may obtain best possible net execution for its client accounts by aggregating or "bunching" orders and allocating the securities among multiple client accounts. Similarly, orders in the same security can be executed at different prices during the course of a day. To implement its allocation process, Solaris Asset Management directs the broker to compute an average price for securities bought and sold.

### Our Trading Policies and Procedures

Solaris Asset Management has adopted policies and procedures for allocation and aggregation of trades of securities in an attempt to avoid any trading action that could result in an unfair or improper disadvantage to client accounts or between client accounts. These allocation policies require investment opportunities to be allocated among accounts on a fair and equitable basis and in accordance with the investment objective and guideline applicable to each account. Such policies generally require averaging of share prices and prorating of partial executions and transactional costs. Exceptions may also be made for specialized accounts, changes in cash flow needs, investment guidelines and restrictions, limit orders and other unusual situations or special circumstances which may arise in the exercise of investment discretion. Deviations from established policy are permitted when appropriate, so long as supported by sufficient reasons and approved by appropriate personnel. As a result, Solaris Asset Management is not obligated to allocate an investment opportunity across all of its accounts and may at times sell a position for one or more of its accounts while it continues to hold the position for other accounts.

### Client Directed Brokerage

From time to time, a client may 1) direct Solaris Asset Management to use a particular broker to execute transactions for its account or 2) indirectly direct the use of a particular broker by employing a custodian that requires that all trading must take place with that custodian/broker. For any such directed brokerage arrangements SAM i) will typically place such orders last, ii) will not negotiate commissions, iii) may not obtain volume discounts, iv) may not aggregate or "bunch" transactions, and v) may not be able to obtain best execution. Commission charges will vary among clients. In addition, certain

custodian/brokers may have rules which may further impair our ability to trade for the client's benefit. Clients are made aware that that these arrangements may adversely affect Solaris Asset Management's ability to, among other things, obtain volume discounts on bunched orders, obtain best price and execution on those directed trades and that the price that is obtained is likely to be different, and frequently worse than the price obtained for other clients.

#### Individual Client Investment Performance may Vary

Clients should be aware that performance may differ among individual accounts depending upon, among other things, each client's individual investment needs and goals, special investment instructions applicable to a particular account, order allocation, the date such account was opened, client instructions relating to liquidity and other investment constraints or objectives.

### **Item 13 – Review of Accounts**

#### Client Account Review and Reporting

Timothy Ghriskey, the Chief Investment Officer, and the Risk Manager review each investment management account on a continuous basis. The Investment Committee, consisting of the CIO, the Risk Manager and the remaining partners, Albert Bellas, Ralph Sinsheimer and Stephen Wells, review performance periodically.

Each client receives a printed investment report, at least quarterly, containing market valuation and other pertinent information about its account. However, clients may elect to receive their investment reports electronically, either in addition to, or in lieu of, their written reports.

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

#### Compensation to Third Parties for Client Referrals

From time to time Solaris Asset Management will enter into relationships with third parties where it will compensate them for referring clients to SAM for its investment management services. In accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940 and any corresponding state securities laws or requirements that may apply, we disclose in writing to any client who has been referred to us as a result of such relationship the full nature of the referral relationship, including the amount due the referral source. We pay such referral fees solely from Solaris Asset Management's investment management fees, and there are no additional charges to the client.

#### Other Compensation/Benefits We Receive

As discussed more fully in Item 12 above titled "Brokerage Practices", in return for effecting securities transactions through brokers, Solaris Asset Management, and its



affiliate, Solaris Advisors, may receive certain proprietary and/or independent third-party investment-related research and brokerage services which it uses in its investment process and which may directly or indirectly benefit clients.

## **Item 15 – Custody**

### Your Custody Account and Comparing It to Our Investment Reports

Solaris Asset Management requires that clients contract with and maintain a custody relationship with a reputable “qualified custodian” that is unaffiliated with and fully independent of SAM to hold the client’s assets that we manage. Client’s custodian(s) hold client securities and report to clients directly on a periodic basis. This separation of client’s assets and of control between client’s investment manager and client’s custodian provides an essential check and balance for clients. While SAM reconciles client holdings with client’s custodian(s) on a daily basis to discover any differences between custodian(s)’s and its “books,” we strongly encourage each client to regularly compare both sets of statements and inquire about any differences. Each client should verify that it is receiving custodian statements for its accounts managed by Solaris Asset Management. If the client believes that it is not receiving them, the client should immediately contact its custodian(s) directly.

### Custody of Assets in the Solaris Orion Fund, L.P. and the Solaris Gemini Fund, L. P.

The Solaris Orion Fund, L.P. and the Solaris Gemini Fund, L.P. employ HSBC USA and Goldman Sachs respectively, as custodians for their Fund securities. They are both well-known, reputable custodians that are not related to, and are fully independent from Solaris. They each clear and settle the respective Fund trades and safekeep Fund assets. Solaris reconciles each individual Fund holdings with HSBC and Goldman daily to discover any differences between their books and ours. Each Fund investor receives periodic statements and annually every investor receives audited financial statements from either Fund’s independent auditor, Anchin Block & Anchin, LLP, for the Orion Fund or McGladry & Pullen, LLP for the Gemini Fund. Those annual independent audits are conducted in accordance with generally accepted accounting principles. Investors in these Funds should carefully review their statements and the audited annual report. If they have any questions or concerns, regardless of how trivial, they should ask us or inquire directly with the independent auditor for the Fund that they are invested in. In our view, each Fund’s employment of reputable, independent custodians and auditors, the separation of asset control and the annual independent audit provides an essential check and balance for Investors in the Funds.

## **Item 16 – Investment Discretion**

### How We Exercise Investment Authority

In its investment management agreement with Solaris Asset Management, the client gives us discretionary authority to select the identity and amount of securities to be bought or

sold on behalf of the client. In all cases, SAM exercises its discretion consistent with the client's stated investment objectives. Clients may, but typically do not, place any limitations or restrictions on our exercise of that discretion.

## **Item 17 – Voting Client Securities**

### Proxy Policy and Corporate Actions

At Solaris Asset Management the exercise of a client's voting rights is important and we exercise reasonable care and diligence. It is Solaris Asset Management's policy that if there are securities held in a client's account that have voting rights, Solaris will exercise such voting rights in the manner it deems appropriate unless the client has expressly informed it in writing that the client will retain and exercise its rights. While SAM has the authority under its investment management agreement with each client to abstain or not vote, if it does vote, it will vote proxies for portfolio securities consistent with its views from time to time as to the best economic interests of the clients as shareholders. SAM maintains written policies and procedures as to the handling, voting and reporting of proxy voting and makes appropriate disclosures about its proxy policies and practices. Solaris Asset Management's policy and practice typically includes the monitoring of corporate actions, receiving and voting client proxies and always includes disclosing any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records.

### Procedures

Solaris Asset Management has procedures to implement its policy and conducts reviews to monitor that its policy is observed, implemented properly and amended or updated, as appropriate. Our procedures may be summarized briefly as follows:

### Voting

In the absence of specific voting guidelines from the client and to the extent that applicable law and regulations permit, SAM will vote each proxy based on what is in the best interest of the shareholder and shareholder value as that is applied to the best interests of each particular client. In reviewing proposals, it will typically consider the opinion of management, the effect of the proposal on management and the company's business practices and the effect on shareholder value.

- o We will generally vote in favor of management and for routine corporate housekeeping proposals such as the selection of auditors absent conflicts of interest raised by auditors' non-audit services.

- o We will generally vote against proposals that we believe will diminish shareholder value and negatively impact the stock price for protracted periods.

SAM's policy is to vote all proxies from a specific issuer the same way for each client absent qualifying restrictions from a client. Clients can place reasonable restrictions on Solaris's voting authority.

#### Conflicts of Interest

SAM identifies any conflicts that exist between it and the client by reviewing its relationship with the issuer of each security to determine if it or any of its employees has any financial, business or personal relationship with the issuer.

- o If a material conflict of interest exists, Solaris Asset Management will disclose the conflict to the affected clients to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or receiving an independent third party voting recommendation.

- o Solaris Asset Management will maintain a record of the voting resolution of any conflict of interest.

#### Client Requests for Information

Clients may request information regarding proxy votes, or policies and procedures at any time. Solaris Asset Management will promptly send the client a written response with the information requested.

#### Recordkeeping

In accordance with the SEC's five-year retention requirement Solaris will retain a) These policies and procedures and any amendments; b) The proxy statement from each individual company that it receives either in physical form or in immediately retrievable electronic form such as the SEC's Electronic Data Gathering, Analysis and Retrieval (EDGAR) system, a third-party voting service provider such as Proxy Edge, Proxy Vote or Proxy Trust or otherwise; c) A record of the vote that it casts either in physical form or through a third party voting service on its behalf, such as Proxy Edge, Proxy Vote or Proxy Trust; d) Any document it created that was material to making a decision how to vote proxies or that memorializes that decision; and e) A copy of each written request from a client for information on how it voted such client's proxies, and a copy of any written response.

## **Item 18 – Financial Information**

#### This Item is Not Applicable to Solaris Asset Management

Because (a) we do not charge fees six months or more in advance, (b) we do not have custody of client's assets and we have no financial commitments that impair our ability to meet our contractual and fiduciary commitments to our clients, and (c) we have not been subject to a bankruptcy petition in the last 10 years, this Item 18 is not applicable to us.