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## Item 1: Cover Page

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### Principal Office Address

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Phone: 301.881.3727  
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**Website Address: [www.sol-capital.com](http://www.sol-capital.com)**

### Chief Executive Officer

Rajmiel Odinec  
E-mail: [rodinec@sol-capital.com](mailto:rodinec@sol-capital.com)

### President

Samuel Sandler  
E-mail: [ssandler@sol-capital.com](mailto:ssandler@sol-capital.com)

### Vice President/Chief Compliance Officer

Sandra G. Horne  
E-mail: [shorne@sol-capital.com](mailto:shorne@sol-capital.com)

*This brochure provides information about the qualifications and business practices of SOL Capital Management Company. If you have any questions about the contents of this brochure, please contact us at 301.881.3727 or [shorne@sol-capital.com](mailto:shorne@sol-capital.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 SOL Capital Management Company also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

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## Item 2: Material Changes

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**O**n August 12, 2016, Cynthia La Rue, our Chief Operating Officer, voluntarily resigned and left SOL.

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## Item 3: Table of Contents

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## Item 4: Advisory Business

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**S**OL Capital Management Company (“SOL Capital”) has been serving clients as an investment advisory firm since 1987. The company was begun by Samuel Sandler, Frances J. Odinec and James A. Lynn. Mr. Rajmiel Odinec joined the firm in November of 1989. In July, 1999, Mr. Lynn was bought out by Mr. Sandler and Mr. & Mrs. Odinec, and now the firm is owned by just the three of them. The ownership is as follows:

Mr. Samuel Sandler      Owns 50%

Mr. Rajmiel Odinec      Owns 25%

Mrs. Frances J. Odinec   Owns 25%

SOL Capital offers investment management services and investment consultation services to U.S. and international high net-worth individuals and corporations, pension and profit sharing plans, trusts, estates, and charitable organizations. SOL Capital manages both discretionary and non-discretionary accounts. Managing accounts on a discretionary basis means that we manage securities accounts on behalf of clients without asking for the client’s permission for each transaction. Once we sit with a client and determine their investment objectives and risk tolerances, among other factors, and have drafted an appropriate investment policy statement, SOL Capital chooses the securities that we believe are suited for the client’s portfolio and trade in the client’s account on their behalf. We also will manage accounts on a non-discretionary basis. In other words, we monitor and review an account and make securities recommendations to the client, when we act on a non-discretionary basis, but it is up to the client to decide whether to accept or reject our recommendations and if the client accepts our recommendations, we will place the trades with the custodian and ensure settlement of those trades. In these cases, we can also monitor and report on these accounts to the client.

We can offer investment advice on the following types of securities:

- Equity Securities
    - Exchange-listed securities
    - Securities traded over-the-counter
    - Foreign securities
    - Exchanged traded funds (or “ETFs”)
  - Warrants
  - Corporate debt securities (other than commercial paper)
  - Commercial Paper
  - Certificates of Deposit
  - Municipal Securities
  - Investment Company Securities
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## Item 4: Advisory Business Cont.

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*(Continued from page 3)*

- Variable annuities
  - Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Interests in partnerships or LLCs investing in:
  - Hedge funds
  - Real estate
  - Oil and gas interests

**Financial Consulting.** SOL can provide its advisory clients, on a case by case basis, with limited financial or retirement consulting services. Neither SOL Capital, nor any of its representatives, serves as an attorney, accountant, insurance agent, or financial planner and no portion of SOL Capital's services should be construed as such. SOL does not verify any information provided to it by the client and relies solely on information provided by the client.

**Client Obligations.** In performing its services, SOL Capital is not required to verify any information received from the client or from the client's professionals. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify SOL Capital if there is ever any change in his/her/its financial situation or investment objectives.

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by SOL Capital) will be profitable or equal any specific performance level(s).

**Unaffiliated Private Investment Funds.** SOL Capital may allocate a portion of certain client's assets to unaffiliated private investment funds. SOL Capital's role relative to the private investment funds is limited to conducting its initial and regular due diligence and investment monitoring services. If a client becomes a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of SOL Capital calculating its investment advisory fee. SOL Capital clients, in writing, may restrict SOL Capital from allocating any portion of their assets to private investment funds.

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

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## Item 4: Advisory Business Cont.

(Continued from page 4)

**Please Also Note: Valuation.** If SOL Capital references private investment funds owned by the client on any supplemental account reports prepared by SOL Capital, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. The client's advisory fee shall be based upon reflected fund value(s) provided by the fund.

**Trade-away/Prime Broker Fees.** When beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "trade-away" and/or prime broker fee charged by the account custodian (Fidelity, Schwab, etc.).

**Please Note: Retirement Rollovers.** A client leaving an employer typically has four options (and may engage in a combination of these options): i) leave the money in his former employer's plan, if permitted, ii) roll over the assets to his new employer's plan, if one is available and rollovers are permitted, iii) rollover to an Individual Retirement Plan ("IRA"), or iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). SOL Capital may recommend an investor roll over plan assets to an IRA managed by SOL Capital. As a result, SOL Capital will earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to SOL Capital (unless the client engages SOL Capital to monitor and/or manage the account while the account is maintained at their employer). SOL Capital has an economic incentive to encourage an investor to roll plan assets into an IRA that SOL Capital will manage or to engage SOL Capital to monitor and/or manage the account while the account is maintained at their employer. There are various factors that SOL Capital may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus SOL Capital, iv) protection of assets from creditors and legal judgments, v) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. No client is under any obligation to rollover plan assets to an IRA managed by us or to engage us to monitor and/or manage the account while maintained at their employer.

Pursuant to Prohibited Transaction Exemption ("PTE") 2016-01, section II(h), SOL Capital acknowledges that it acts as a "fiduciary" (as such term is defined under § 4975 of the Internal Revenue Code of 1986, as amended (the "Code") and, if applicable, § 3(21)(A)(ii) of ERISA, with respect to recommendations that are treated as fiduciary investment advice under 29 C.F.R. § 2510-3(21) it provides to rollover assets from or to in connection with clients' purchase, holding or sale of securities for an individual retirement account ("IRA") or employee benefit plan subject to ERISA ("Plan"). The foregoing fiduciary acknowledgement applies only to the recommendations that SOL Capital provides to clients to rollover assets from or to IRA or Plan, and does not apply to any other service, assistance or recommendation ADVISER may from time to time provide clients. This acknowledgement is effective as of April 10, 2017 or such later applicability date may be specified for the fiduciary investment advice definition provided in 29 C.F.R. § 2510-3(21) but will be void for any period of time, including from inception, for which such regulation and PTE 2016-01 are delayed, withdrawn, revoked or struck down or modified in any manner that makes this acknowledgement inapplicable, whether by the action of a federal agency or legislative body, a court of competent jurisdiction, or otherwise.

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## Item 4: Advisory Business Cont.

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*(Continued from page 5)*

**Please Note: Use of Mutual Funds.** Many mutual funds are available directly to the public. Thus, a prospective client can obtain many of the mutual funds that may be recommended and/or utilized by SOL Capital independent of engaging SOL Capital as an investment advisor. However, if a prospective client determines to do so, he/she will not receive SOL Capital's initial and ongoing investment advisory services.

**Please Note: Use of DFA Mutual Funds.** Many mutual funds are available directly to the public, without need to engage an investment professional. Other mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through registered investment advisers. SOL Capital utilizes DFA mutual funds. Thus, if the client was to terminate SOL Capital's services, restrictions regarding transferability and/or additional purchases of, or reallocation among, DFA funds may apply. SOL Capital's Chief Compliance Officer, Sandra G. Horne, remains available to address any questions that a client or prospective client may have regarding the above.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage SOL Capital on a non-discretionary investment advisory basis must be willing to accept that SOL Capital cannot place any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, if SOL Capital would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, SOL Capital will be unable to place the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

**Please Note: In General.** When we take on a new account, we meet with each client to discuss their current portfolio, their investment objectives, their liquidity needs, risk tolerance and investment time horizon. During this discussion, the client may impose restrictions on the types of securities that may be purchased, or may impose restrictions on particular securities that can be purchased. Based on that discussion, we prepare a preliminary asset allocation that is further discussed and analyzed with the client. Once an appropriate asset allocation is agreed upon, the client formalizes an investment policy statement and signs it. This policy serves as the general investment guidelines for the investment of the portfolio.

Accounts are generally managed on a discretionary basis, within certain guidelines authorized by the client. However, transactions not falling within those guidelines may be specifically requested by the clients. The amount of regulatory assets under management as reported to the Securities and Exchange Commission on its ADV, Part I by SOL Capital as of December 31, 2016 was \$1,944,092,161. SOL Capital also provides consultation services on an additional \$304,584,004 as of December 31, 2016, making the total assets under management and consultation \$2,248,676,165.

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## Item 5: Fees and Compensation

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The fees for providing services are paid to SOL Capital by clients on the basis of a calculation of the capital under management, which is the beginning market value for the period, plus or minus any weighted capital contributions or withdrawals. As a company policy, SOL Capital does not receive or accept commissions or fees from any source other than clients.

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## Item 5: Fees and Compensation Cont.

(Continued from page 6)

The basic fee charged by SOL Capital for its advisory services is a percentage of the average monthly capital under management<sup>1</sup> as follows:

\$0 up to	\$5,000,000	1.00%
on the next	\$15,000,000	0.60%
on the next	\$80,000,000	0.50%
amounts over	\$100,000,000	negotiable

Notwithstanding the above table, the fees for advisory services charged by SOL Capital are negotiable.

The fee is payable monthly, in arrears. The fees incurred are deducted directly from the clients' account with the custodian, unless the client wishes to pay the fee directly, by check.

In addition to the advisory fees paid to SOL Capital, clients whose assets are invested in mutual funds, private funds, or exchange traded funds will, like other shareholders of those funds, be subject to fees charged by those funds. These fees are built into the pricing structure of the funds and are not paid directly from the client's managed account, and SOL Capital receives no part of those fees. In general, SOL Capital seeks to invest clients' assets in mutual funds which have no front or back end sales charges and which it believes to have appropriate fee structures.

In addition to the advisory fees paid to SOL Capital, clients will also incur fees from custodians for the execution of securities transactions and other transaction services, custody and related services. Please see SOL Capital's brochure, Item 12 – Brokerage Practices for more information on expenses incurred in relation to fees charged to clients by custodians.

<sup>1</sup>An example of the Average Capital Base calculation is: The reporting period is December 31, 2015 to January 31, 2016 and the starting market value of the portfolio is \$750,000. There was a withdrawal of \$90,000 on 1/12/16 and a contribution of \$120,000 on 1/22/16. The average capital base is calculated as follows:

\$750,000	Starting market value
-55,161.29	First average change in capital (\$90,000 withdrawal on 1/12/16 – 18 days under management)
+34,838.71	Second average change in capital (\$120,000 deposit on 1/22/16 – 8 days under management)
\$729,677.42	Average capital base for the period

It is important to note that if there are not any capital contributions or withdrawals during the reporting period, the average capital base will be the same as the beginning market value.

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

In the past, SOL Capital offered a fee schedule to certain clients that included a performance based fee. For some clients who are neither citizens of, nor residents in, the United States, a separate performance based fee schedule, that SOL Capital believed reflected the preferences of those clients,

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## Item 6: Performance Based Fees and Side-By-Side Management Cont.

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applies. The basic performance-based fee is an annual charge of 0.50% of the monthly capital under management, subject to a minimum fee of \$2,000 annually, adjusted at the end of each anniversary year if the annual return exceeds the one-year weighted prime rate for the period under consideration. The incremental change will be 10% of such excess return over the weighted prime rate. The basic fee is payable monthly in arrears, as are all management fees charged by SOL Capital. Since October 30, 1995, this fee schedule has not been offered to any new or prospective clients of SOL Capital.

The general concern regarding performance based fees is that an investment adviser has an incentive to invest clients' assets in securities that are riskier in nature in hopes of a greater return. This greater return would, in turn, result in a larger fee at the end of the anniversary year of the client. SOL Capital is very cognizant of this risk and makes a very diligent effort to routinely monitor the asset allocation of accounts subject to a performance fee to make sure they are in line with the stated investment policy statement that is reviewed and agreed upon by the client.

The members of the SOL Capital Investment Committee ("Investment Committee") are responsible for reviewing and managing accounts that have performance based fee schedules and those that do not have performance based fee schedules simultaneously. SOL Capital is cognizant of the potential risk of favoring accounts with performance based fees (e.g. with new investment opportunities). In order to address this risk, SOL Capital has a procedure in place whereby accounts are not reviewed in the same order in the regular bi-monthly review cycle. Within the two-month review cycle, we randomize the order that clients are reviewed so that if we are making a tactical asset allocation change or introducing a new manager or investment vehicle the order in which our clients are invested is random each time.

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## Item 7: Types of Clients

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The types of clients that SOL Capital provides investment advice to are as follows:

- Individuals
- Pension and profit sharing plans
- Trusts, estates and charitable organizations
- Corporations
- Off-shore corporations

At present, SOL Capital's business is limited to providing investment advice for clients generally with a minimum net worth of US\$5,000,000 who establish accounts generally of at least US\$5,000,000. We may consider clients with less than US\$5,000,000 where the services performed by SOL Capital are of a special nature or in other circumstances as determined at the discretion of SOL Capital.

As of December 31, 2016, SOL Capital provided securities related advice to 329 clients: 141 corporations, 178 individuals, and 10 pension plans, profit sharing plans or charitable organizations.

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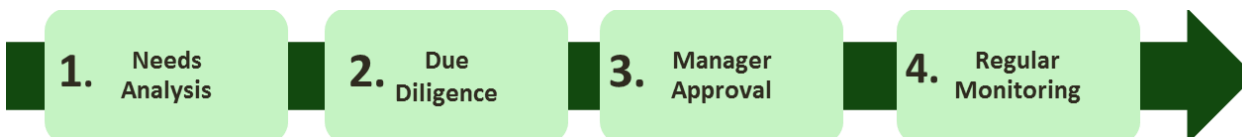
## Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

### Investment Manager Selection Process

When constructing client portfolios, SOL Capital generally invests in a combination of actively managed mutual funds, index and passively managed funds, and exchange-traded funds (ETFs). We will add individual equities to portfolios of clients who want more concentration, volatility, or both. However, our focus is on mutual funds, which makes manager selection a top priority for our firm. It is important to note that a client could lose money by investing in mutual funds, and mutual funds can underperform other investments. A mutual fund's share price and total return will fluctuate due to risk factors including, but not limited to issuer risk, management risk, equity risk, market risk, liquidity risk, non-U.S. issuer risk, interest rate risk, credit risk and prepayment risk of the securities purchased by the mutual funds.

### A Rigorous Process

SOL Capital follows a four-step process when selecting mutual fund managers. Our goal is to identify what we believe to be the best-in-class managers with proven strategies that align with our clients' objectives.



We describe our manager selection process for actively managed mutual funds below. Please note that our process is a little different for index and passively managed funds and ETFs, where applicable, in that we look at how the index fund is designed as opposed to the portfolio manager responsible for managing the fund.

#### 1. Needs Analysis

Our process begins with a top-down assessment of our existing managers by asset class. We generally look for gaps in our product line-up or for managers we would like to replace.

#### 2. Due Diligence

##### *Screening*

Once we have identified an asset class of interest, we screen the universe of funds within that asset class using tools such as Morningstar and Bloomberg. We evaluate a number of metrics, including performance, volatility, and downside risk relative to benchmarks and peer groups.

##### *Quantitative and Qualitative Analysis*

If a fund looks promising, we perform a detailed analysis of both the fund and the manager. We

*(Continued on page 10)*

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## Item 8: Methods of Analysis, Investment Strategies and Risk of Loss Cont.

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*(Continued from page 9)*

scrutinize the manager's track record, investment style and process, portfolio holdings, and approach to risk management, among other factors. We examine the fund's structure and fees.

We augment information from databases with information that we gather directly from the fund company. Periodically, we meet with the fund company and the portfolio manager(s).

### *Selection Criteria*

In general, we favor managers and funds with these characteristics:

- At least a three year performance history, although we will consider newer funds if the manager has a proven track record with another fund of the same style.
- Performance history that was created by the current manager of the fund.
- A portfolio management team rather than a superstar manager, especially when the fund is part of a large mutual fund complex; however, funds managed by individual managers may also be selected.

### **3. Manager Approval**

The SOL Capital investment analyst researching the manager presents his or her findings to the Investment Committee. The Investment Committee meets formally each week and informally on a more frequent basis.

### *Multiple Perspectives*

The discussion among the Investment Committee members may start at the beginning of the due diligence process or further along, perhaps even after the investment analyst has met with the manager. Regardless of when the Investment Committee gets involved, the members debate the pros and cons of the manager and the fund. If there is a strong case for adding the manager to our roster, the Investment Committee will perform a review of the investment analyst's recommendation. In many cases, one or more of these professionals will also interview the manager or a representative from the fund. In our opinion, having several points of view supports well-informed selection decisions.

### *Approved and "Watch" Lists*

Once this additional layer of due diligence is complete, the Investment Committee votes on adding the manager to our approved list. Manager approval requires a majority vote and the approval of our Chief Investment Officer. We put rejected funds that are still interesting to us on our watch list and monitor them alongside approved managers.

### **4. Regular Monitoring**

Our due diligence process is ongoing. We review our managers to ensure they are adhering to their stated objectives for style and market capitalization. We meet with and

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## Item 8: Methods of Analysis, Investment Strategies and Risk of Loss Cont.

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*(Continued from page 10)*

talk with many of our managers, participate in many manager calls, and review fund commentary and other relevant information.

### *Removing a Manager*

We are long-term investors who generally invest with a manager for many years. However, several factors might cause us to remove a manager from our approved list, such as poor performance, management changes, and style inconsistency.

In most instances, our decision to remove a manager is a gradual one. The members of the Investment Committee typically discuss the issue over the course of several weekly meetings. If a decision is made to remove a manager, we tend to sell the fund out of client portfolios on a gradual basis. Furthermore, a SOL Capital portfolio manager may choose to keep a “removed fund” in a client portfolio for numerous reasons, including the need to avoid an undesirable taxable event.

It is important to note that investing in securities involves risk of loss that clients should be prepared to bear.

The risks associated with the investment strategy indicated above are predominantly related to a mutual fund which would deviate significantly from the style or risk profile indicated in its prospectus. A fund may underperform its benchmark or realize a higher level of volatility than experienced in the past. Additional risks include the death or departure of a fund manager, if an insufficient legacy plan is in place.

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## Item 9: Disciplinary Information

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**N**either SOL Capital nor its management have been involved in any material legal or disciplinary action, including any criminal or civil action, any type of administrative proceeding before the SEC, or any proceeding by a self-regulatory agency.

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## Item 10: Other Financial Industry Activities and Affiliations

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**N**ot applicable.

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

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Investment advisers are fiduciaries that owe their clients a duty of care and loyalty. This fiduciary duty governs every aspect of an adviser's conduct and relationship with clients. The guiding principle for a fiduciary is to always put the client's interests ahead of his/her own interests and to provide full and fair disclosure to clients, including disclosure of all actual and potential material conflicts of interest. Similarly, investment advisers may not engage in or attempt to engage in fraudulent, deceptive, or manipulative conduct with respect to clients.

SOL Capital has a fiduciary responsibility to always act in the best interest of its clients. Accordingly, no employee of SOL Capital may take any action, including, but not limited to, purchasing or selling a security, for personal gain that is contrary to the interests of the firm's clients. SOL Capital's obligations to clients also require the firm to maintain and enforce policies and procedures to prevent the misuse of material nonpublic information, which includes misuse of material nonpublic information about the adviser's securities recommendations, and client securities holdings and transactions. SOL Capital's duty of care also requires that it safeguard this sensitive information.

SOL Capital's policy requires all personnel to comply with all applicable federal and state securities laws, to perform their duties with complete propriety and to never take advantage of their position of trust with clients to their detriment. The Code of Ethics sets forth standards of conduct for its employees, establishes procedures to safeguard client information (including information concerning client securities transactions and portfolio holdings) and addresses conflicts that may arise from personal trading by the firm's personnel.

If any client or prospective client would like to see a copy of the SOL Capital Employee Code of Ethics, please write or e-mail:

Sandra G. Horne  
VP/Chief Compliance Officer  
SOL Capital Management Company  
111 Rockville Pike, Suite 750  
Rockville, Maryland 20850  
E-mail: [shorne@sol-capital.com](mailto:shorne@sol-capital.com)

As a policy, SOL Capital does not recommend or buy securities for client accounts in which SOL Capital, or any related person of SOL Capital, has a proprietary interest. However, at times, officers or employees of SOL Capital may purchase or sell the same mutual funds, stocks, bonds or other securities that are purchased or sold for clients at or about the same time. As a fiduciary, SOL Capital is prohibited from taking advantage of an investment opportunity at the expense of its clients. To ensure compliance with this requirement and to resolve conflicts of interest that may arise, SOL Capital requires all employees to submit information regarding their personal securities

## Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading Cont.

(Continued from page 12)

transactions to the Compliance Officer. These records are reviewed by the Chief Compliance Officer for instances of trading practices that harm SOL Capital's clients, such as scalping, front-running or taking an investment opportunity from a client for an employee's own benefit. Specific pending client orders and other specific securities are placed on a "restricted list" and employees of SOL Capital may not trade in those securities until they are removed from the "restricted list" or pre-authorized by the CCO. It is important to note that the majority of SOL Capital's client's assets are invested in mutual funds and those particular securities are not at risk of front-running, and therefore are not placed on the restricted list.

**Please note: Our Chief Compliance Officer, Sandra G. Horne, remains available to address any questions that a client or prospective client may have regarding any conflicts of interest and how SOL Capital attempts to mitigate them.**

## Item 12: Brokerage Practices

In the event that the client requests that SOL Capital recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct SOL Capital to use a specific broker-dealer/custodian), SOL Capital generally recommends that investment management accounts be maintained at *Fidelity*, *Pershing* and/or *Schwab*. Prior to engaging SOL Capital to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with SOL Capital setting forth the terms and conditions under which SOL Capital shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that SOL Capital considers in recommending *Fidelity*, *Pershing* and/or *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with SOL Capital, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by SOL Capital's clients shall comply with SOL Capital's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where SOL Capital determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best 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 SOL Capital will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction

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## Item 12: Brokerage Practices Cont.

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*(Continued from page 13)*

fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, SOL Capital's investment management fee. SOL Capital's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, SOL Capital may receive from *Fidelity* and/or *Schwab* and/or *Pershing* (or another broker-dealer/custodian, investment manager, platform or fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist SOL Capital to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by SOL Capital may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support-including client events, computer hardware and/or software and/or other products used by SOL Capital in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist SOL Capital in managing and administering client accounts. Others do not directly provide such assistance, but rather assist SOL Capital to manage and further develop its business enterprise.

Schwab's, Fidelity's and Pershing's services are generally available to independent investment advisors on an unsolicited basis at no charge to them. SOL Capital's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* and/or *Schwab* as a result of this arrangement. There is no corresponding commitment made by SOL Capital to *Fidelity* and/or *Schwab* or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

SOL Capital works with a few different custodians in order to help clients achieve their overall objectives. We use general guidelines for deciding which broker we prefer to direct the client to, based on the client's objectives and account profile, for example, often, we will direct US clients to open accounts with Schwab and internationally based clients to open accounts with Fidelity and/or Pershing. We feel that by directing the client to a specific brokerage firm, we can help them access

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the execution-related products and services that we feel are best suited to their investment objectives, at favorable prices. SOL Capital does not receive any commissions or other compensation from the brokers in exchange for this practice.

From time to time, clients may come to us and request a particular broker in order to achieve global diversification, or they may direct the firm to use particular broker-dealers to execute their securities transactions. SOL Capital is certainly willing to accommodate this need, and will utilize broker-dealers identified by a client, but we feel it is important for the client to be aware that they may be able to get a better commission schedule with another broker and the products that are available to them may not be as diverse. In these cases, it is imperative that the client understand that they may in fact, pay higher commissions and be subject to additional account maintenance and transaction fees they would not be paying if they selected a broker we recommended. It is imperative that clients are aware that directing the firm to use a particular broker-dealer to execute transactions for their account may result in: (1) higher transactions costs for the client; (2) reduce or eliminate the firm's ability to secure the most favorable execution for the client; (3) the client foregoing any benefits from savings on execution costs that SOL Capital could obtain for its other clients by negotiating volume discounts on certain transactions; (4) the client not being able to participate in a new issue of securities; (5) SOL Capital not beginning to place client securities transactions with broker-dealers which have been directed by clients until all non-directed brokerage orders are completed; and (6) the client not obtaining returns equal to clients that do not direct brokerage.

SOL Capital does not currently participate in any referral programs offered by certain broker dealers. We do not recommend brokers and/or custodians based on any obligation related to client referrals.

SOL Capital trades mostly mutual funds at NAV. Accordingly, SOL Capital seldom places block trades. When block trading is utilized, we allocate the shares purchased or sold based on average cost only.

**SOL Capital's Chief Compliance Officer, Sandra G. Horne, remains available to address any questions that a client or prospective client may have regarding the above.**

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## Item 13: Review of Accounts

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**B**ased on the guidelines in the investment policy statement, SOL Capital searches for and invests in what it considers to be appropriate investment vehicles to fund each of the asset classes incorporated into the client's investment program to try to achieve the client's investment objective.

Once the client's assets are invested, the portfolio is monitored regularly including the following aspects:

- Check current asset allocation vs. target allocation and ensure each asset class is within the range specified in the investment policy statement. Deviations from the ranges set forth in the client's investment policy are addressed as required including periodic rebalancing of the portfolio.
  - Review portfolio holdings for consistency and appropriateness with client's objectives.
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### **Item 13: Review of Accounts** Cont.

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Mutual funds and their managers are additionally reviewed for consistency with their stated objectives in terms of market capitalization and style focus. Individual securities, mutual funds, and overall portfolio performance are further reviewed against relative benchmarks.

- Cash balances are reviewed in terms of the client's stated liquidity needs. Any excesses or shortages of cash are addressed as required. When clients contribute significant additional funds, or request unexpected withdrawals, a detailed analysis of the portfolio is made to determine the most appropriate way to invest new funds or to generate the needed liquidity.

As economic and market conditions evolve, changes might be implemented in the structure of the portfolio within the guidelines allowed in each client's investment policy statement.

If, and when, any client informs SOL that they have experienced a substantial change in his/her overall situation that affects his/her overall investment objective, risk-tolerance, time horizon, and/or liquidity needs, SOL Capital and the client review the appropriate changes that may be required in the investment program and investment policy statement. SOL Capital will then implement the agreed upon changes.

All portfolios are assigned a portfolio manager who is responsible for monitoring and reviewing each account at least once within a 60-day review cycle, and more often if required. All portfolios are additionally assigned a lead portfolio reviewer who is also responsible for monitoring and reviewing each account. Portfolio managers and lead portfolio reviewers meet periodically to review the accounts together, and at that time either change or reconfirm recommendations of the portfolio manager.

Each client of SOL Capital receives at least quarterly reports on the performance and holdings in their account(s). The reports set forth the current portfolio and its current market value, charges and fees and performance for the year to date. Also, a management fee billing statement is provided monthly, where applicable. SOL Capital also has a password-protected reporting website where performance, holdings and transactions are published daily. Clients who are interested in this service are provided details on how to obtain a user ID and password to this site and may review their accounts at their leisure.

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

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**S**OL Capital currently has no solicitation agreements in place.



## Item 15: Custody

Some services that SOL provides to advisory clients may cause SOL to be construed by the SEC as causing SOL to have legal “custody” of client assets. In particular, the SEC might interpret SOL Capital to have legal custody when it receives personally authorized instructions from clients to help facilitate the movement of cash from their account(s) held at a qualified custodian to recipient(s) of the clients’ choice. Importantly, SOL Capital does not hold, directly or indirectly, client funds or securities, or have any authority or ability to obtain possession of them. Nor can SOL Capital access or redirect clients’ funds to a destination other than what is specified by our clients. In all cases, the custodian that moves clients’ funds is acting upon the clients’ instructions. However, since SOL Capital does play a role in facilitating this process there is a chance that the SEC might conclude that we have legal custody.

As noted, SOL does not take actual possession of any client’s money and/or securities, which are maintained by banking or brokerage institutions, or other similar institutions deemed by the SEC to be qualified custodians, and which provide at least quarterly statements directly to clients regarding clients’ assets.

We are subject to an annual surprise examination conducted by a CPA in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. SOL Capital’s Chief Compliance Officer, Sandra G. Horne, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

SOL’s clients receive statements directly from their custodians, at least quarterly. SOL urges clients to carefully review such statements and compare them to the account reports that SOL provides. SOL’s reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities and should be used as a complement to the custodial statement. It is also important to note, that in some cases, a single report provided by SOL may display assets held at multiple custodians. The official record of the account is the custodial statement and clients should rely on those statements for all purposes.

## Item 16: Investment Discretion

SOL Capital manages both discretionary and non-discretionary accounts. Managing accounts on a discretionary basis means that we manage securities accounts on behalf of clients without asking for the client’s permission for each transaction. Once we sit with a client and determine their investment objectives and risk tolerances, among other factors, and have agreed to an appropriate investment policy statement, SOL Capital chooses the securities that we believe are suited for the client’s portfolio and trade in the client’s account on their behalf. Some clients will give us restrictions on the types of securities they may want us to purchase on their behalf. We are very cognizant of the wishes of our clients when it comes to trade restrictions and, if reasonable, we accommodate those requests. These types of requests are generally stated in the investment policy statement that is signed by the client prior to our taking over management of the securities portfolio.

In order for SOL Capital to be able to trade in a client account on a discretionary basis, part of the

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## Item 16: Investment Discretion Cont.

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*(Continued from page 17)*

account opening paperwork with most custodians that we deal with requires the client to grant a limited power of attorney over to SOL Capital. This power of attorney is “limited” in that it allows SOL Capital to trade in the client’s account on a discretionary basis and to move money between client accounts that have the same account registration, but it does NOT allow SOL Capital to move money to accounts where there is an unlike registration or take other action on behalf of the client. These powers of attorney can, but do not always, allow SOL Capital to directly deduct its management fees from the client’s account at the custodian. In the limited case where we are not able to take our management fees directly from the client account, the client pays our management fees directly to us, by check.

We also will manage accounts on a non-discretionary basis. In other words, we monitor and review an account and make securities recommendations to the client, when we act on a non-discretionary basis, but it is up to the client to decide whether to accept or reject our recommendations and if the client accepts our recommendations, we will place the trades with the custodian and ensure settlement of those trades.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage SOL Capital on a non-discretionary investment advisory basis **must be willing to accept** that SOL Capital cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the even that SOL Capital would like to make a transaction for a client’s account (including in the event of an individual holding or general market correction), and the client is unavailable, SOL Capital will be unable to effect the account transaction(s) (as it would be for its discretionary clients) without first obtaining the client’s consent.

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## Item 17: Voting Client Securities

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**S**OL Capital generally votes proxy on behalf of its advisory clients. SOL Capital utilizes Broadridge’s ProxyEdge platform, which is a suite of electronic voting services that help us to simplify the management of institutional proxies. The sytem is designed to manage the process of meeting notifications, voting, tracking, mailing, reporting, record maintenance and vote disclosure rules by the Securities & Exchange Commission. SOL Capital also utilizes the Premier voting service from Broadridge, which integrates vote recommendations provided by Glass Lewis, & Co, LLC. Based on written guidelines by Glass Lewis, ProxyEdge will generally automatically cast votes on behalf of SOL Capital clients through their electronic system. As such, on the issues where ProxyEdge votes based on stated guidelines, no conflict of interest between SOL Capital and our clients should arise.

SOL Capital will generally be required to manually vote on any proxies submitted through ProxyEdge related to contested votes, or case by case votes, noteholder meetings, bondholder meetings, consent meetings, private companies and bankruptcy meetings. Regarding conflicts of

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interest, due to the nature of SOL Capital's advisory business, its small size and because it does not offer investment banking services or manage/advise public companies, it is unlikely that conflicts of interest will arise in voting the proxies of public companies. If it is decided that there is a conflict related to any of the above matters, the proxy will be voted strictly according to SOL Capital guidelines. If this does not resolve the conflict of interest, then the conflict will be disclosed to the beneficial owner(s) of the account, and their consent will be obtained before the proxy is voted.

If a client approaches SOL Capital about a particular vote and has an opinion on how they would like to vote their shares on that particular proxy, we will honor their request and vote the way they have suggested. However, as a regular practice, we do not contact the clients when a proxy requires voting. In the absence of a client contacting us regarding the vote, an automatic vote will be made based on written guidelines provided by Glass Lewis, or in the special cases mentioned above where SOL Capital is required to manually cast the vote, SOL Capital will make a decision on what it believes to be the best vote and will vote accordingly.

A letter is sent out annually to our clients, that presents the option to receive information on how we have voted relating to their investments. Clients may obtain a copy of SOL Capital's proxy voting policies and procedures by contacting us at 301.881.3727, or writing us at:

Sandra G. Horne  
VP/Chief Compliance Officer  
SOL Capital Management Company  
111 Rockville Pike, Suite 750  
Rockville, Maryland 20850  
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## Item 18: Financial Information

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**N**ot applicable.



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