



# SOL CAPITAL MANAGEMENT COMPANY

## FIRM BROCHURE

### **Item 1: Cover Page**

Tuesday, March 31, 2020

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*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).*

## Item 2: Material Changes

SOL Capital has recently changed the calculation method of management fees. The fees for providing services are based upon the average daily balance of the total gross market value of the assets held in the account, without deducting any margin balance, for the previous month. Previously the fee was calculated based on the average capital base of assets held in the account for the previous month.

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## Item 4: Advisory Business

SOL 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 communicate 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 clients' portfolios and trade in the clients' accounts on their behalf. We also will manage accounts on a non-discretionary basis. In other words, we monitor and review an account and at times 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" and "ETNs")
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial Paper
- Certificates of Deposit
- Municipal Securities
- Investment Company Securities
  - Variable annuities
  - Mutual fund shares

## Item 4: Advisory Business cont..

- United States government/agency securities and sovereign bonds
- Options contracts on securities
- Interests in partnerships or LLCs investing in:
  - Hedge funds
  - Real estate
  - Oil and gas interests

**Financial Consulting.** SOL Capital 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 Capital 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 clients' 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).

**Please Note: Retirement Rollovers-Potential for Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If SOL Capital recommends that a client roll over their retirement plan assets into an account to be managed by SOL Capital, such a recommendation creates a conflict of interest if SOL Capital will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, SOL Capital serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. **No client is under any obligation to roll over retirement plan assets to an account managed by SOL Capital. SOL Capital's Chief Compliance Officer, Sandra Horne, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

**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.

## Item 4: Advisory Business cont.

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. The DFA mutual funds are generally only available through registered investment advisers approved by Dimensional Fund Advisors ("DFA"). 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.**

**Custodian Charges-Additional Fees.** As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, SOL Capital generally recommends that *Fidelity, Schwab* and/or *Pershing* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity, Schwab* and/or *Pershing* charge transaction fees for effecting securities transactions. In addition to SOL Capital's investment advisory fee referenced in Item 5 below, clients will also incur transaction fees to purchase securities for the clients' accounts (i.e., mutual funds, exchange traded funds, individual equity and fixed income transactions, etc.). **ANY QUESTIONS: SOL Capital's Chief Compliance Officer, Sandra Horne, remains available to address any questions that a client or prospective client may have regarding the above.**

**Portfolio Activity.** SOL Capital has a fiduciary duty to provide services consistent with clients' best interests. As part of its investment advisory services, SOL Capital will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in clients' investment objectives. Based upon these factors, there may be extended periods of time when SOL Capital determines that changes to clients' portfolios are neither necessary nor prudent. SOL Capital's advisory fee remains payable during these periods. Of course, as indicated below, there can be no assurance that investment decisions made by SOL Capital will be profitable or equal any specific performance level(s).

**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 his/her/its current portfolio, investment objectives, 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

## Item 4: Advisory Business *cont.*

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, 2019 was \$2,223,398,334. SOL Capital also provides consultation services on an additional \$388,394,000 as of December 31, 2019, making the total assets under management and consultation \$2,611,792,334.

## Item 5: Fees and Compensation

The fees for providing services are paid to SOL Capital by clients based upon the average daily balance of the total gross market value of the Assets held in the Account, without deducting any margin balance, for the previous month. As a company policy, SOL Capital does not receive or accept commissions or fees from any source other than clients.

The basic fee charged by SOL Capital for its advisory services is a percentage of the average daily balance of the total gross market value of Assets under management as follows:

<i>\$0 up to</i>	\$5,000,000	1.00%
<i>on the next</i>	\$15,000,000	0.60%
<i>on the next</i>	\$80,000,000	0.50%
<i>amounts over</i>	\$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 clients' accounts 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 clients' managed accounts, and SOL Capital receives no part of those fees. SOL Capital seeks to invest clients' assets in mutual funds which have no front or back end sales charges and which SOL Capital 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 below, Item 12 – Brokerage Practices, for more information on expenses incurred in relation to fees charged to clients by broker-dealers and custodians.

## Item 5: Fees and Compensation Cont.

**Margin Accounts: Risks/Conflict of Interest.** Generally, SOL Capital does not recommend the use of margin for investment purposes. A *margin account* is a brokerage *account* that allows investors to borrow money to buy securities. By using borrowed funds, the customer is employing leverage that will magnify both account gains and losses. The broker charges the investor interest for the right to borrow money and uses the securities as collateral. Should a client determine to use margin where available, SOL Capital will include the entire market value of the invested assets when computing its advisory fee. Accordingly, SOL Capital's fee shall be based upon a higher margined account value, resulting in SOL Capital earning a correspondingly higher advisory fee. As a result, the potential of conflict of interest arises since SOL Capital may have an economic disincentive to recommend that the client terminate the use of margin. **ANY QUESTIONS: Our Chief Compliance Officer, Sandra Horne, remains available to address any questions that a client or prospective client may have regarding the use of margin.**

## 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, applies. The basic performance-based fee is an annual charge of 0.50% of the average daily balance of the total gross market value of the Assets held in the Account, without deducting any margin balance, 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' accounts 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' accounts are invested is random each time.

## Item 7: Types of Clients

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.

SOL Capital, in its sole discretion, may waive its account minimum, charge a lesser investment advisory fee and/or charge a flat fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, competition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS: SOL Capital's Chief Compliance Officer, Sandra Horne, remains available to address any questions that a client or prospective client may have regarding advisory fees.**

As of December 31, 2019, SOL Capital provided securities related advice to 358 clients: 117 corporations, 233 individuals, and 8 pension plans, profit sharing plans or charitable organizations.

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

### Investment Manager Selection Process

#### *A Rigorous 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.

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 or ETF is designed as opposed to the portfolio manager responsible for managing the fund.



#### **1. Needs Analysis**

We regularly assess our existing managers by asset class. We periodically review performance and confirm that the fund managers are investing in a consistent manner with their stated objectives. We look for gaps in our product line-up or for managers we would like to replace.

#### **2. Due Diligence**

##### *Screening*

We meet with fund managers and their representatives often and review current funds and new opportunities. If 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 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:

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

- 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 until a consensus is met. Further review of the fund may be warranted before approval. 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 decides on whether or not to add the manager to our approved list. Manager approval requires a consensus 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 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.

### **Item 9: Disciplinary Information**

Neither 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, any state regulatory agency or foreign financial regulatory authority, or any proceeding by a self-regulatory agency.

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

Not applicable.

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

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 clients' 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 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

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

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, clients 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 clients’ 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 and service. Although the commissions and/or transaction fees paid by SOL Capital’s clients shall comply with SOL Capital’s duty to seek 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 clients’ account transactions. The brokerage commissions or transaction 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 clients’ accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **Research and Additional Benefits**

SOL has no formal or informal arrangement in place where we receive research in return for directing brokerage commissions and none of our clients’ accounts generate soft dollar credits

## Item 12: Brokerage Practices Cont.

that are tracked by our broker-dealers/custodians. However, we do get certain things from *Schwab*, *Fidelity* and *Pershing* merely because we are on their platform. In addition, 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. Such support services may include 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 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. Such services and/or products are used to service all of our clients' accounts. Other services and/or products do not aid in investment decision-making or trade execution, but rather assist SOL Capital to manage and further develop its business enterprise.

*Schwab's*, *Fidelity's* and *Pershing's* support services and/or products are generally available to independent investment advisors that use their services 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*, *Pershing* and/or *Schwab* as a result of this arrangement. There is no commitment made by SOL Capital to *Fidelity*, *Pershing* and/or *Schwab* or any other any broker-dealer/custodian to direct a certain level of commissions to them or to invest any specific amount or percentage of client assets through them in order to obtain the support services and/or products. Nevertheless, because there is a value associated with the support services and/or products, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving these support services and/or products, rather than on clients' interests in receiving most favorable execution. However, as stated above, SOL has no formal or informal arrangement in place where we receive research, or other services in return for directing brokerage commissions and none of our clients' accounts generate soft dollar credits that are tracked by our broker-dealers/custodians.

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 clients' 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 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.

Directed Brokerage. 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

## Item 12: Brokerage Practices Cont.

will utilize broker-dealers identified by a client. In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and the Firm may not be able to seek better execution services or prices from other broker-dealers or be able to "batch" clients' transactions for execution through other broker-dealers with orders for other accounts managed by SOL Capital. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Please Note: In the event that clients direct SOL Capital to effect securities transactions for their accounts through a specific broker-dealer, clients correspondingly acknowledge that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through SOL Capital. Higher transaction costs adversely impact account performance.

SOL Capital trades mostly mutual funds at NAV. When appropriate, SOL Capital may place 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.**

## Item 13: Review of Accounts

Based 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 clients' investment programs to try to achieve clients' investment objectives.

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

- Check current asset allocation versus target allocation and ensure each asset class is within the range specified in the investment policy statement. Deviations from the ranges set forth in clients' investment policies are addressed as required including periodic rebalancing of the portfolios.
- Review portfolio holdings for consistency and appropriateness with clients' objectives. Mutual funds and their managers are additionally reviewed, either at the same time or separately, for consistency with their stated objectives in terms of market capitalization and style focus. Individual securities, mutual funds, and overall portfolio performance are periodically further reviewed against relative benchmarks.
- Cash balances are reviewed in terms of clients' stated liquidity needs. Any excesses or shortages of cash are addressed as required. When clients contribute significant additional funds, or request unexpected withdrawals, an analysis of the portfolio is

### Item 13: Review of Accounts *cont.*

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 Capital that they have experienced a substantial change in his/her/its overall situation that affects his/her/its 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 his/hers/its 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.

### Item 14: Client Referrals and Other Compensation

As indicated at Item 12, SOL Capital can receive from *Fidelity, Schwab, and/or Pershing* without cost (and/or at a discount), support services and/or products. SOL Capital's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity, Schwab, and/or Pershing* (or any other institution) as result of these arrangements. There is no corresponding commitment made by SOL Capital to *Fidelity, Schwab, and/or Pershing*, or to any other entity, to invest any specific amount or percentage of clients' assets in any specific mutual funds, securities or other investment products as a result of the above arrangements. **ANY QUESTIONS: SOL Capital's Chief Compliance Officer, Sandra Horne, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflict of interest presented by such arrangements.**

SOL Capital currently has no solicitation agreements in place.

## Item 15: Custody

Some services that SOL provides to advisory clients cause SOL to be construed by the SEC as causing SOL to have legal “custody” of client assets. In particular, the SEC interprets SOL Capital to have legal custody when it receives standing letters of instruction from clients to help facilitate the movement of cash from their account(s) held at a qualified custodian to recipient(s) of the client’s choice. Importantly, SOL Capital does not hold, directly or indirectly, client funds or securities. Nor can SOL Capital redirect clients’ funds to a destination other than what is specified by our clients.

As noted, SOL does not take actual possession of any clients’ 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 client’s permission for each transaction. Once we communicate with a client and determine his/her/its 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 account opening paperwork with most custodians that we deal with requires the client to

## Item 16: Investment Discretion Cont.

grant a limited power of attorney to SOL Capital. This limited power of attorney can allow SOL Capital to trade in clients' accounts on a discretionary basis and to move money between client accounts that have the same account registration, but 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 clients' accounts at the custodian. In those cases 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 place any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event 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 place the account transaction(s) (as it would be for its discretionary clients) without first obtaining the client's consent.

## Item 17: Voting Client Securities

SOL Capital generally vote proxies 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 system 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 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

## Item 17: Voting Client Securities Cont.

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 he/she/it would like to vote his/her/its shares on that particular proxy, we will honor the request and vote the way he/she/it has 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:

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## Item 18: Financial Information

Not applicable.

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