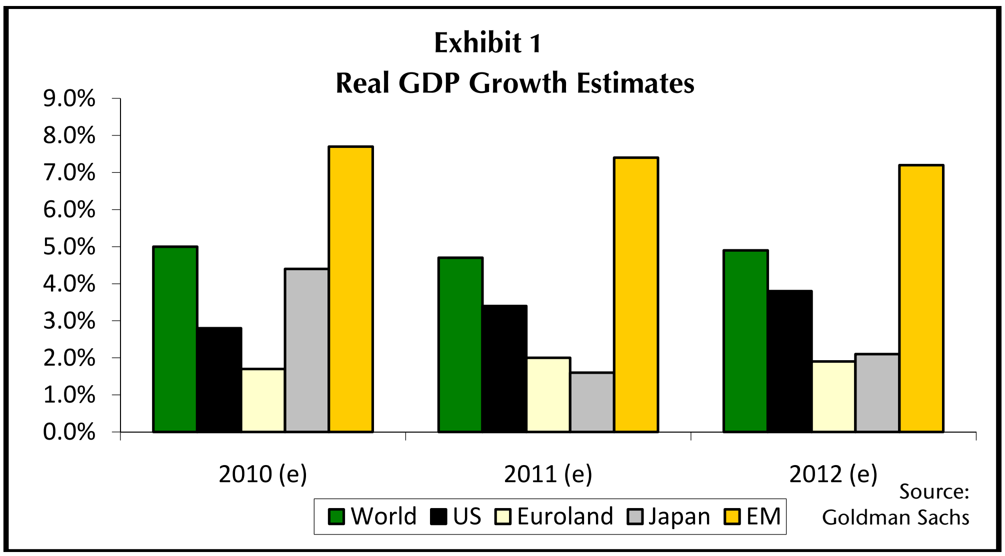
SOL CAPITAL MANAGEMENT

February 5, 2011

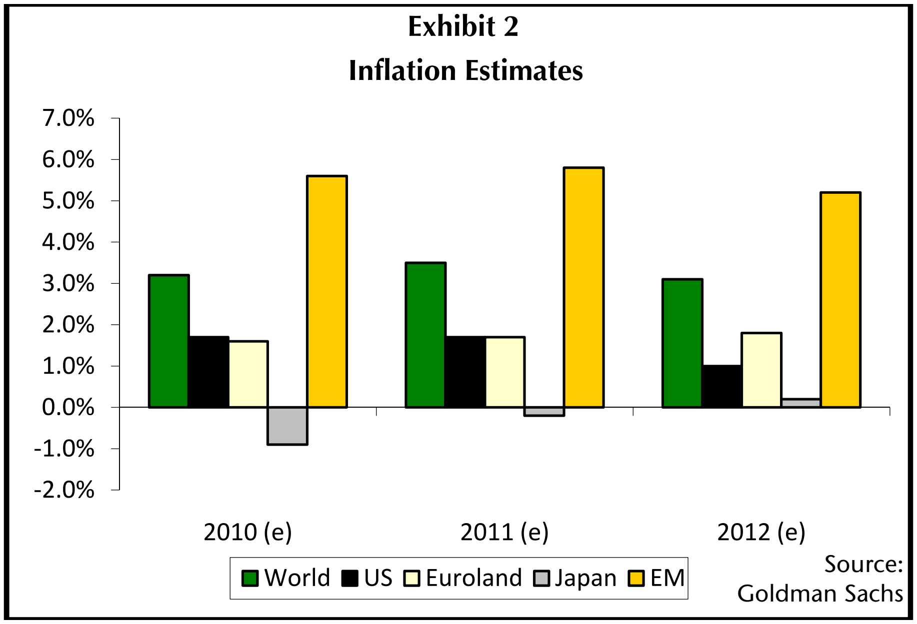
Dear Client,

World economies and financial markets continued to gradually improve during 2010 and are steadily transitioning from recovery to expansion. The US economy grew 2.8% during the year and most growth estimates for 2011 range from 3.0 - 4.0%. Global economic growth also is projected to be fairly strong in the emerging markets and reasonably positive in Euroland and Japan, see Exhibit 1. As always, economic risks and geo-political events are present worldwide and include political events in developed countries. However, we believe the current positive elements sustaining the expansion outweigh the existing potential risks.



As is generally the case in economic recoveries, financial markets are the first to turn around, followed by the economy and lastly employment. As US unemployment remains stubbornly high and the weak housing market persists, monetary and fiscal policies continue to be accommodative in order to minimize the risk of a relapse in economic growth. Fortunately, we are beginning to see improvements in the labor market, and although we expect them to be gradual, the combination of this improvement with the accommodative monetary and fiscal policies should allow personal consumption to take a stronger role in economic growth.

Inflation in developed economies continues to be low and is projected to remain so for at least the next two years, giving central banks flexibility in their monetary policy. However, emerging market inflation has increased significantly enough to warrant attention and most central banks of affected countries have started to implement appropriate restrictive policies; please see Exhibit 2.



US Fiscal Deficit

Recent additional monetary easing in the US and the continued effect of the previous stimulus package appear to have lifted consumer confidence. Furthermore, the estimated future impact of the extension of the tax cuts, reduction in social security taxes during 2011, and additional corporate tax incentives – although controversial, also have contributed to higher consumer and business confidence. All of these measures, although necessary as insurance to sustain and stimulate the economic recovery onto firmer ground, in the short term, will negatively impact the government deficit.

The expectation is that the additional economic growth generated by these measures, as well as an overall increase in confidence, will result in larger tax revenue increases and a decline in government spending in certain areas. In turn, this will most likely lower (in the future) the deficit attributable to the recent emergency spending. However, even if these monetary and fiscal policies are extremely successful – generating substantial economic growth, lowering unemployment sooner than anticipated, and reducing the deficit in the next few years – the US still faces a serious long-term structural deficit issue that needs to be forcefully addressed, once the economy fully recovers.

We believe most of the current political discussions and debate on the fiscal deficit (except for the recent recommendations of the President's Deficit Reduction Commission) addressed reductions within areas of the government's discretionary budget (which only represents approximately 16% of the total budget), plus token cuts in other sectors. In our opinion, these discussions are mere political noise and posturing and will achieve nothing substantive for the country.

To truly address the structural nature of the fiscal deficit, we believe substantial reform of the tax code must be implemented and budgetary reductions need to be aggressively addressed through modifications and cuts to the remaining 84% of the federal budget which includes such thorny issues as defense and entitlement spending (e.g., Medicare and social security). Unfortunately, it is our view that politicians are afraid to touch these difficult issues and most voters are happy to go along with the situation as long as they feel it does not impact them or their views. In other words, many voters think "I am willing to compromise as long as you agree with me." We believe these attitudes must change and true compromise will be required from all sides in order to achieve the progress necessary to gradually resolve this structural problem which has slowly evolved from decades of benevolent neglect.

It is our view that most discussions between liberals and conservatives on the tax issue have centered on whether or not to lower or increase taxes and the social and economic justifications of such initiatives. In our opinion, very little discussion has been devoted to identifying and discussing what changes to the tax code are necessary in order to bring efficiency and competitiveness to the US and incentivize those social and economic programs that are critical to meet the rising challenges of a global economy in the twenty-first century.

Certainly, we believe the tax code needs to be greatly simplified. Additionally, no deductions or taxes (increases or decreases/creation or elimination) should be sacred; every item within the code should be subject to review in terms of its benefit to the national interest. It is our belief that the economy has greatly evolved over the decades and the needs of the country are constantly changing. Today, these changes are occurring much more rapidly than in the past. Therefore, we believe it is imperative that the US government finally confront the dysfunctionality of the tax code and begin its gradual modification and improvement. While the recommendations of the Deficit Reduction Commission represent a good start, substantially more needs to be accomplished in a bipartisan manner.

In conclusion, we believe the fiscal deficit is a serious long-term problem that needs to be addressed in a comprehensive, thoughtful and gradual manner. Also, it is our opinion that the government has to be vigilant to ensure that actions should be appropriately timed to avoid any potential derailment of the current recovery. Further, special care should be taken by politicians to act in a prudent manner in discussing topics (e.g., debt ceiling) so as not to send the world the wrong message that might compromise the financial integrity of the country.

Financial Markets' Performance

While equity markets worldwide were volatile throughout 2010, they ended the year with positive double-digit returns for a second consecutive year. Global fixed income markets also experienced very strong returns during the year, although the fourth quarter was difficult and delivered negative returns in most sectors, with high yield as the notable exception. Alternative investments (i.e., hedge funds) had a reasonably positive year; see Exhibit 3.

Exhibit 3

Total Return* for Selected Equity, Fixed Income, and Hedge Fund Indices

	4Q 2010 *(9/30/10 - 12/31/10)*	**Year to Date** *(12/31/09 to 12/31/10)*
Major Equity Indices	%	%
S&P 500 Index	10.8	15.1
Russell 3000 Index (Total US market)	11.6	16.9
Russell 2000 Index	16.3	26.9
MSCI All Country Ex-US Index (Net)	7.2	11.2
MSCI EAFE International Index (Net)	6.6	7.8
MSCI Emerging Markets (Net)	7.3	18.9
Source: Bloomberg, MSCI		
Major Fixed Income and Hedge Fund Indices	%	%
Barclays Capital US Aggregate Bond Index	-1.3	6.5
Barclays Capital Credit Investment Grade Index	-1.9	8.5
Merrill Lynch US High Yield BB-B Bond Index	2.4	14.5
JPMorgan GBI Global ex-US Index Hedged in USD	-2.0	3.4
JP Morgan EMBI Global Index in USD (Emerging markets)	-1.9	12.0
HFRX Equal Weighted Strategies Index (Hedge Funds)	2.8	5.3
Source: Bloomberg, PIMCO, HFRI		

* *Includes price appreciation plus dividends and/or interest.*

In the US equity markets, growth stocks outperformed value stocks and small and mid-capitalization stocks outperformed large-cap companies. Consumer discretionary and the industrial and material sectors were the top performers, while utilities and healthcare lagged substantially and ended at the bottom. In the international markets, the 7.8% return of developed economies significantly trailed the 18.9% performance of emerging markets, which largely resulted from weaknesses in Europe, which returned just 3.9%. Performance in emerging markets ranged from Thailand's (55.7%) and Peru's (53.3%) very high returns to fairly subdued performance from Brazil (6.5%) and China (4.6%). General weakness in the US dollar helped most international equity returns for dollar-based investors, with the exception of Europe, where the dollar strengthened relative to the Euro and the British Pound.

Commodity prices surged in 2010 reflecting the growth prospects of a global economy, a weaker dollar and harvest and weather issues. This rise benefitted emerging markets and other commodity producers, while negatively affecting both current and future consumption worldwide.

All sectors in the fixed income markets were positive during 2010. 3-Month Treasuries had the worst performance, returning 0.1%, mortgage backed securities returned 5.5%, investment-grade corporate returned 9.0%, and high yield had the best performance, returning 14.5%. However, the fourth quarter experienced negative returns caused by rising interest rates for Treasuries, mortgages and investment grade corporates and credit quality concerns for municipals. The exception for the quarter was high-yield corporate bonds that were less affected by these trends.

The Euro-zone's continued sovereign debt crises in the 'PIIGS' countries (Portugal, Ireland, Italy, Greece and Spain), the flash-crash of May 2010 in the US equity market, concerns about the US fiscal deficit and municipal financial woes and geo-political instabilities added to fresh memories of the disastrous 'black semester' of early September 2008 through early March 2009 and reinforced investors existing negative outlook toward equities.

Although the economy and financial markets (especially equity markets) have substantially recovered since March 2009 – and prospects appear largely favorable – the investing public has ignored these positive developments. Investors still remain concerned, maintaining trillions of dollars in cash reserves (earning close to nothing), and until recently, have continued to exit equity investments.

At the same time, corporate America substantially strengthened its balance sheet, reduced debt and accumulated record cash levels representing 27%[1] of their current assets. Earnings have significantly increased through cost cutting measures, and more recently, through revenue growth. In spite of substantial increase in profits, stock prices are undervalued by historical measures (as of 12/31/10, the S&P 500 Index was selling at 13 times forward earnings versus a historical average of approximately 17[2]). When considering the current low level of interest rates (and even assuming rates will increase somewhat next year), the undervaluation of equities is even more marked.

Investment Strategy

It appears that the level of fear in investors' sentiments has prevented US equity prices from reflecting the full impact of the substantial improvements in the economy, as well as in corporate strength and profitability. Therefore, US equity markets present abundant investment opportunities despite their recent substantial price appreciation. For different reasons, undervaluation also is present in European and Japanese equities. Emerging markets are more fairly valued, but their growth prospects still create reasonable opportunities.

High-quality multinational corporations have benefitted from strong consumer demand in the emerging markets and, as both the US and Europe further recover, such multinationals are seeing a stronger and growing consumer base at home. These companies also are undervalued and offer strong investment opportunities. Although small and mid-cap company valuations are not as attractive as the large caps, there might be opportunities in these asset classes as well, if the economy experiences a stronger recovery than expected. Continued global recovery also will create opportunities in natural

[1] *Guide to the Markets 1Ql2011*, J.P. Morgan Asset Management, pg 10.
[2] *Guide to the Markets 1Ql2011*, J.P. Morgan Asset Management, pg 9.

resources and the corporations directly (and indirectly) involved in the sector. Additionally, healthcare and technology present strong investment opportunities.

We believe that it is highly probable that fixed income will be facing headwinds as interest rates likely rise. Where appropriate, we have been lowering duration and tilting to sectors within the fixed income market which are less sensitive to rising interest rates, as well as seeking fund managers who search out special opportunities or have the flexibility to tilt to less interest-rate sensitive areas. Further, given that high-yield fixed income securities generally have lower sensitivity to interest rates, we are maintaining a position, where appropriate.

In the municipal arena, we believe that problems exist, but that their negative impact has been exaggerated. In this very pessimistic environment, punishment has been given across the board, rather than more targeted to those states and municipalities that are more seriously affected. This situation is creating some interesting investment opportunities for US taxable accounts that we might participate in, where appropriate.

While we continue to rebalance portfolios, we believe broad diversification remains one of the most prudent strategies. Our focus – as always – remains on achieving your long-term investment objectives (given your risk profile) and funding your future liquidity needs. Again, we invite you to call us at 301.881.3727 with any questions or concerns about your portfolio.

Sincerely,

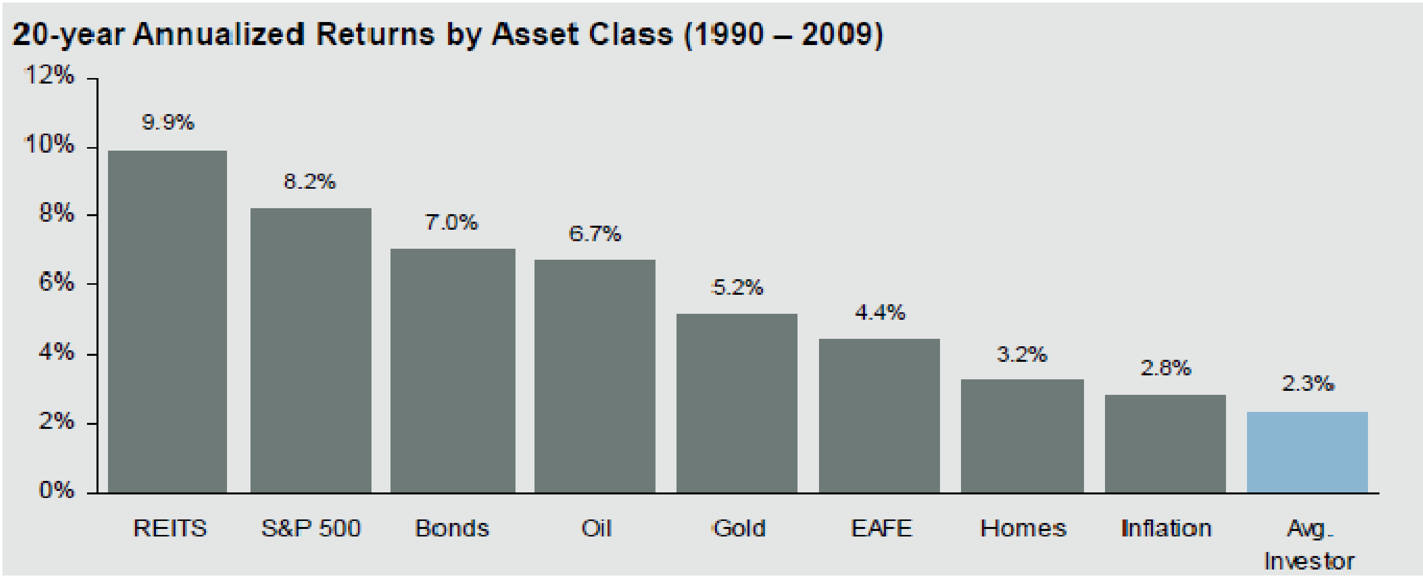
The SOL Capital Management Team

For information purposes only, Appendix 1 presents a graph by J.P. Morgan Asset Management which shows the twenty-year performance of different asset classes (REITS, S&P 500, bonds, international equities), as well as the performance of oil, gold, homes, inflation and the average investor. Of interest is the substantial sub-par 2.3% performance of the average investor, underperforming inflation and the 3.2% performance of individual homes, barely outpacing inflation.

Also for informational purposes, Appendix 2 presents a graph by J.P. Morgan Asset Management showing the nominal prices of gold compared to the inflation-adjusted gold prices during the last forty years.

Pease note that past performance is neither an indication nor a guarantee of future returns and that diversification does not ensure profits or guarantee against a loss.

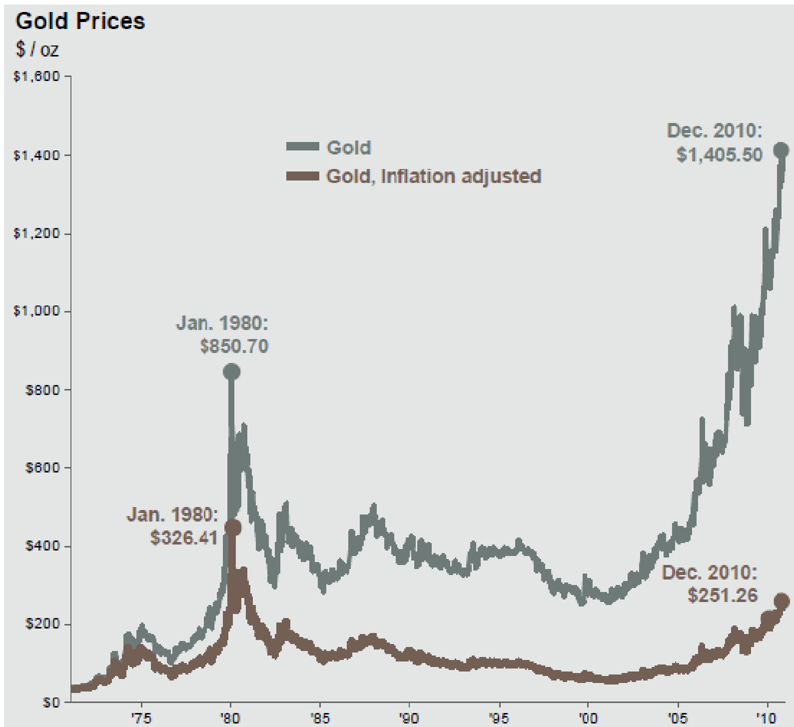
Appendix 1



Source: *Guide to the Markets, 1Q|2011, as of December 31, 2010*, J.P. Morgan Asset Management, page 50.

Indexes used are as follows: REITS: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Barclays Capital U.S. Aggregate Index, Homes: median sales prices of existing single-family homes, Gold: USD/troy oz, inflation: CPI. Average asset allocation investor return is based on an analysis by Dalbar Inc. which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/09 to match Dalbar's most recent analysis.

Appendix 2



World Gold Production

Year	Troy Ounces	Total Value
2000	83 mm	$23 bn
2001	84 mm	$23 bn
2002	82 mm	$25 bn
2003	82 mm	$30 bn
2004	78 mm	$32 bn
2005	79 mm	$35 bn
2006	76 mm	$46 bn
2007	76 mm	$53 bn
2008	73 mm	$63 bn
2009	76 mm	$74 bn

Source: *Guide to the Markets, 1Q|2011 , as of December 31, 2010*, J.P. Morgan Asset Management, page 47.

Left: EcoWin, BLS, U.S. Department of Energy, FactSet, J.P. Morgan Asset Management.
Right: U.S. Geological Survey, World Gold Council, J.P. Morgan Asset Management. CPI adjusted gold values are calculated using month averages of gold spot prices divided by the CPI value for that month. CPI is rebased to 100 at the start of the chart. Data reflect most recently available as of 12/31/10.