SOL®

CAPITAL MANAGEMENT

January 30, 2009

Dear Client,

To say that 2008 was extremely disappointing and difficult does not begin to reflect just how painful this period has been for our clients and for investors worldwide. This severe bear market continues to generate anguish and frustration, testing the patience of most, if not all, investors. This past October and November was one of the worst and most turbulent times in worldwide financial markets that SOL Capital has experienced in its twenty-two year history. Further, the year produced one of the worst performance periods since the 1930s, see Appendix 1.

During this same period, US consumer and corporate spending decelerated dramatically, reconfirming and deepening the ongoing economic recession. Global growth also contracted and commodity prices declined substantially, benefitting most developed economies while harming some producing nations. Fortunately, governments and central banks around the world responded aggressively and urgently by providing massive injections of liquidity and fiscal stimulus to the world's key economies in order to counter decreased private demand. Appendix 2 offers a thorough summary of global policy actions taken since October 1, 2008. These global efforts are not only continuing, but also are broadening in scope, firmly intending to unfreeze the credit markets, stimulate the economy and counteract the existing strong recessionary conditions.

In the US, although political disagreement exists on the relative composition of the fiscal stimulus package (e.g., spending versus tax cut) there is strong agreement that the package should be implemented and that both rapid job creation and economic recovery are the highest priorities. It is hoped that both sides of Congress will come to a quick and reasonable compromise and that the program will be implemented as soon as feasible. This action should boost the general public's level of economic confidence, which is one of the most important elements required to achieve a potential recovery. Simply stated, at this time, only an increase in confidence will encourage more spending and investment by consumers and businesses alike; this incremental spending is what *actually* will turn the economy around. Very aggressive monetary and fiscal actions are necessary, but are not sufficient on their own to create the desired economic turn around.

Although both the media coverage and general public sentiment are discouraging, and the current economic situation is certainly delicate, some positive developments exist which over time (the sooner the better!) might help turn the economy and financial markets around.

- There has been an unprecedented monetary and fiscal stimulus and more is on

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the way. It is important to recall that the impact of these programs is not instantaneous and it normally takes some time for the benefits to trickle down.

- Further, we believe improving public communication is vital to inspire a higher level of confidence and a more positive outlook for the country. These actions are necessary to facilitate the potential success of these stimulus programs.

- The dramatic and precipitous drop in oil prices (e.g., a 76% drop from peak to trough), resulting in a similar decline in gasoline prices, already has benefited consumers and businesses during the past few months. This change not only eliminated a serious drag on GDP growth, but it has the potential to stimulate the economy and substantially reduce the trade deficit. Declines in oil and gas prices improve consumers' purchasing power and reduce the cost structure of operating businesses. Substantial declines in prices of other commodities have magnified this positive effect, keeping inflation in check and providing more flexibility to the Federal Reserve in implementing its monetary stimulus.

- Mortgage rates have been lowered to a current level near 5%. This decline in long-term mortgage rates should lure new buyers into the still troublesome housing market. Further, the 3-month LIBOR rate has dropped substantially in the last few months from approximately 5% to a level close to 1.2%. This positive change should substantially improve various aspects of the housing market and help those mortgage holders who face a resetting of their adjustable rates. Businesses and consumers holding debt tied to the LIBOR Index also should profit. To broaden the scope of these benefits, it is important for the government and the Fed to strongly encourage banks and other financial institutions to lend more aggressively to credit-worthy borrowers.

- US and international equities, as well as many fixed income securities have reached historic undervalued levels, creating wide and very attractive investment opportunities; see Appendices 3 (showing normalized US price to earnings ratios declining below recent and long-term averages), 4 (showing foreign stock valuations hitting multi-decade lows), 5 (showing high-yield and investment grade spreads soaring to historic levels) and 6 (showing the dramatic increase in municipal bond yields). At the same time, the levels of cash hoarded by investors in money market accounts (see Appendix 7) and short-term Treasuries (with close to 0% return) have grown dramatically, and offer the ingredients necessary to support a potential substantial rebound in the financial markets, once confidence is restored.

US and international equity market performance is shown below in Table A. Not only did these equity market returns have one of their poorest showings since the 1930s, but fixed income markets (with the exception of a very few categories [e.g., cash and Treasuries]) also experienced negative returns, as shown in Table B below. Hedge funds, which in most cases attempt to deliver low correlation to the equity and fixed income markets, also posted steep losses. Normally, under stressful market conditions, hedge funds can experience positive or slightly negative returns.

Table A		
Total Equity Returns as of December 31, 2008		
	4Q 2008	**YTD 2008**
Major Equity Indices	%	%
S&P 500 Index	-21.9	-37.0
Russell 3000 Index (Total US market)	-22.7	-37.3
Russell 2000 Index	-26.1	-33.8
MSCI All Country Ex-US Index (Net)	-22.3	-45.5
MSCI EAFE International Index (Net)	-20.0	-43.4
MSCI Emerging Markets Net	-27.6	-53.3
Source: Bloomberg, MSCI		

Table B		
Fixed Income and Hedge Fund Returns as of December 31, 2008		
	4Q 2008	**YTD 2008**
Major Fixed Income Indices	%	%
Barclays Capital Aggregate Bond Index	4.6	5.2
Barclays Capital Credit Investment Grade Index	4.0	-3.1
Merrill Lynch US High Yield BB-B Bond Index	-15.7	-23.7
JP Morgan EMBI Global Index (Emerging markets)	-6.0	-10.9
HRFI Fund of Funds Index (Hedge Fund)	-10.1	-20.7
Source: Bloomberg, PIMCO, HFRI		

US, as well as international equity markets, showed steep declines regardless of market capitalization (e.g., large, mid-cap and small) or style (e.g., value, blend, growth), see Appendix 8. Almost all international equity markets (e.g., Japan, Europe, and Emerging Markets), also experienced large negative returns, again regardless of market capitalization and style, as seen in Appendix 9. Negative international returns were exacerbated by the unexpected strong revaluation of the US dollar, see Appendix 10.

US equity markets (as represented by the S&P 500 Index) reached their current lows on November 20th, then started to increase throughout December, showing at a very strong positive improvement by year-end. This improvement continued through January 6th; then, equity markets experienced renewed volatility and fell again. However, the closing level of the S&P 500 on January 30th was still 10% above the November 20th low. Whether this represents the market's bottom is yet to be determined.

The extreme recent volatility of the US equity markets (as measured by the VIX Index) peaked at a level of 81 on November 20th. This represented five times the prior five-year VIX average (16), as well as a 100% increase over the maximum level of 40 reached during the other financial crises that we have experienced since the VIX Index's 1990 inception (e.g., the 1998 Long-Term Capital Management failure and the 2002 Internet bubble).

Fixed income markets, likewise, were volatile during the year, especially in the fourth quarter. US Treasury prices soared in 2008 as investors fled risk. Exposure to US corporate grade issues, Treasury Inflation Protection Securities (TIPS), as well as high-yield bonds, asset backed securities, leveraged loans and municipal bonds were hurt throughout the year, but especially during the last quarter. The extremely low returns currently being offered to holders of Treasuries and other risk-free assets will become less enticing as fear subsides and financial markets continue to thaw. When this occurs the assets might flow into the higher-risk areas of the financial markets and contribute to their recovery.

Although each client portfolio is custom designed and rebalanced according to the client's investment objectives, risk profile and liquidity needs, the following offers a general overview of areas where investments might be placed during the next few months. We see ample opportunities in the US and international equity markets. In the fixed income area, we see special opportunities in investment grade corporates, high-quality mortgage backed securities and municipal bonds, although senior loans and high-yield securities also are attractive. As we observe market stabilization occurring, we will gradually rebalance clients' portfolios in line with their investment policies, where appropriate.

This past year will be remembered as one where even well-diversified portfolios could not escape the markets' turmoil. Yet, it is important to remember that broad portfolio diversification does have multiple benefits; the most important is the reduction of the risk of permanent loss of capital in investors' portfolios. This is achieved not only by investing in multiple asset classes, but also by extensively diversifying within each asset class. We recognize that asset values (and, subsequently, portfolio values) declined substantially, in large part due to massive forced selling by hedge funds in most asset classes, as well as panic selling by some individual investors and institutions, further depressing security prices. However, broad diversification was successful in reducing the risk of permanent loss of capital, since the impairment of assets was very low. When market conditions improve, and the economic recovery gets under way, the potential for portfolio recovery is ample.

Another important potential benefit of diversification is the mitigation of volatility by maintaining an investment in multiple asset classes with lower levels of correlation to each other. Due to the massive nature of the global sell-off across asset classes, depressing asset valuations across the board, this benefit did not work to the degree expected and therefore did not protect portfolios to the extent anticipated.

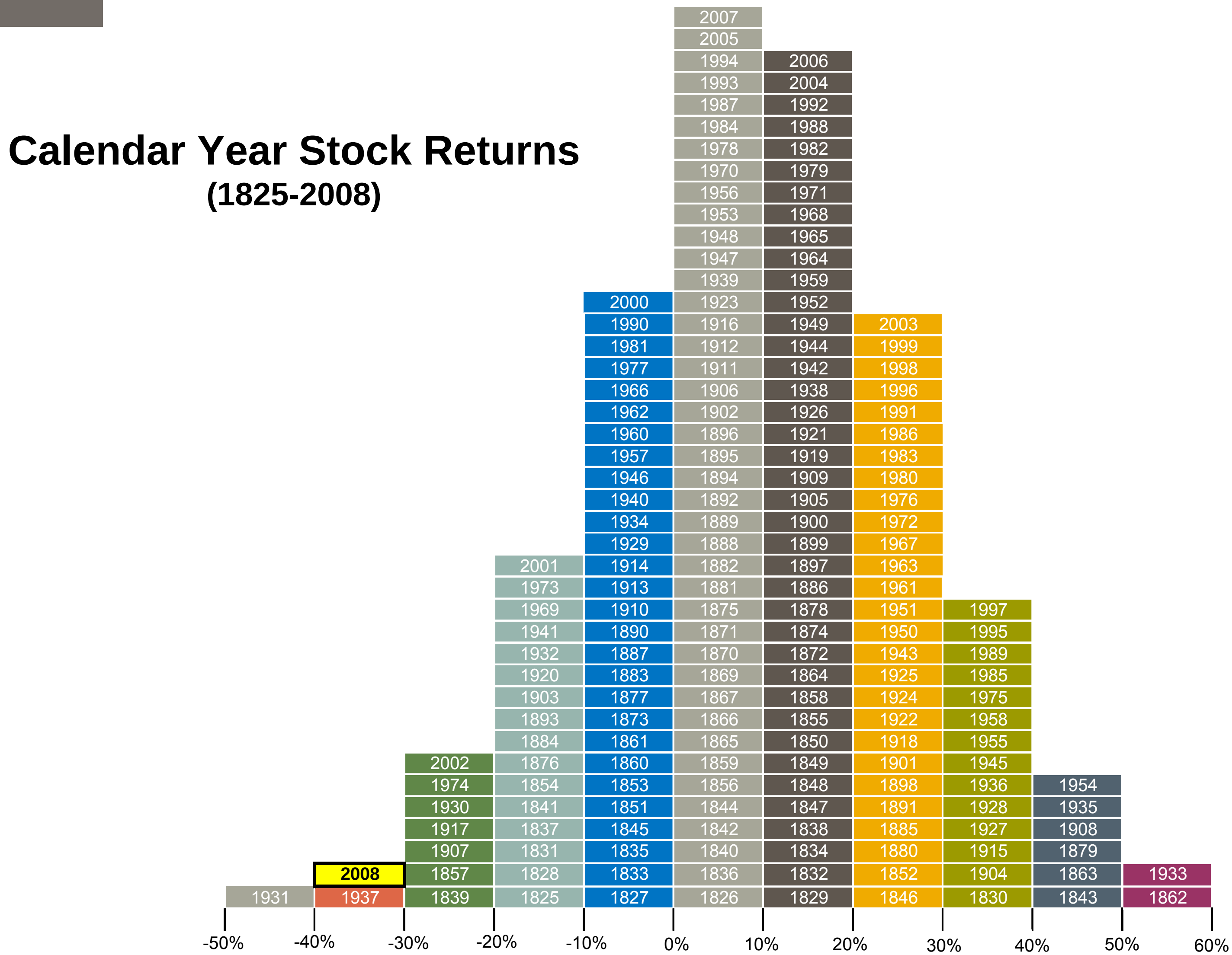
Lastly, we remind you that it is important to periodically review your overall investment parameters and needs. Your current asset allocation has been designed based upon our discussions about your investment goals, risk tolerance and liquidity needs. If you feel any of these parameters have changed or if you have any other questions or concerns about your portfolios, please do not hesitate to contact us at (301) 881-3727.

Sincerely,

The SOL Capital Management Team

P.S. We wish to thank the Market Analysis, Research and Education group of Fidelity Management and Research Company. We borrowed liberally from their *2008 Market Update* and included ten of their graphs in our Appendices.

2008: Life on the Left Tail



Source: Robert Shiller, FMRCo (MARE) as of 12/31/2008.

Massive Global Government Response

Summary of Global Policy Actions Since 10/1/08

Broad Rescue Packages

- Economic stimulus packages announced by China ($586 billion), Japan ($51 billion), Germany ($68 billion), South Korea ($11 billion) and several other countries, including France, Canada and India.
- U.S. approved Emergency Economic Stabilization Act (includes $700B for Troubled Asset Relief Program—TARP).
- Federal Reserve announced creation of Commercial Paper Funding Facility (CPFF) to purchase unsecured and asset-backed commercial paper from qualified borrowers.
- Federal Reserve announced plan to purchase $600 billion in agency debt and mortgage-backed securities in order to lower mortgage rates.
- U.S. announces plan to create a $200 billion facility, backed by the Fed, to purchase consumer and small business loans in order to drive down borrowing costs.
- Federal Reserve expanded U.S. dollar swap programs with other foreign central banks to $620B.
- Federal Reserve announced the creation of a money market investor funding facility to provide liquidity to private money market investors.
- U.S. Treasury opens money market funds guarantee program.

Banking Support

- The U.S., U.K., Germany, Austria, Denmark, Sweden, Iceland, Portugal, Ireland, and Italy increased bank deposit protections/guarantees.
- The governments of the U.S. and the five largest European economies (the U.K., Germany, France, Spain and Italy) announced they will inject capital directly into banking institutions in return for equity stakes, including U.S. plans to use $350 billion of the $700 billion authority from the rescue legislation.
- European Central Bank offered unlimited liquidity* in weekly auctions; and lowered the penalty on emergency lending.
- Russia provided $150B in loans to Russian banks.
- Iceland nationalized three of the country's largest banks.
- The governments of the U.S. and the five largest European economies announced guarantees of short-term bank debt designed to bolster confidence in the inter-bank lending markets.
- U.K. became the first to announce broad bank bailout, which included expansion of liquidity facilities*, a guarantee of new and medium-term bank debt, and £50B in capital for bank preferred stock.
- Federal Reserve expanded existing liquidity facilities* to financial institutions.

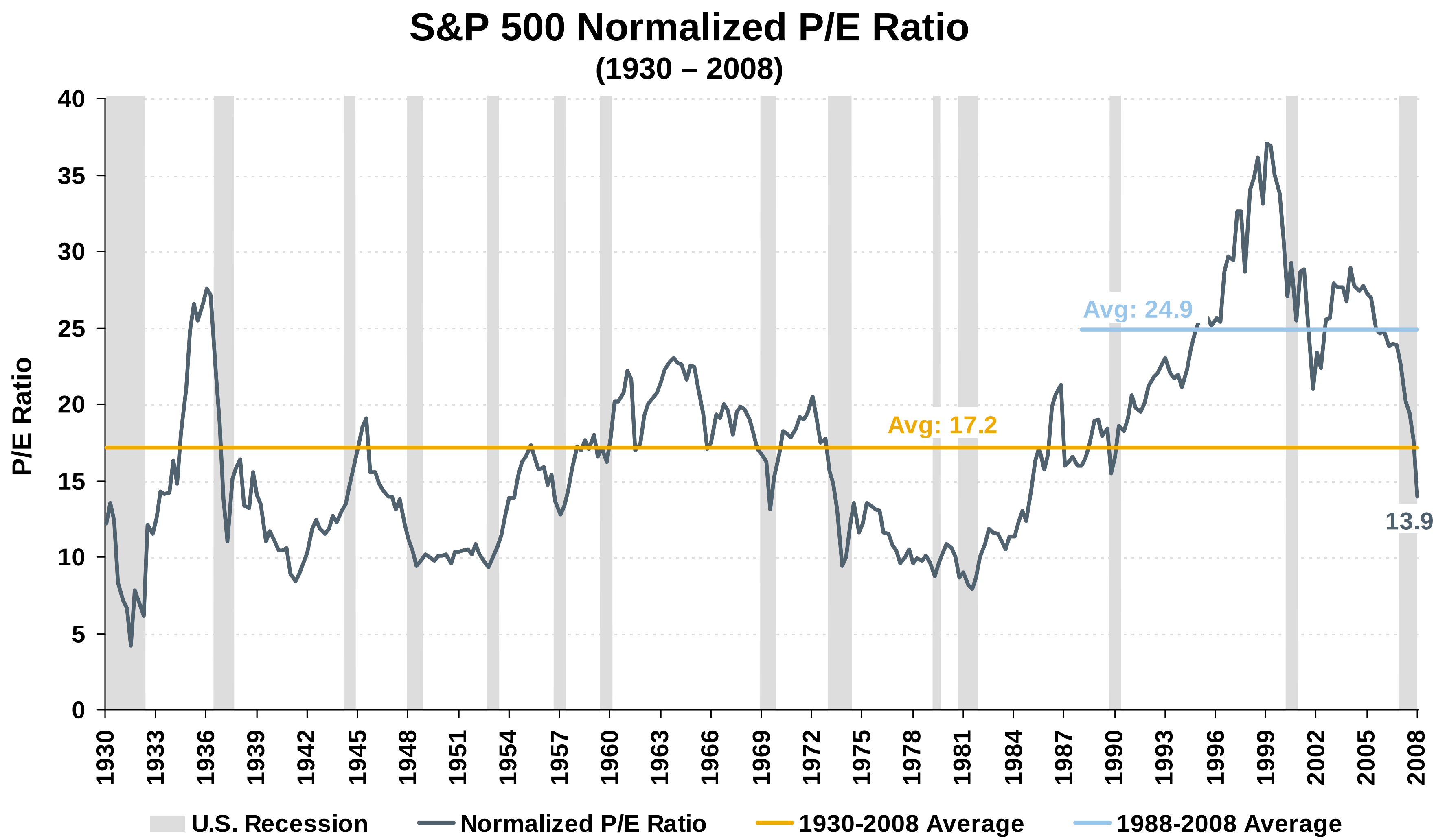
Monetary Policy Easing

Interest rate cuts by central banks:

- United States
- United Kingdom
- European Central Bank
- Taiwan
- South Korea
- Hong Kong
- Australia
- Canada
- Switzerland
- China
- Sweden
- New Zealand
- Japan
- India
- Israel
- Slovakia
- Iraq
- Czech Republic
- Vietnam
- Bahrain
- Kuwait
- Denmark
- Barbados

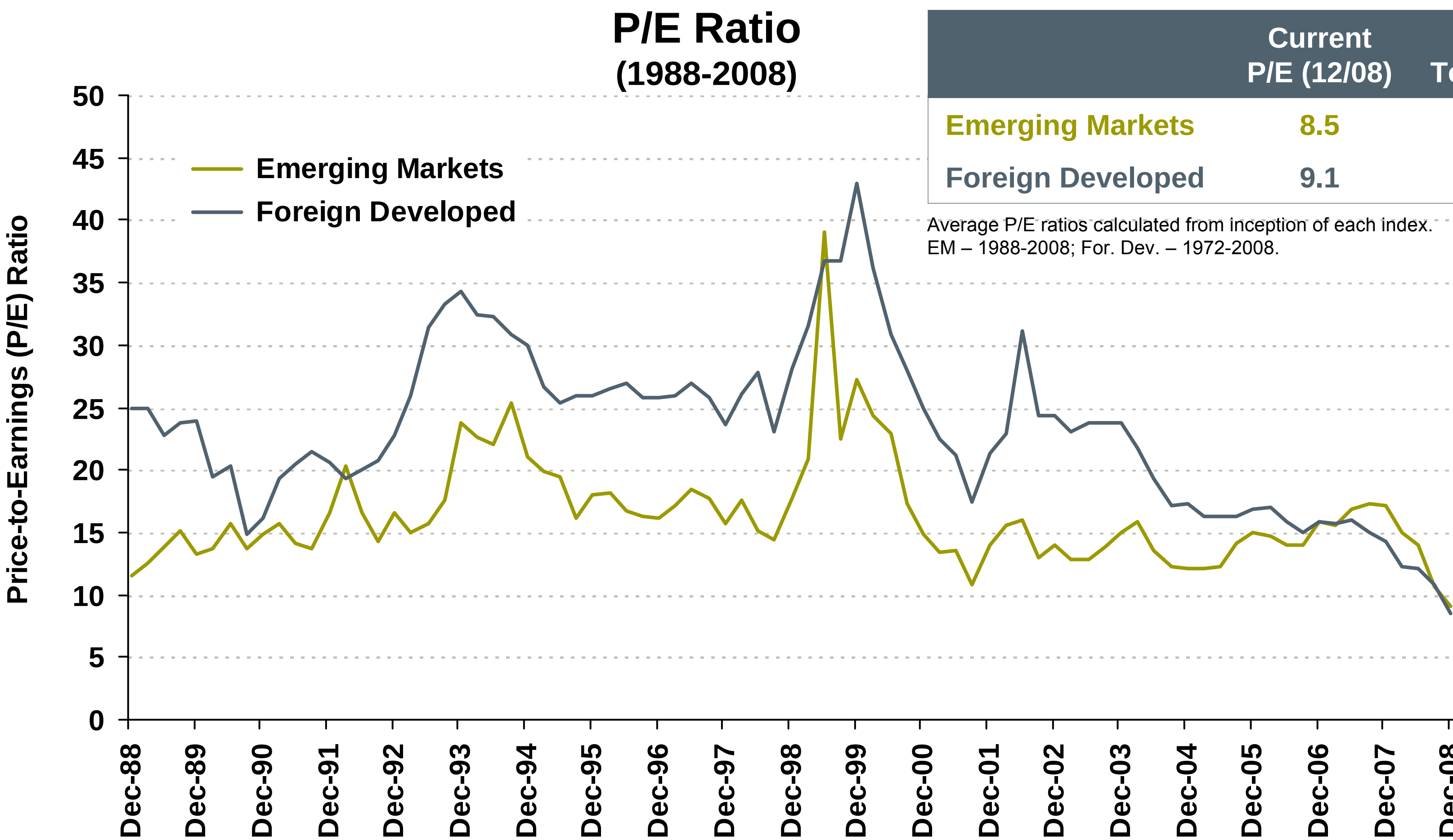
* Liquidity and liquidity facilities in the table above refers to government or central bank programs constructed to replace assets (generally in the form of fixed income securities) with cash or cash equivalents. Liquidity generally refers to the ability of a business to meet its payment obligations (via sufficient liquid assets); an asset's liquidity is defined by its ability to be transformed into another asset without loss of value. Note: The above policy actions are representative of recent efforts, and are not intended to be an inclusive list of actions on behalf of all governments worldwide. Source: Federal Reserve, U.S. Treasury, Wall Street Journal, Financial Times, FMRCo (MARE) as of 12/31/08.

U.S. Stock Market's P/E Ratio Tumbled Below Recent and Long-Term Averages



Normalized P/E Ratio uses 5-year average annual reported earnings. December 2008 P/E level incorporates Standard & Poor's earnings estimates. Recessions defined by National Bureau of Economic Research. Source: Standard & Poor's, National Bureau of Economic Research, Haver Analytics, FMRCo (MARE) as of 12/31/08.

Foreign Stock Valuations Hit Multi-Decade Lows



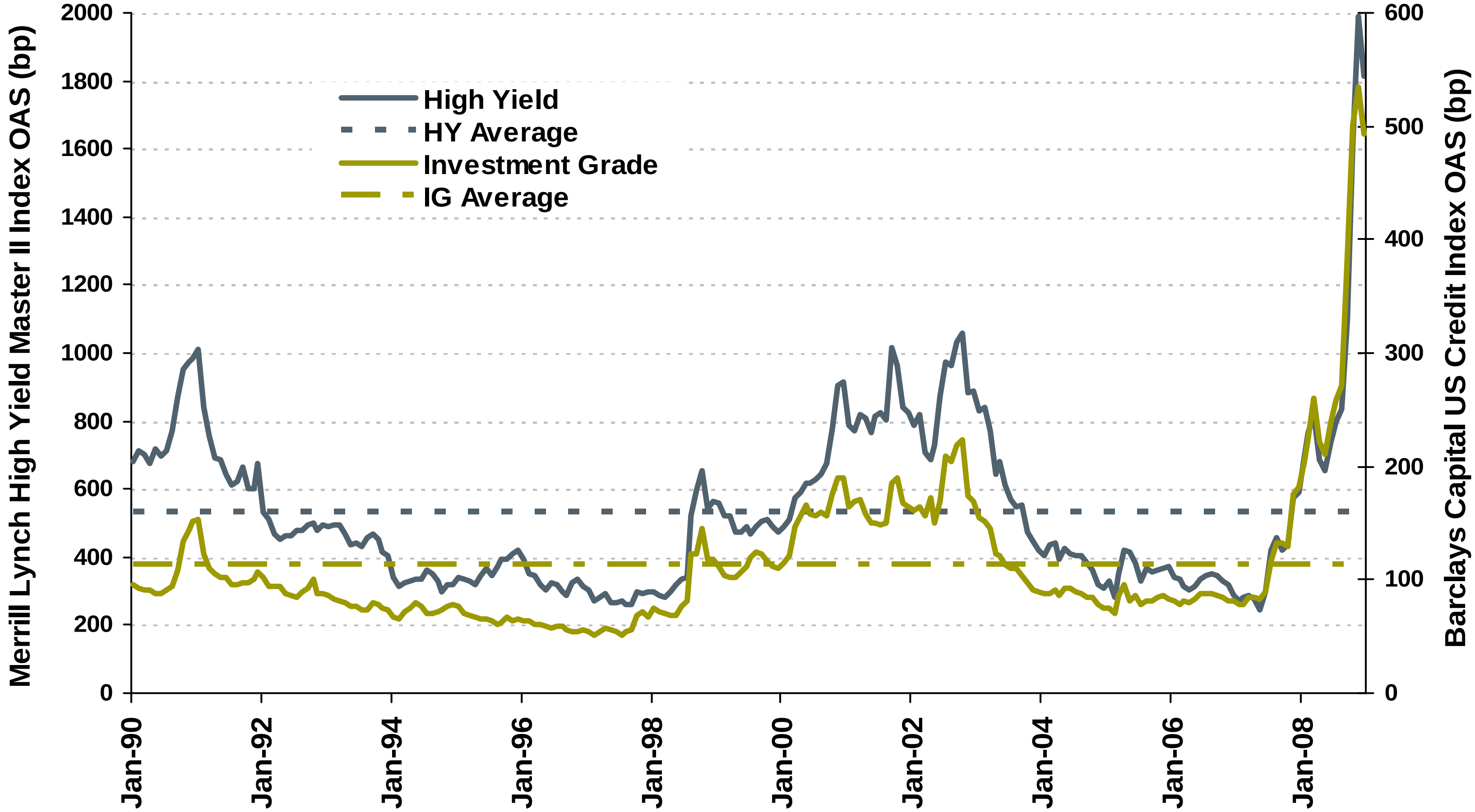
	Current P/E (12/08)	Long-Term Avg.
Emerging Markets	8.5	16.3
Foreign Developed	9.1	19.7

Average P/E ratios calculated from inception of each index.
EM – 1988-2008; For. Dev. – 1972-2008.

Past performance is no guarantee of future results. You cannot invest directly in an index. Please refer to the appendix for important index information. Price-to-earnings ratio (P/E): The price of a stock divided by its earnings per share. Also known as the “multiple,” the P/E ratio gives investors an idea of how much they are paying for a company’s earnings power. Foreign Developed: MSCI EAFE Index, Emerging Markets: MSCI EM Index. Source: FactSet, FMRCo (MARE) as of 12/31/08.

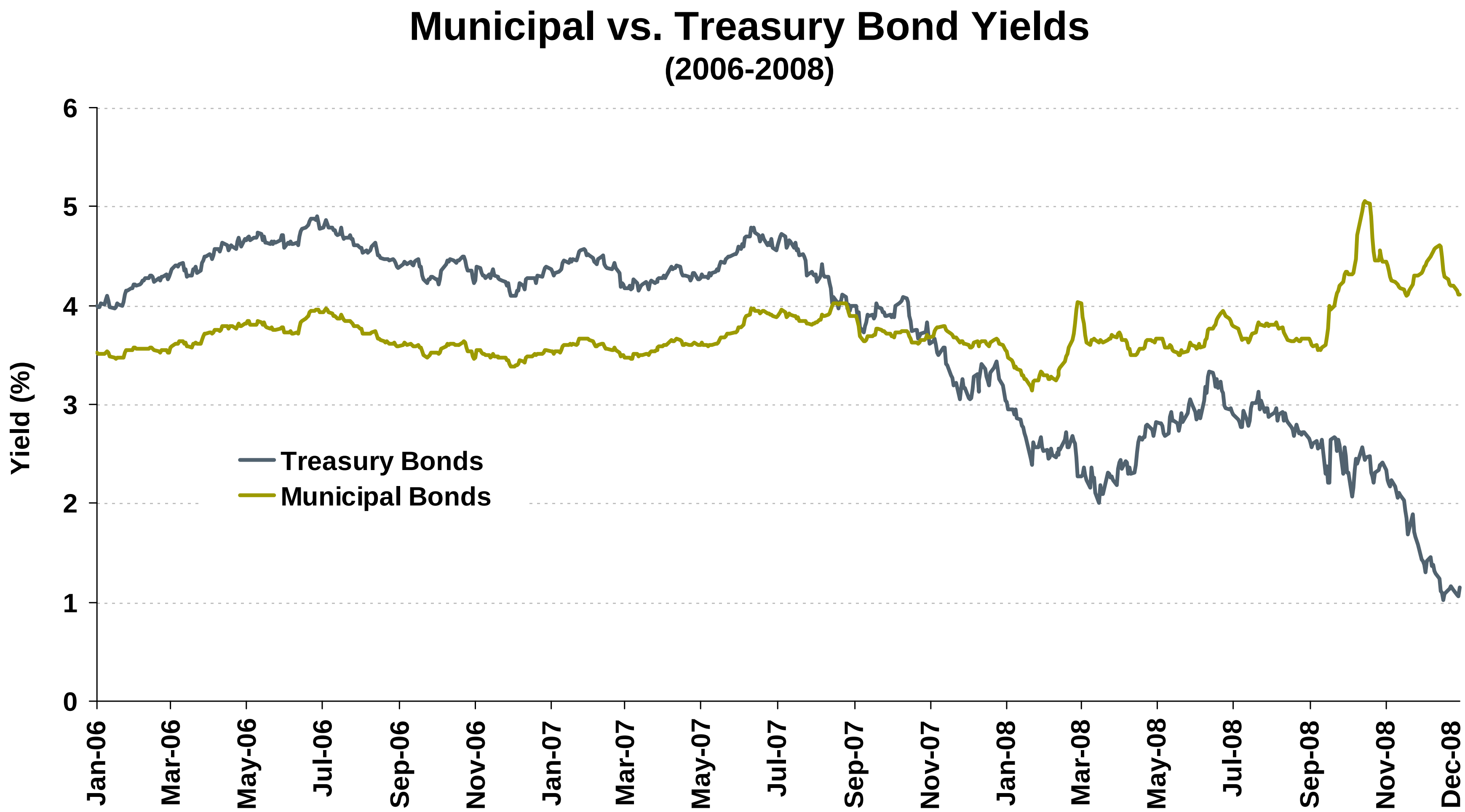
Investment-Grade and High Yield Corporate Bond Spreads Soared to Historic Levels

Investment-Grade and High-Yield Corporate Bond Spreads
(1990-2008)



Past performance is no guarantee of future results. You cannot invest directly in an index. Please refer to the appendix for important index information.
Source: Merrill Lynch®, Barclays Capital, FMRCo (MARE) as of 12/31/08. High Yield represented by Merrill Lynch High Yield Master II Index; Investment Grade represented by Barclays Capital Credit Bond Index. Spread is index Option-Adjusted Spread (OAS).

Municipal Bonds: Unprecedented Volatility, Yields Soared

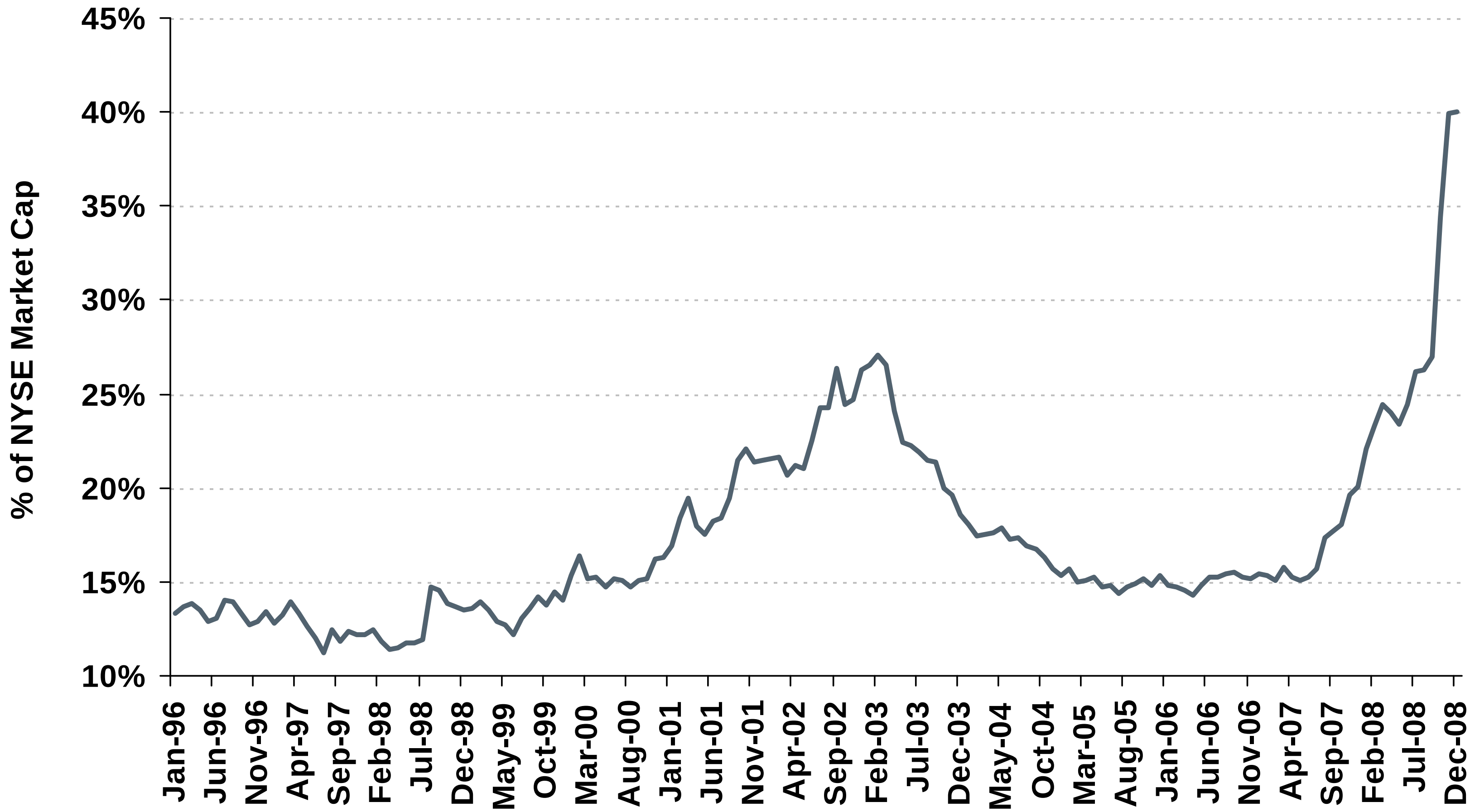


Past performance is no guarantee of future results. See appendix for important index information. Treasury Bonds – BC Treasury Index; Municipal Bonds – BC Municipal Index. Source: Barclays Capital, FMRCo (MARE) as of 12/31/2008.

Appendix 7

Large Cash Hoard on the Sidelines

Money Market Assets as % of U.S. Stock Market Capitalization
(1996-2008)



Note: December 2008 figure is MARE estimate. U.S. stock market capitalization represented by New York Stock Exchange market capitalization.
Source: Haver Analytics, ICI, World Federation of Exchanges, FMRCo (MARE) as of 12/31/08.

Style and Cap Performance: No Place to Hide

	Value	Blend	Growth
Large	-22.2%	-22.5%	-22.8%
	-36.8%	*-37.6%*	*-38.4%*
Mid Cap	-27.2%	-27.3%	-27.4%
	-38.4%	*-41.5%*	*-44.3%*
Small	-24.9%	-26.1%	-27.5%
	-28.9%	*-33.8%*	*-38.5%*

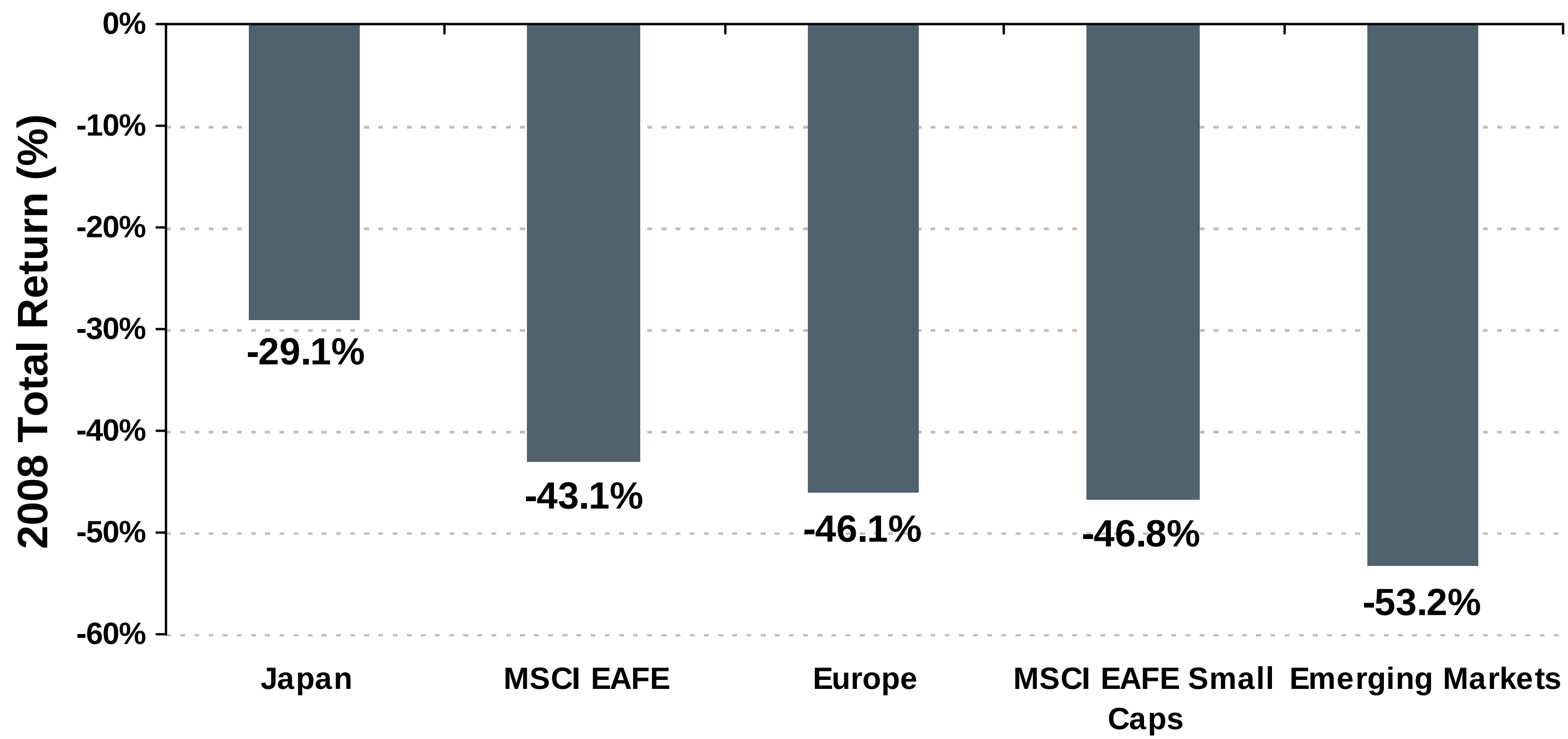
Legend

Q4 2008

2008

Past performance does not guarantee future results. You cannot invest directly in an index. Data as of 12/31/08. The above styles are represented by the following indexes: Large-cap value – Russell 1000® Value; Large-cap blend, Russell 1000®; Large-cap growth – Russell 1000® Growth; Mid-cap value – Russell Mid-Cap® Value; Mid-cap blend – Russell Mid-Cap®; Mid-cap growth – Russell Mid-Cap® Growth; Small-cap value – Russell 2000® Value; Small-cap blend – Russell 2000®; Small-cap growth – Russell 2000® Growth. Please refer to the appendix for important index information.

2008 International Equity Performance — Even Worse



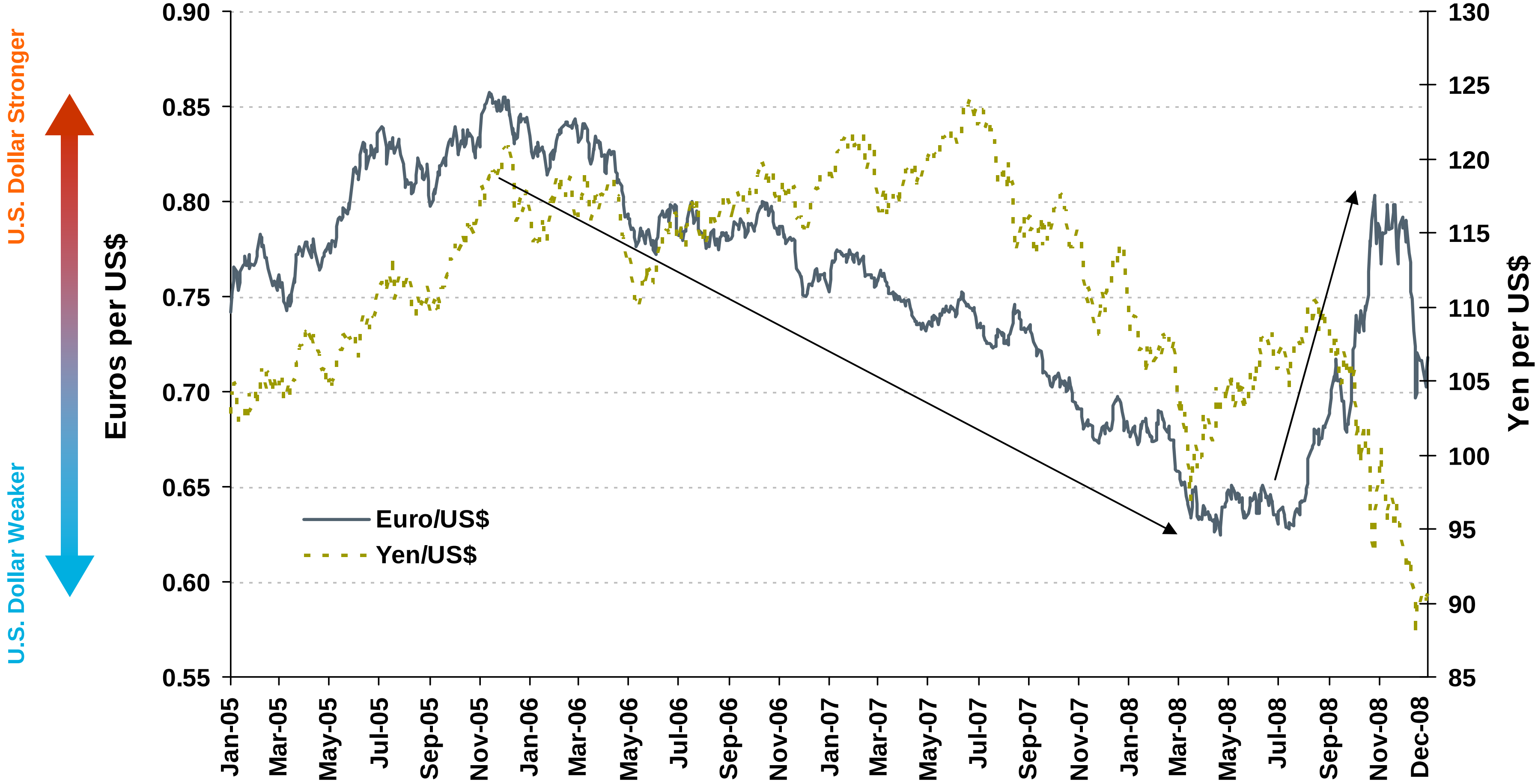
	Japan	MSCI EAFE	Europe	MSCI EAFE Small Caps	Emerging Markets
Q4 USD Return	-9.0%	-19.9%	-22.7%	-25.8%	-27.6%
Q4 LC Return	*-22.3%*	*-18.5%*	*-17.0%*	*-21.2%*	*-22.0%*

Note: All returns are gross in U.S. dollars unless otherwise noted. Past performance is no guarantee of future results. LC – Local currency.
The above returns are represented by: Europe – MSCI® Europe; Japan – MSCI® Japan; Emerging Markets – MSCI® EM Index.
You cannot invest directly in an index. Please refer to the appendix for important index information. Source: FactSet, FMRCo (MARE) as of 12/31/08.

Dollar Reversed Course

Foreign Exchange Rates - Euro & Yen

(2008)



Source: Federal Reserve Board, Haver Analytics, FMRCo (MARE) as of 12/31/08.