



2017

IMPACT REPORT

Solomon Hess SBA Loan Fund

YEAR IN REVIEW

Dear Investors,

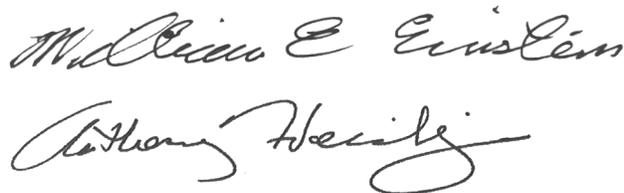
The **Solomon Hess SBA Loan Fund** (the SBA Loan Fund) ended the year with 112 funded investors across the United States. We are thankful for your investment in the Fund and your continued confidence in us as investment managers. Gino spent much of 2017 traveling the country to strengthen our investor relationships and learn about the goals and challenges being faced on the front lines by bank Community Reinvestment Act (CRA) officers, compliance officers, chief financial officers and treasurers. We are pleased to report that investors are happy with the SBA Loan Fund, especially the ability to target areas for investment and to customize reporting.

During the year, we learned that regulators are becoming more focused on demonstrable, quantifiable impact and supporting community development through permanent job creation and small business growth. As we build the SBA Loan Fund portfolio raw loan by raw loan, we feel well-positioned to deliver on these regulatory requirements, given our expertise in targeting capital to small businesses in low- and moderate-income (LMI) geographies.

Turning to results, we are pleased to share with you the Fund's 2017 Impact Report. In this report, we present a combination of facts and figures, as well profiles for some of the loans in the SBA Loan Fund portfolio. We started the SBA Loan Fund in 2004 with the mission to provide capital to support business growth in LMI and revitalized communities throughout the country. We have invested over \$1.5 billion to fund over 3,100 small business loans that supported the creation and/or retention of over 41,000 jobs, many of which are filled by low- and moderate-income persons in urban and rural communities. As we reflect on the growth of the Fund, we are thankful for the confidence shown in us by our investors.

Looking forward, we remain committed to helping our investors meet their investment goals and to supporting small business growth. Today, as one of the largest SBA 7(a) loan buyers in the market, we are able to infuse valuable capital to promote growth and economic prosperity in underserved communities throughout America. This impact holds great personal meaning to us. We could not achieve this without our valued investors.

With our thanks and best regards,



WILLIAM EINSTEIN

*Co-Chief Executive Officer,
Chief Financial Officer,
Chief Compliance Officer*

GINO HEILIZER

*Co-Chief Executive Officer,
Chief Investment Officer*

FUND PROFILE

ABOUT SOLOMON HESS SBA LOAN FUND

Fund Mission:

To promote permanent job creation, retention, and/or improvement in LMI areas or for low- or moderate-income persons who are employed by small businesses by creating greater financial liquidity and a lower cost of capital within the Small Business Administration (SBA) 7(a) loan secondary market.

Fund Objective:

This private investment fund aims to generate competitive, risk-adjusted returns and positive, quantifiable and targeted community impact. The Fund primarily acquires the federally guaranteed portion of SBA 7(a) loans from community banks, credit unions and Community Development Financial Institutions (CDFIs) on behalf of CRA-motivated investors. The 7(a) loan program is the SBA's flagship program to help small businesses obtain financing they are not eligible for through conventional lending channels.

Certifications:

The Fund is a Community Development Entity (CDE), as certified by the CDFI Fund, and a California Organized Investment Network (COIN) Qualified Investment Fund. An investment in a CDE-certified Fund receives consideration as a qualified CRA investment. As of December 31, 2017, every SBA Loan Fund investor who applied for CRA consideration earned the expected CRA credit.*



FUND FINANCIALS

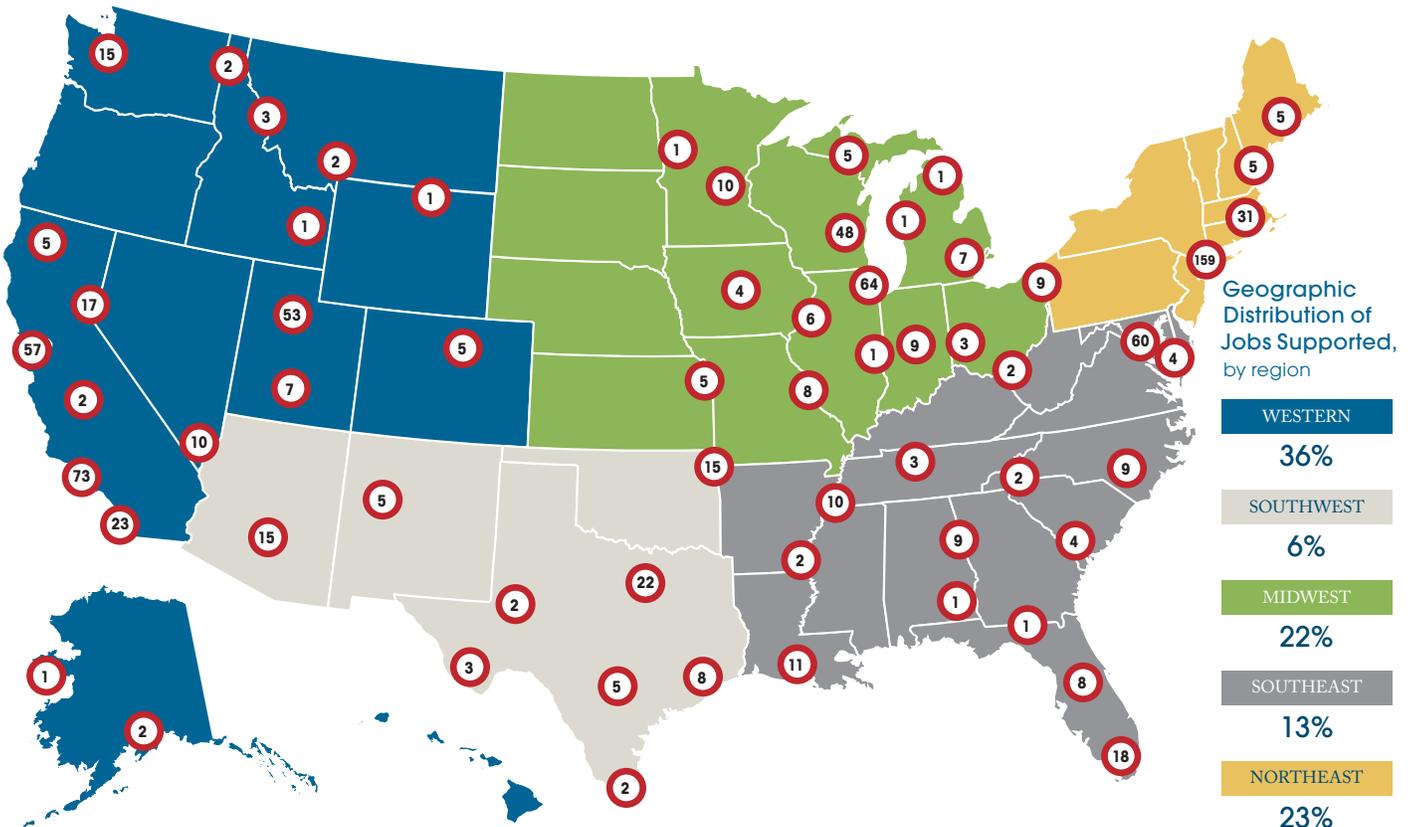
as of 12/31/17

	2016 (mm)	2017 (mm)	YEAR- OVER-YEAR CHANGE
Gross Assets	\$424.1	\$527.7	\$24.4%
Equity	\$319.2	\$376.6	\$18.0%
Debt	\$93.2	\$122.2	\$31.1%
Reserve	\$11.2	\$10.3	\$-8.0%

*While every investor has earned positive CRA consideration from their regulator thus far, this is no guarantee of future results. Prospective investors should consult with their respective regulators and counsel prior to investing.

GEOGRAPHIC DISTRIBUTION OF LOANS, by number of loans

The Fund primarily invests in small business loans located in LMI or otherwise distressed economic regions across the country.



FUND IMPACT

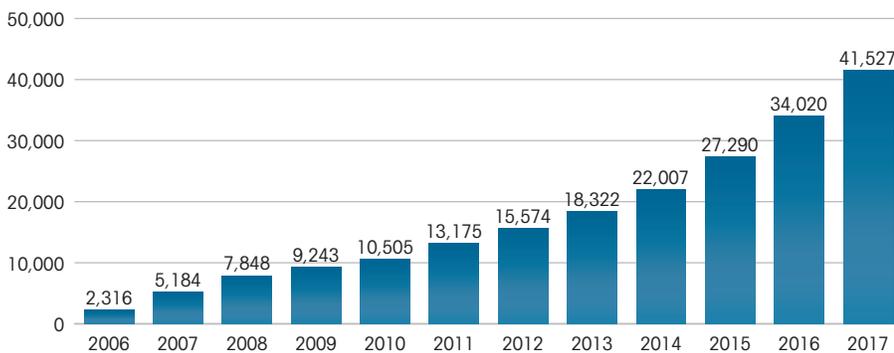
When we discuss results with investors, we describe the concept of a double bottom line return, which includes the opportunity for a financial return and a favorable community development impact. We use our investment expertise to identify and invest in small business loans that have both of these characteristics.

JOBS CREATION

Permanent jobs creation is key to reducing poverty and promoting economic development in LMI communities. By investing in SBA 7(a) loans, the Fund provides greater access to capital for small businesses to grow and provide employment. As of December 31, 2017, the SBA Loan Fund portfolio held **882 small business loans**, supporting the creation or retention of **14,941 jobs**. The vast majority (87%) of the portfolio's small business borrowers are located in LMI or otherwise distressed communities. The Fund's impact is even more meaningful when reviewed cumulatively. Since inception, the SBA Loan Fund has invested in over **3,100 small business loans** and supported over **41,000 jobs**.

SBA Loan Fund Impact on Jobs

Number of Jobs Created and/or Retained (cumulative since inception)



“Decent-paying, stable jobs are not only important to workers and their families but also are the foundation of strong neighborhoods and a strong community.”

— THE FEDERAL RESERVE BANK OF PHILADELPHIA



Potter Violin Company's Journey to Growth

When L. Dalton Potter and Jim Kelly pursued financing to purchase and renovate a historic Maryland mansion for their growing violin business, they were denied financing by four banks. “It was always the same thing: We’d end up at the settlement table and various financial people would say, ‘Are you sure you don’t just want to take the \$3 million and find something else?’” recalled Kelly, vice president of the Potter Violin Company. “Nobody thought the building was worth saving.” The banks encouraged them to consider a turnkey property to reduce the financial risk for both parties.

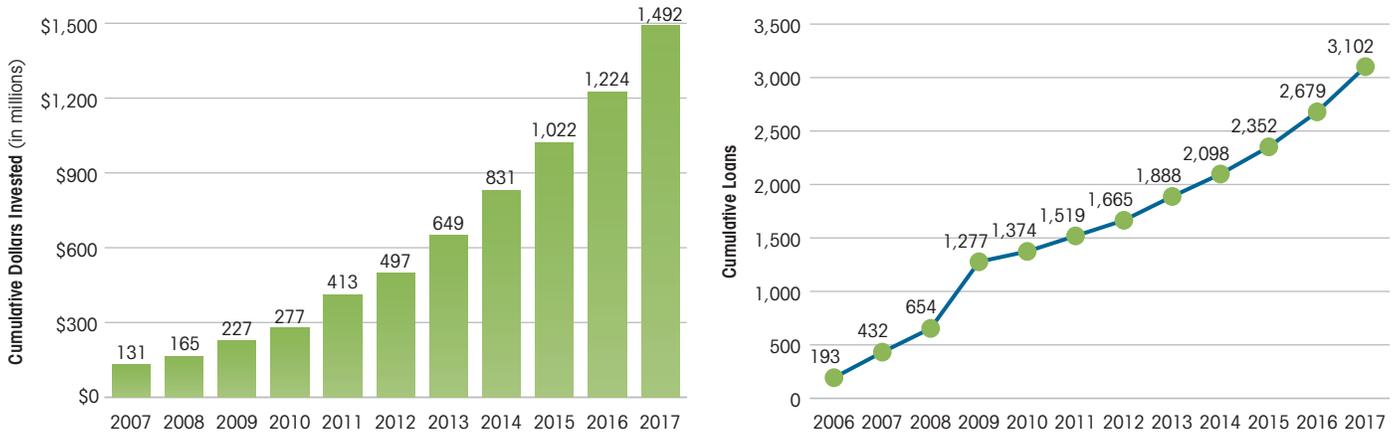
Disappointed but not deterred, Potter and Kelly maintained their vision for the mansion, which they believed was the perfect space to support the many facets of their business — instrument sales, rentals, repairs and performances. Potter and Kelly finally secured an SBA 7(a) loan from First Bank of Wisconsin to purchase and renovate the Takoma Park property. Takoma Park is a moderate-income census tract and a Community Development Financial Institutions Fund (CDFI Fund) qualified investment census tract. The loan has supported the creation and/or retention of 42 jobs. In 2016, Solomon Hess acquired Potter Violin Company’s SBA 7(a) loan for the SBA Loan Fund portfolio.

LOAN FUNDING

During 2017, the number of investors and assets under management in the Fund increased by **8%** and **24%**, respectively. This growth meant we were able to invest in **423 small business loans** this year.

SBA Loan Fund Growth

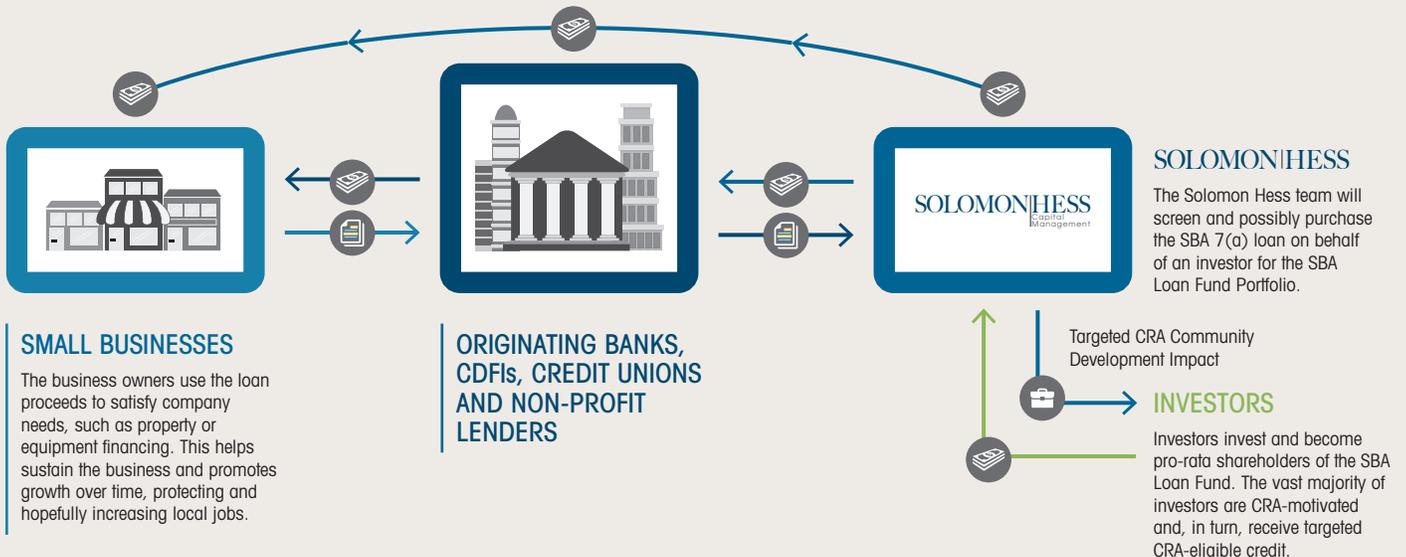
Dollar Amount of Loan Investments and Number of Loans Funded (cumulative since inception)



Supporting Access to Capital

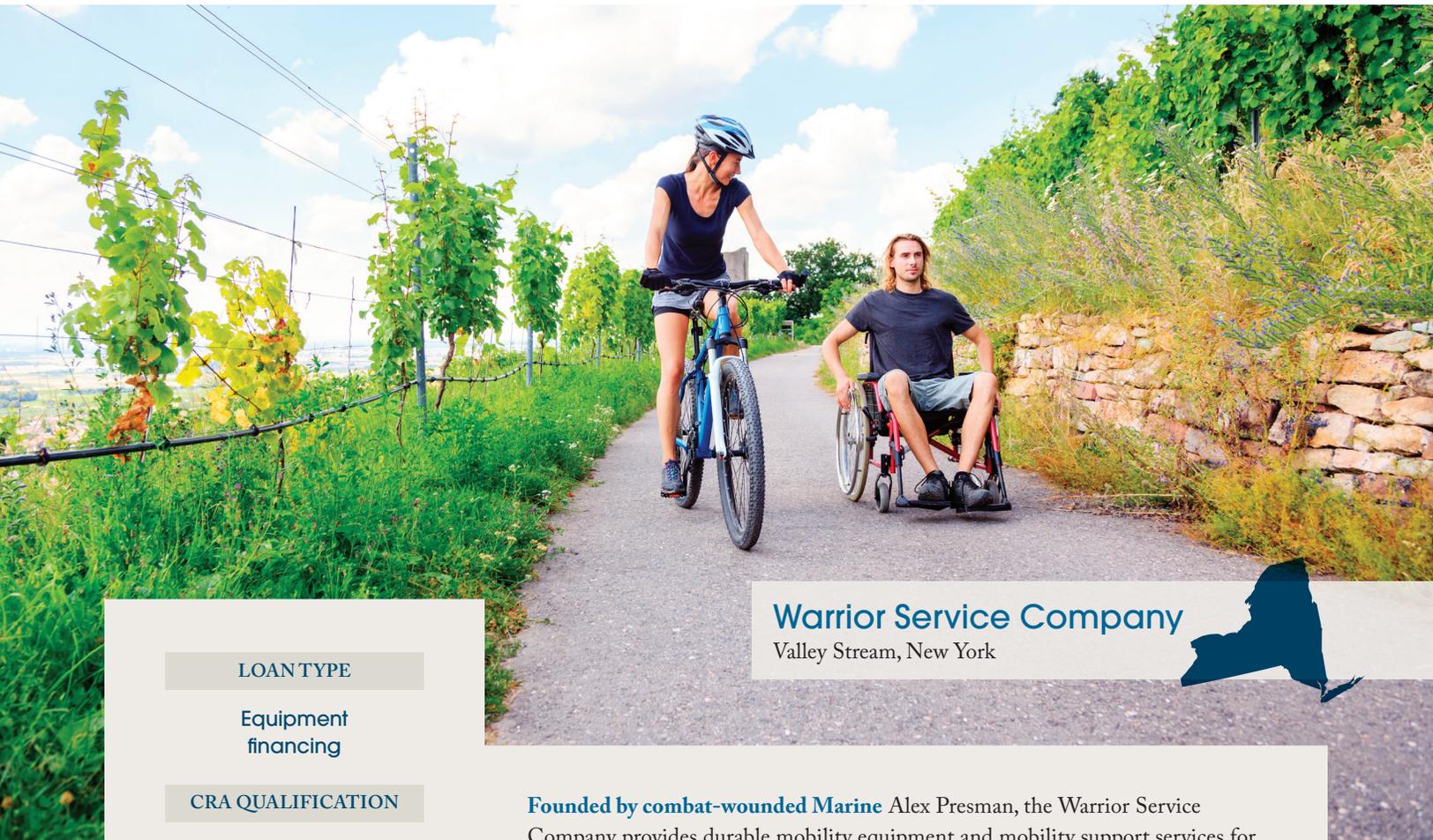
Most small businesses struggle to secure loans from conventional lenders. According to advocacy group Small Business Majority, 90% of small business owners identify inability to access capital as one of the biggest challenges they face. The SBA 7(a) loan program is instrumental in providing access to capital to small businesses, such as the Potter Violin Company profiled at left, that would not qualify for loans through conventional channels. The Fund invests in select SBA 7(a) loans to be held in portfolio, serving as a reliable partner for loan originators. Knowing there is a reliable investor for their SBA 7(a) loans, banks are more inclined to sell existing loans and originate new SBA 7(a) loans, creating new financing potential for small businesses.

\$ from **SOLOMON|HESS** flows through the system to provide liquidity and access to capital



LOAN PROFILES

The Solomon Hess SBA Loan Fund has invested in over 3,102 SBA 7(a) loans since 2004. The following pages include a sampling of portfolio holdings that represent the Fund and the impact the loans have on their respective communities.



Warrior Service Company

Valley Stream, New York



LOAN TYPE

Equipment financing

CRA QUALIFICATION

Located in a moderate-income census tract

QUANTIFIABLE IMPACT

25 jobs created and/or retained

COMMUNITY BENEFITS

Veteran-owned business

Serves veterans

Serves disabled

Flexible financing terms for those in need

Founded by combat-wounded Marine Alex Presman, the Warrior Service Company provides durable mobility equipment and mobility support services for retired Armed Forces veterans and civilian patients with limited mobility. Warrior Service carries a wide assortment of power wheelchairs, manual wheelchairs and scooters and also provides and installs ramps, stair glides, vertical platform lifts, ceiling lifts, vehicle lifts and porch lifts. These products significantly improve the quality of life of amputees, elderly retirees and other patients with similar mobility conditions by making moving around the house or around the neighborhood less stressful. In addition, the company provides Durable Medical Equipment (DME) and services to the federal government and commercial customers across New York, Florida and Texas. This provision of services includes home delivery, pick-up, set-up, repairs, evaluations and medical center visits for discharge planning.

Warrior Service is one of very few companies that offers financing and flexible payment terms, especially when DME is not covered by the patients' insurance. For those patients whose need for mobility equipment is temporary, either for therapy or during in-home rehabilitation, Warrior Service offers buy back opportunities.



LOAN TYPE

Equipment financing

CRA QUALIFICATION

Located in a low-income census tract

Located in a CDFI Fund Qualified Investment census tract

QUANTIFIABLE IMPACT

17 jobs created and/or retained

COMMUNITY BENEFITS

Minority- and woman-owned business

Serves child-care needs of local families

A Passion for Kids

Milwaukee, Wisconsin



A Passion for Kids is a licensed group child care center located in one of Milwaukee's underserved communities where the crime rate and statistics are all above the national average. Owned and operated by Paula Bullocks, a minority woman, the center provides child care services for children ages from 2 weeks to 13 years and is open 7 days a week.



LOAN TYPE

Equipment financing

CRA QUALIFICATION

Located in a moderate-income census tract

Located in a CDFI Fund Qualified Investment census tract

QUANTIFIABLE IMPACT

43 jobs created and/or retained

COMMUNITY BENEFITS

Minority-owned business

Serves mentally and developmentally disabled

Pasa Alta Manor

Pasadena, California



Pasa Alta Manor is a skilled nursing care facility located in Pasadena, California that provides quality care to individuals with mental and developmental disabilities. A minority owned and operated business, Pasa Alta Manor was founded in 1979 by DeWalt Brown. The center continues to develop and expand its services. Presently, Pasa Alta Manor has a capacity of 81 beds.



LOAN TYPE

Equipment financing

CRA QUALIFICATION

Located in a low-income census tract

Located in a CDFI Fund Qualified Investment census tract

QUANTIFIABLE IMPACT

30 jobs created and/or retained

COMMUNITY BENEFITS

Supports environmental sustainability and conservation

The Best Bees Company

Roxbury, Massachusetts

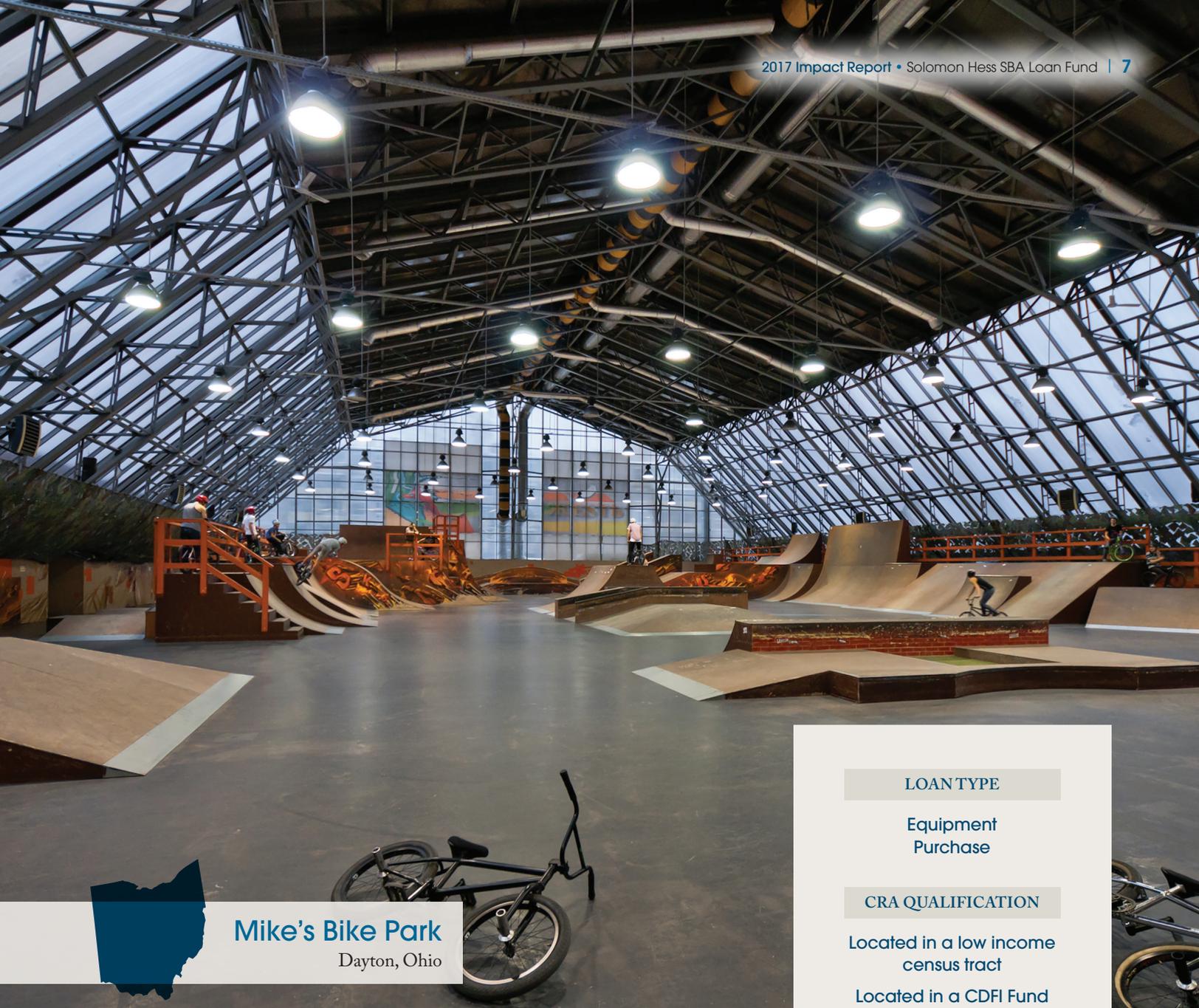


The Best Bees Company is a full-service beekeeping operation. The firm's mission is to expand the honey bee population, while improving the overall health and safety of bees nationwide. The company delivers, installs and manages beehives for residences, schools and businesses. For an annual fee of \$1,000 for residences and \$1,625 for businesses, The Best Bees Company delivers a hive box equipped with a colony of bees and an egg-laying queen and services that hive monthly. As part of the monthly servicing, an experienced beekeeper comes to ensure that the hive is healthy and also harvests the honey for the customer. The company was founded by Noah Wilson-Rich when he could not get grants for his research about bees. Proceeds from The Best Bees Company goes to fund its affiliated 501(c)3 non-profit research organization, The Urban Beekeeping Laboratory and Bee Sanctuary.

What qualifies as a CDFI Fund Qualified Investment census tract?

The CDFI Fund defines a **Qualified Investment census tract** as a geographic unit (or contiguous geographic units), such as a census tract, located within the United States, that meets at least one of the following criteria:

- Has a population poverty rate of at least 20%
- Has an unemployment rate 1.5 X the national average
- For a metropolitan area, has a median family income (MFI) at or below 80% of the greater of either the metropolitan or national metropolitan MFI
- For a non-metropolitan area that has an MFI at or below 80% of the greater of either the statewide or national non-metropolitan MFI
- Is wholly located within an Empowerment Zone or Enterprise Community; or
- Has a county population loss greater than or equal to 10% between the two most recent census periods for Metro areas or 5% over the last five years for Non-Metro areas.



Mike's Bike Park
Dayton, Ohio

Mike's Bike Park is a 50,000 square-foot indoor cycling facility that opened in Dayton, Ohio in July 2017. Founder Mike Bisig took over an empty industrial facility and repurposed it to feature two full floors of bike tracks for riders of all ages and disciplines, from BMX riders to the casual street cyclist and everything in between. On site at the facility are a full-service bike shop, locker rooms and a lounge area. While most bike parks tend to shut down in the spring and summer, Bisig hopes to remain open all year by offering workshops and events to encourage bikers to come to the facility.

"Dayton is a cycling community," Bisig said. The supportive community, along with a desire to ride year-round, prompted Bisig to create the indoor bike park and involve the community in doing so. More than 100 volunteers helped with the transformation of the space. "We want to give people the opportunity to feel like this is theirs," Bisig said. "They may not own the building but they have a vested interest in it. It's here for the community."

LOAN TYPE

Equipment Purchase

CRA QUALIFICATION

Located in a low income census tract

Located in a CDFI Fund Qualified Investment census tract

Loan is to a recently formed small business

QUANTIFIABLE IMPACT

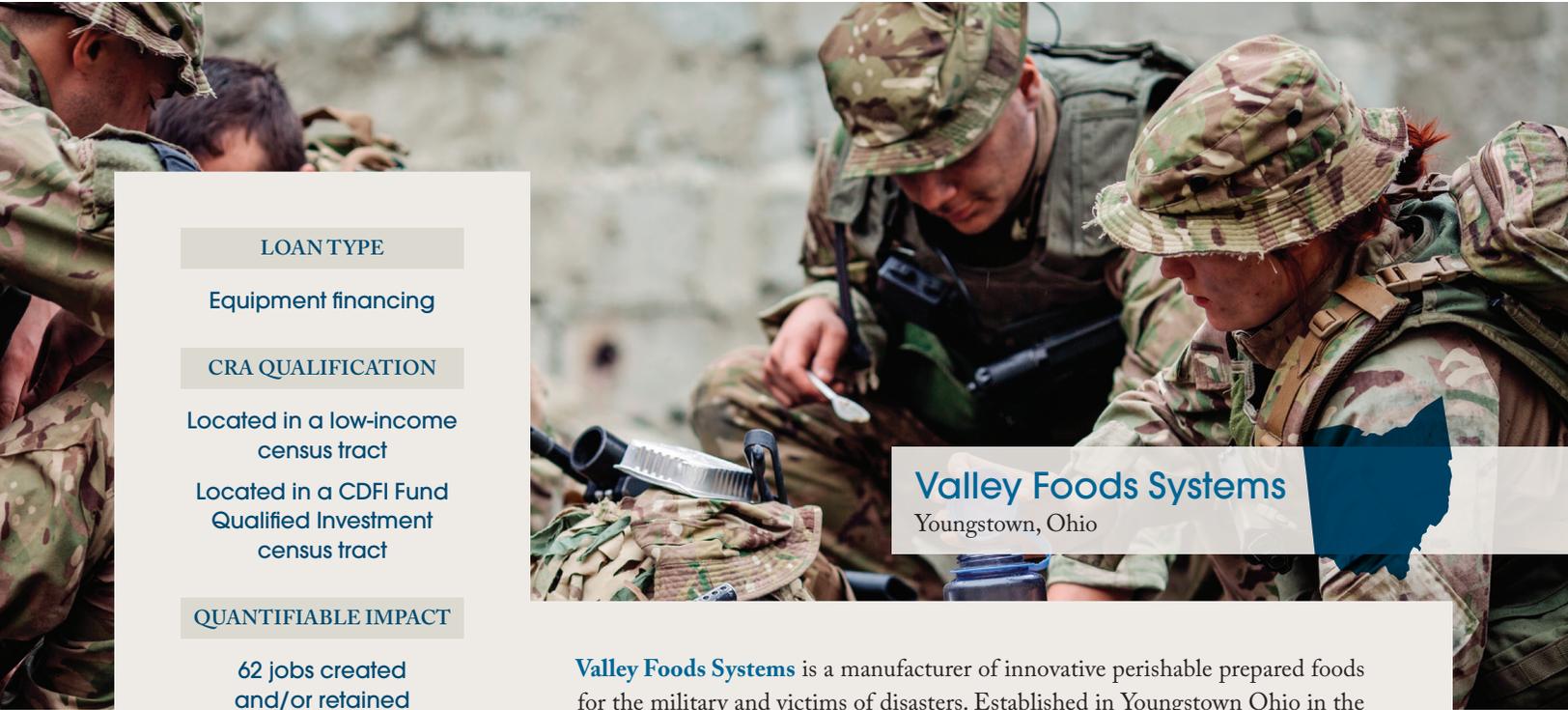
3 jobs created

COMMUNITY BENEFITS

Promotes health and wellness for the community

Promotes economic development as a new business





LOAN TYPE

Equipment financing

CRA QUALIFICATION

Located in a low-income census tract

Located in a CDFI Fund Qualified Investment census tract

QUANTIFIABLE IMPACT

62 jobs created and/or retained

COMMUNITY BENEFITS

Family-owned business

Serves military

Provides disaster relief

Valley Foods Systems

Youngstown, Ohio



Valley Foods Systems is a manufacturer of innovative perishable prepared foods for the military and victims of disasters. Established in Youngstown Ohio in the 1960's as a family-run and operated business, Valley produces fresh and frozen meal kits, snack kits and shelf-stable meal kits for the Army, Army Reserve, National Guard and Air Guard. Through its unique proprietary Zero-Waste A-Rations Program, Valley Food Systems customers receive the exact amount of ingredients needed to produce each meal for that day's population, which helps keep food cost at an absolute minimum.



Baked in the Sun

San Diego, California



LOAN TYPE

Equipment Purchase

CRA QUALIFICATION

Located in a moderate income census tract

Located in a CDFI Fund Qualified Investment census tract

QUANTIFIABLE IMPACT

200 jobs created and/or retained

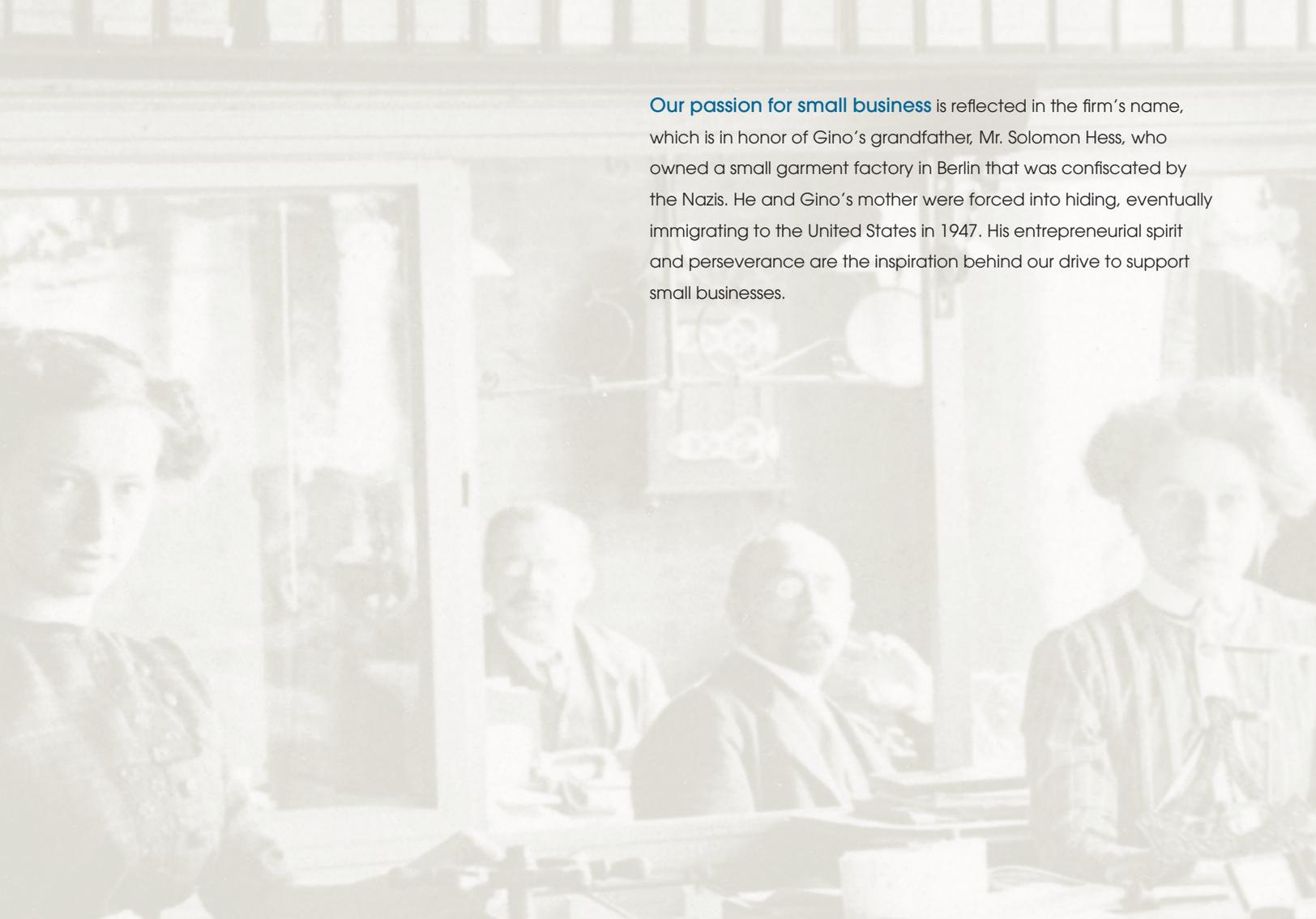
COMMUNITY BENEFITS

Woman-owned business

Certified Disadvantaged Business Enterprise

Baked in the Sun is a wholesale bakery provider that manufactures high quality, fresh and frozen products for coffee houses, supermarkets, big box retailers, food service, hotels, hospitals and schools and directly to customers in Southern California and Las Vegas via its own fleet of delivery trucks, and nationally through the remainder of the United States via distributors.





Our passion for small business is reflected in the firm's name, which is in honor of Gino's grandfather, Mr. Solomon Hess, who owned a small garment factory in Berlin that was confiscated by the Nazis. He and Gino's mother were forced into hiding, eventually immigrating to the United States in 1947. His entrepreneurial spirit and perseverance are the inspiration behind our drive to support small businesses.

THANK YOU.

Your investment and partnership make it possible for the Solomon Hess SBA Loan Fund to provide the capital that supports small businesses located in underserved communities throughout America.

SOLOMON HESS CAPITAL MANAGEMENT is an alternative asset manager specializing in fixed-income investing. Founded in 2004, Solomon Hess has \$660 million in assets under management (as of 12/31/17). The firm's mission is to provide investors with community and economic development-focused investment solutions that generate both competitive, risk-adjusted returns and positive, quantifiable community impact. Solomon Hess serves accredited individuals and institutional investors, including banking institutions seeking to satisfy Community Development Investment or Lending requirements within the Community Reinvestment Act rules. The firm manages two distinct strategies within the community development asset class: a community development impact strategy and an absolute return strategy. These strategies are available as funds or separate accounts.

Learn more about the Solomon Hess SBA Loan Fund or our other investment opportunities by contacting Investor Relations at (703) 466-0483 or by visiting us online at www.SolomonHess.com.

This communication is for informational purposes only and is not an offer to sell or a solicitation of an offer to buy any investments offered by Solomon Hess, nor shall any such investments be offered or sold to any person in any jurisdiction in which such offer, solicitation, purchase, or sale would be unlawful under the securities laws of such jurisdiction.

The loans discussed in this communication are current holdings of the Solomon Hess SBA Loan Fund. The loans we have highlighted may not be the highest performing loans in the Funds, but a sampling of small business loans with an impact story. The loans mentioned do not necessarily represent all of the loans held in the Funds and the reader should not assume that the loans identified and discussed were or will be profitable. A complete list of holdings for the Fund can be provided by contacting Solomon Hess Capital Management.

The Solomon Hess SBA Loan Fund LLC attempts to provide its investors with CRA credit related to their participation in the Fund. Investment decisions are not always exclusively based on the economic characteristics or investment merit of a specific asset. Certain CRA eligible securities sought by the Fund in specific geographies may not provide as great an economic benefit to the Fund as the same securities located in non-CRA geographies. The Fund may engage in transactions at times for reasons related to CRA considerations that may not be desirable from an investment standpoint. If one or multiple federal banking regulators, such as the OCC, FDIC or the Federal Reserve Board, were to deem an investment in the Fund as not qualifying for CRA credit, the impact to Fund investors could be material.

SOLOMON HESS CAPITAL MANAGEMENT

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