

SMALL BUSINESS.  
BIG IMPACT.





INSIDE:

- Solomon Hess Capital Management
- Creating Big Impact through Small Business
- Partnering with Solomon Hess

**SOLOMON HESS CAPITAL MANAGEMENT** is an alternative asset manager specializing in impact investing within the fixed-income market. Our strategies seek to provide investors with competitive, risk-adjusted returns, as well as quantifiable, targeted community development impact. We achieve this by employing our extensive experience investing in Small Business Administration 7(a) loans, as well as other community development focused assets.

## INVESTING FOR IMPACT

Solomon Hess has been helping clients invest for both return and impact potential, since 2004. For financial institutions pursuing Community Reinvestment Act (CRA) credit, we help target capital toward investments that meet CRA requirements, centering around job creation/retention in low- and moderate-income (LMI) communities. For other qualified investors, we identify small business loans that align with their impact areas of interest.

Much of our impact investing can be viewed through the framework of the United Nations' 17 Sustainable Development Goals (SDGs).<sup>1</sup> To date, our small business investments have been supporting goals one, eight and eleven, where we have 100% alignment. Our focus on investing in small, community businesses that create local jobs supports these goals, which strive to eliminate poverty, create decent work and economic growth, as well as foster sustainable cities and communities. We also support many of the other UN SDGs through the types of small business investments we make on behalf of our investors.

Solomon Hess is intentional about investing for positive community impact and tracking the results.



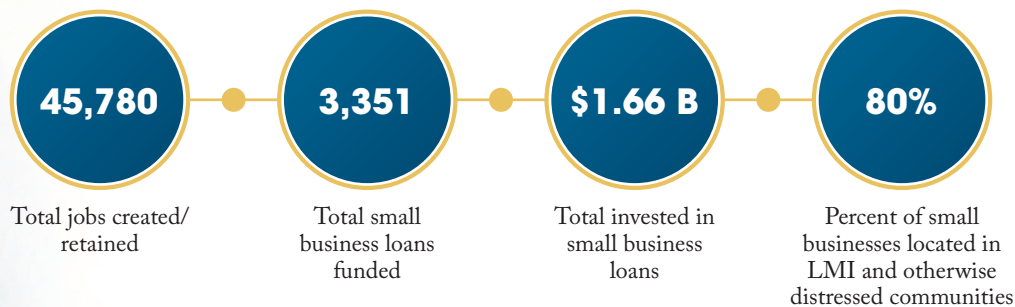
GOAL #1  
**No poverty**

GOAL #8  
**Decent work and economic growth**

GOAL #11  
**Sustainable cities and communities**

## Metrics Show a Meaningful Impact Over Time

Since 2004, our cumulative results demonstrate the meaningful impact Solomon Hess investors have had primarily on underserved communities over time.<sup>2</sup>



1. On September 25, 2015, the United Nations adopted a set of goals to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years. For a complete list of the 17 goals, visit the United Nations' website, un.org.

2. Impact metrics from the Solomon Hess SBA Loan Fund, from 12/15/2004 inception through 6/30/2018. Data source: Solomon Hess internal measurement and U.S. Small Business Administration (SBA) loan data for the SBA 7(a) program.

## CREATING BIG IMPACT THROUGH SMALL BUSINESS

Within the impact investing sphere, the small business category represents tremendous impact potential, based on the sector's size and the ripple effect small businesses have across their communities.

Small businesses  
are a significant  
driver of a strong,  
local economy.

According to the U.S. Small Business Administration (SBA),<sup>3</sup> there are 30.2 million small businesses in the United States. They directly contribute to the strength of local economies by:

- Employing **58.9 million** employees or almost half (47.5%) of the nation's workforce
- Generating **1.9 million** net new jobs
- Promoting diversity, with **8 million** minority-owned businesses

In terms of investment opportunity, the small business sector represents a sizable universe. According to the SBA, in FY17, the 7(a) small business loan program supported more than \$25.44 billion combined across 62,430 loans. The SBA continues to streamline and improve access to its loan program for small loans and emerging communities, delivering more than \$5 billion in smaller loans of \$350,000 or less in FY17.<sup>4</sup>

### Generating Ripples across Underserved Communities

In low- to moderate-income communities, small businesses can boost local economies by not only providing valuable services that may be lacking but also by serving as an employer. Job creation and retention help alleviate poverty and improve neighborhoods as the financial benefits of commerce ripple across these underserved communities.

According to a revenue flow study,<sup>5</sup> on a dollar-for-dollar basis, the local economic impact of independently owned businesses is significantly greater than that of national chains. Analyzing data collected from 28 locally owned retail businesses in Portland, Maine, along with corporate filings for a representative national chain, researchers found that every \$100 spent at locally owned businesses contributes an additional \$58 to the local economy. By comparison, \$100 spent at a chain store in Portland yields just \$33 in local economic impact.



3. *2018 Small Business Profile*, U.S. Small Business Administration, Office of Advocacy.

4. *SBA Lending Activity in FY17 Shows Consistent Growth*, U.S. Small Business Association press release, October 13, 2017.

5. *Going Local: Quantifying the Economic Impacts of Buying from Locally Owned Businesses in Portland, Maine*. Garrett Martin and Amar Patel, Maine Center for Economic Policy, December 2011.

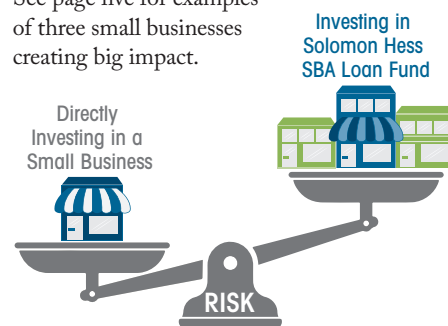
## INVESTING IN THE SMALL BUSINESS MARKET

Given the challenges associated with launching and growing a company, small businesses can produce mixed results. According to the Bureau of Labor Statistics, 20% of small businesses fail in the first year, and 50% fail after five years.<sup>6</sup> Yet, this business sector represents a tremendous amount of impact potential. We believe the key is for investors to strike a balance between risk and impact.

There are several ways to invest in small businesses, and each approach carries its own combination of risk and targeted impact. For example, a direct investment in a specific small business offers higher risk with higher targeted impact potential. Alternatively, investing in a well-diversified fund like the Solomon Hess SBA Loan Fund offers targeted impact opportunity with a lower risk of loss. Working with Solomon Hess affords investors the benefit of our small business loan expertise, in-depth analysis, strategic loan selection and portfolio diversification. We believe we offer investors a prudent way to invest in the impactful small business sector, while mitigating the inherent risks.

## Impact/Risk Landscape of Small Business Investing

Investing directly in a small business can provide significant, targeted impact, but only if that business is successful. The Solomon Hess SBA Loan Fund enables you to participate in meaningful community impact, while mitigating small business risk through diversification and professional management. See page five for examples of three small businesses creating big impact.



## About Small Business Administration 7(a) Loans

Obtaining financing to start or grow a business is often challenging. The SBA 7(a) loan program provides capital to small businesses that face difficulties with the requirements of traditional bank loans. We consider the SBA 7(a) loan market attractive for several reasons:

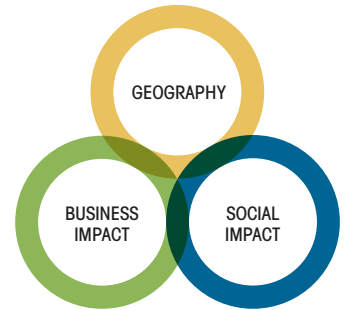
- **Limited Credit Risk:** SBA 7(a) loans sold in the secondary market are explicitly federally guaranteed as to the payment of interest and principal.
- **Limited Interest Rate Risk:** Most SBA 7(a) loans are variable rate and reset on a quarterly or monthly basis, moving in step with current interest rates.
- **Established Secondary Market:** Over \$9 billion of 7(a) loan guarantees were sold into the secondary market in 2017.<sup>7</sup>
- **Quantifiable Impact:** SBA 7(a) loans support community development and job creation, and impact metrics are tracked and reported.

6. *Business Employment Dynamics Database*, Bureau of Labor Statistics, March 30, 2017.

7. Data source: Colson Services Corp., year-over-year data through fiscal year end, September 30, 2017.

# PARTNERING WITH SOLOMON HESS

We take a collaborative approach to working with investors. We first identify the impact area that interests you and then find investments that match. We target impact investments in three ways — through geography, business impact and social impact selection. Based on your focus, we structure investments around any or all of these variables.

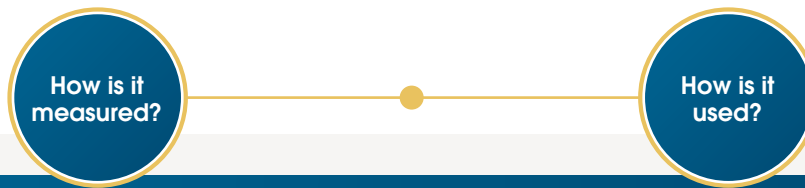


## IDENTIFYING THE OPPORTUNITY

Solomon Hess has expertise in investing in fixed-income assets within the specialized community development asset class. Our investment professionals understand the drivers of risk and return and how to evaluate impact potential within this niche market. We source, filter and quantify small business loans and broader community development focused assets. We analyze all of the loans' characteristics to identify those possessing financial and impact profiles that match your specific needs.

## MEASURING IMPACT — TWO SIDES TO THE COIN

We track impact metrics by reviewing Small Business Administration data, tracking the geographic distribution of loans in our investment portfolios, as well as conducting internal loan profile research. Impact can be seen directly and indirectly.



### DIRECT IMPACT

#### Job Creation and Retention

Reported by small business loan recipients

#### Distressed and Underserved Areas/Individuals

Geographic analysis based on loan locations  
Jobs analysis based on Bureau of Labor Statistics data

#### Community Services

Our internal loan research tracks the types of products and/or services provided by small businesses

#### Business Ownership

Our internal loan research tracks the owner profiles of small business loans

#### Job Creation and Retention

Quantifies the small business impact on jobs in local communities

#### Distressed and Underserved Areas

Quantifies the small business impact supporting low- to moderate-income areas and/or individuals

#### Community Services

Identifies favorable community impact, such as health care, child care etc.

#### Business Ownership

Identifies support of minority-owned, women-owned and veteran-owned businesses

### IN-DIRECT IMPACT

#### Access to Capital

Banks and CDFIs track the amount large investors, such as Solomon Hess, invest in SBA 7(a) loans and other community development focused assets

#### Access to Capital

Frees up capital and creates new financing potential for other small businesses

## TARGETING THE INVESTMENTS THAT MATTER MOST TO YOU

Whether you wish to support female entrepreneurs, environmental sustainability or a specific geographic region, we can help by sourcing suitable investment opportunities that align with your interests. We synchronize our investment searches to your business, social and geographic areas of interest. Below are just a few examples that demonstrate impact created through small business investing with Solomon Hess.



**33 jobs created and/or retained**

### Bright Spots Behavior and Learning

Lafayette, LA | Woman-owned center providing clinic-based and home-based applied behavioral therapy and early intervention for children

**UN Sustainable Development Goals**



**Business Impact**  
Woman-owned business

**Social Impact**

- Meeting healthcare needs
- Children’s welfare

**Geographic Impact**

- Low-income area
- Census tract for otherwise distressed area



**11 jobs created and/or retained**

### Tropical Fresh

Poughkeepsie, NY | Minority-owned market serving the West Indian and Latino community in the part of the city considered to be a food desert

**UN Sustainable Development Goals**



**Business Impact**  
Minority-owned business

**Social Impact**  
Food production and agriculture

**Geographic Impact**

- Low-income area
- Census tract for otherwise distressed area



**16 jobs created and/or retained**

### Woodworth Animal Hospital

Waynesboro, VA | Family owned and operated veterinarian promoting responsible pet ownership and providing quality compassionate veterinary care for the community

**UN Sustainable Development Goals**



**Business Impact**  
Woman-owned business

**Social Impact**  
Animal welfare

**Geographic Impact**

- Moderate-income area
- Census tract for otherwise distressed area

## Investable Impact Areas of Interest

### Business Impact

- Minority-owned or co-owned businesses
- Woman-owned or co-owned businesses
- Service veteran-owned or co-owned businesses

### Social Impact

- Care for seniors
- Meeting healthcare needs
- Children’s welfare
- Supporting women and girls
- Animal welfare
- Food production and agriculture
- Arts and cultural programs
- Environmental sustainability
- Human capital development

### Geographic Impact

- Nationwide
- State/County/City
- Low-income area
- Moderate-income area
- Census tract for otherwise distressed area

## WHY INVEST WITH SOLOMON HESS

**Access:** Access a niche market that requires specialized investment expertise.

**Impact:** Invest in a way that creates a positive and quantifiable impact.

**Focus:** Support small businesses and strengthen communities.

**Expertise:** Employ our experienced team's research and analysis to identify suitable impact investments.

**Quality:** Invest in high credit quality assets, including government guaranteed SBA 7(a) loans and pool securities.

**Flexibility:** Target geographic areas that you care about or the impact issues that matter most to you.

**Metrics:** Receive customized reporting, reflecting your investment impact.

## HOW TO INVEST WITH SOLOMON HESS

**SBA Loan Fund:** An open-ended community development private investment fund that seeks to provide competitive, risk-adjusted returns and quantifiable, targeted community development impact. The Fund primarily invests in the federally guaranteed portion of floating rate SBA 7(a) loans where the underlying small business is creating jobs in communities targeted by Fund investors. The Fund is currently Aaa-bf rated by Moody's investor services, reflecting the high credit quality of its assets.



**Separate Account:** For investors requiring a more customized approach, we offer separate account management with a \$25 million minimum investment.

Please contact Investor Relations at 703.466.0483 to learn more about our approach to impact investing and how Solomon Hess may help you pursue your investment goals.

*The SBA Loan Fund is only available for qualified institutional buyers or accredited investors.*

*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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