



2018

IMPACT REPORT

Solomon Hess SBA Loan Fund

YEAR IN REVIEW

Dear Investors,

We are thankful for your investment in the **Solomon Hess SBA Loan Fund** (SBA Loan Fund) and your continued confidence in us as investment managers. The SBA Loan Fund ended the year with 119 funded investors across the United States. Of that number, 65 of our investors have been in the SBA Loan Fund for at least five years. We are thankful for your partnership in supporting community development loans in targeted areas in need of economic revitalization.

We are pleased to share with you the SBA Loan Fund 2018 Impact Report where quantitative metrics and loan profile stories are used to highlight the work we have done this year in support of the fund's mission to provide capital to support business growth in low- and moderate-income (LMI), and otherwise distressed, communities. We are proud that since inception in December 2004, the SBA Loan Fund has invested more than \$1.85 billion to fund over 3,600 small business loans that supported the creation and/or retention of over 50,000 jobs. This impact holds great personal meaning to us, and we could not achieve this without our valued investors.

Looking forward, we remain committed to working with our investors to meet their investment goals and to support small business growth. According to the US Small Business Administration Office of Advocacy, there are 30.2 million small businesses in the country, which accounted for 66% of net new jobs. We are proud that the SBA Loan Fund and our investors contribute to this key driver of the nation's economy.

With our thanks and best regards,

The Solomon Hess Team



Solomon Hess team. *Front L-R:* Gino Heilizer, Bill Einstein, Mike Fallon. *Back L-R:* Salvador Hutira, Mary Tucker, Catherine Mathew, Ximena Bryce, Michelle Lai, Isaac Fradin and Rich Franchini.

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:

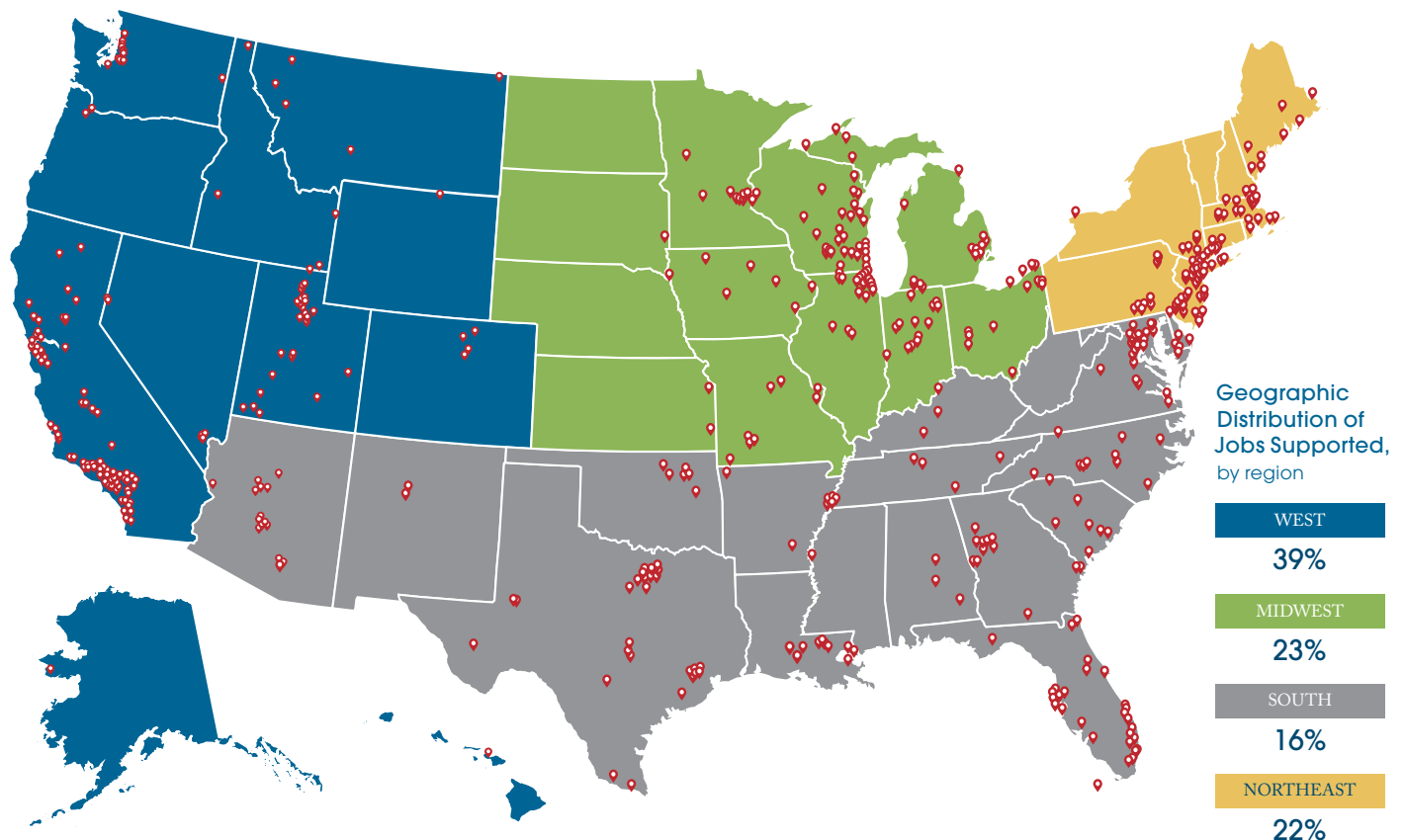
The Fund is a Community Development Entity (CDE), as certified by the CDFI Fund, and a California Organized Investment Network (COIN) Qualified Investment Fund. An investment in a CDE-certified Fund receives consideration as a qualified CRA investment. As of December 31, 2018, every SBA Loan Fund investor who applied for CRA consideration earned the expected CRA credit.*

*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

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



FUND IMPACT

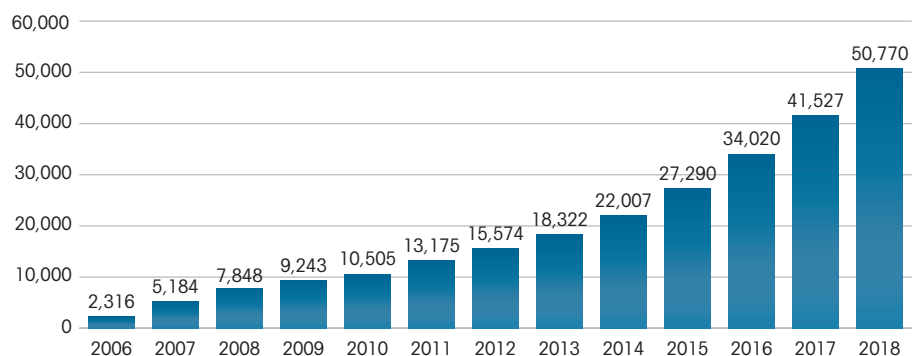
When we discuss results with investors, we describe the concept of a double bottom line return, which includes the opportunity for a financial return and a favorable community development impact through jobs creation and/or retention.

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, 2018, the SBA Loan Fund portfolio held **1,124 small business loans**, supporting the creation or retention of **18,288 jobs**. The vast majority (82%) of the portfolio's small business borrowers are located in LMI or otherwise distressed communities. Since inception, the SBA Loan Fund has invested in over **3,600 small business loans** and supported over **50,000 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

Generating Ripples across Underserved Communities



In low- to moderate-income communities, small businesses can boost local economies by providing services that may be lacking and 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,¹ 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.

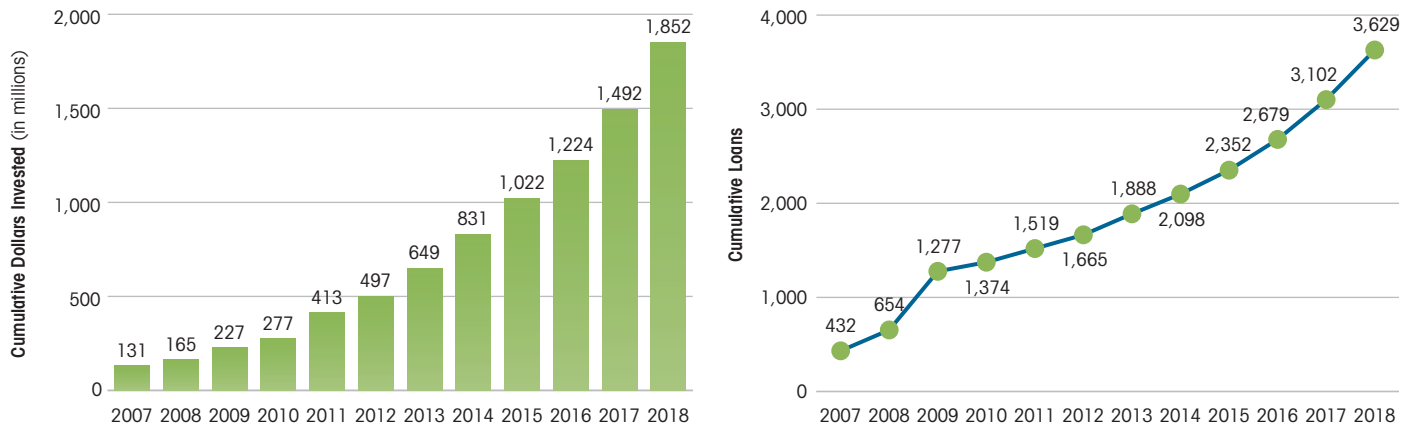
1. *Going Local: Quantifying the Economic Impacts of Buying from Locally Owned Businesses in Portland, Maine*. Garrett Martin and Amar Patel, Maine Center for Economic Policy, December 2011.

LOAN FUNDING

During 2018, equity and assets under management in the Fund increased by **8%** and **12%**, respectively. This growth meant we were able to invest in **527 small business loans** this year.

SBA Loan Fund Growth

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



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.

According to the U.S. Small Business Administration (SBA), there are 30.2 million small businesses in the United States. They directly contribute to the strength of local economies by²:



58.9 M

Employing 58.9 million employees or almost half (47.5%) of the nation's workforce



1.9 M

Generating 1.9 million net new jobs



8 M

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 FY18, the 7(a) small business loan program supported more than \$25.4 billion in loans to borrowers who would not qualify for conventional 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 FY17.⁴

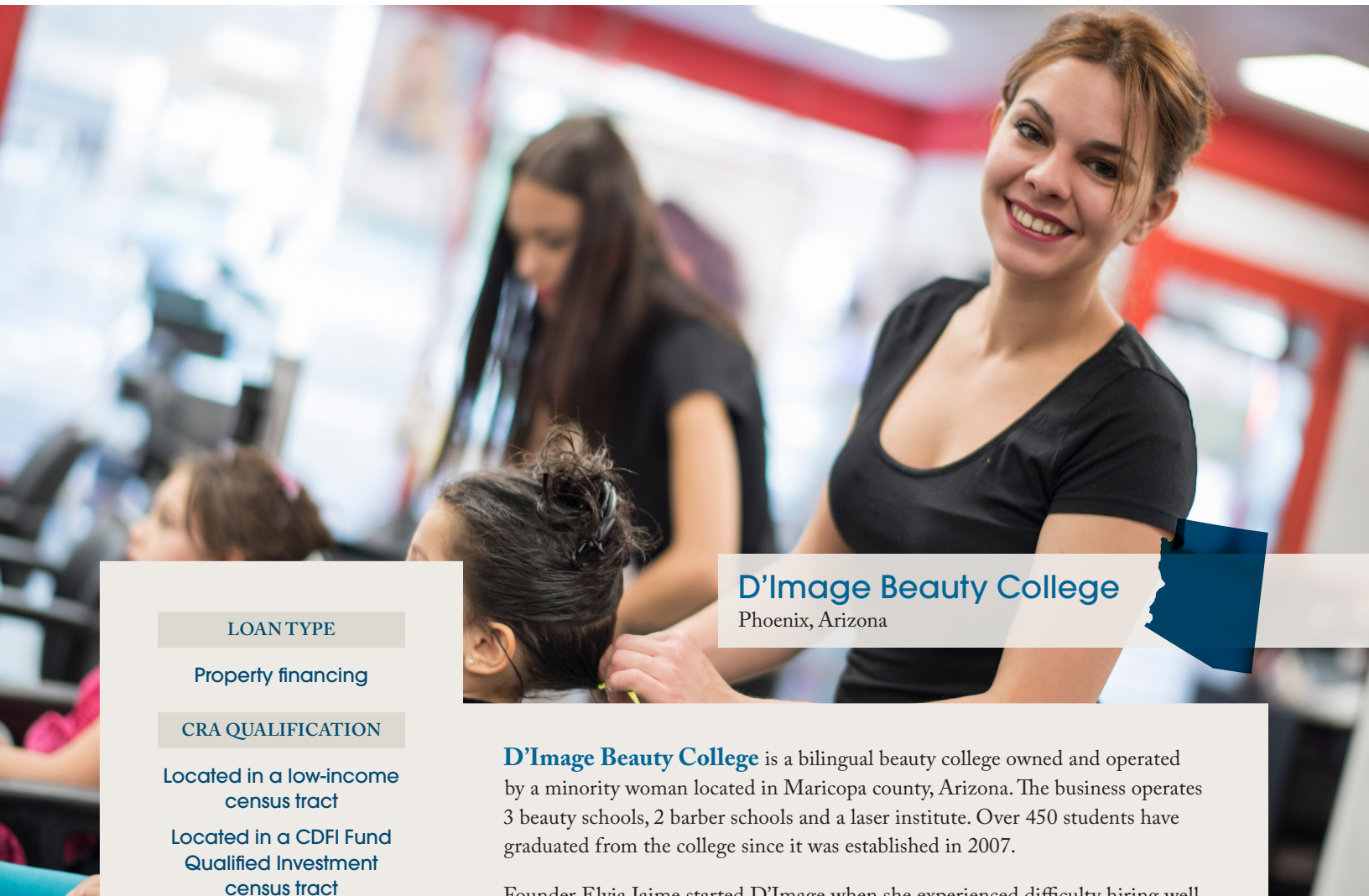
2. *2018 Small Business Profile*, U.S. Small Business Administration, Office of Advocacy.

3. SBA Agency Financial Report FY 2018

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

LOAN PROFILES

The Solomon Hess SBA Loan Fund has invested in over 3,600 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.



D'Image Beauty College

Phoenix, Arizona

LOAN TYPE

Property financing

CRA QUALIFICATION

Located in a low-income census tract

Located in a CDFI Fund Qualified Investment census tract

QUANTIFIABLE IMPACT

17 individuals employed⁴

COMMUNITY BENEFITS

Woman co-owned business

Minority co-owned business

D'Image Beauty College is a bilingual beauty college owned and operated by a minority woman located in Maricopa county, Arizona. The business operates 3 beauty schools, 2 barber schools and a laser institute. Over 450 students have graduated from the college since it was established in 2007.

Founder Elvia Jaime started D'Image when she experienced difficulty hiring well trained hairstylists for her own salon, which she opened in 2006. She returned to school to become licensed as a hairstylist instructor and opened D'Image with just five students and herself as the instructor in October, 2007. She has since expanded the business to multiple locations, all located in low-income census tracts.

In February 2016, Jaime was the recipient of a gold award from the Global Quality Foundation, an international philanthropic organization. The award recognized the economic opportunities Jaime has created for Latinos through her business. D'Image is the only bilingual beauty school in the metro Phoenix area and the vast majority of the students enrolled are Latinos.

4. Small business borrower declined to report the number of jobs created and/or retained by this SBA 7(a) loan. D'Image Beauty College employs 17 individuals.

LOAN TYPE

Equipment financing

CRA QUALIFICATION

Located in a low-income census tract

Located in a CDFI Fund Qualified Investment census tract

QUANTIFIABLE IMPACT

7 jobs created and/or retained

COMMUNITY BENEFITS

Supports the arts and cultural programs that have an educational or community enhancing focus

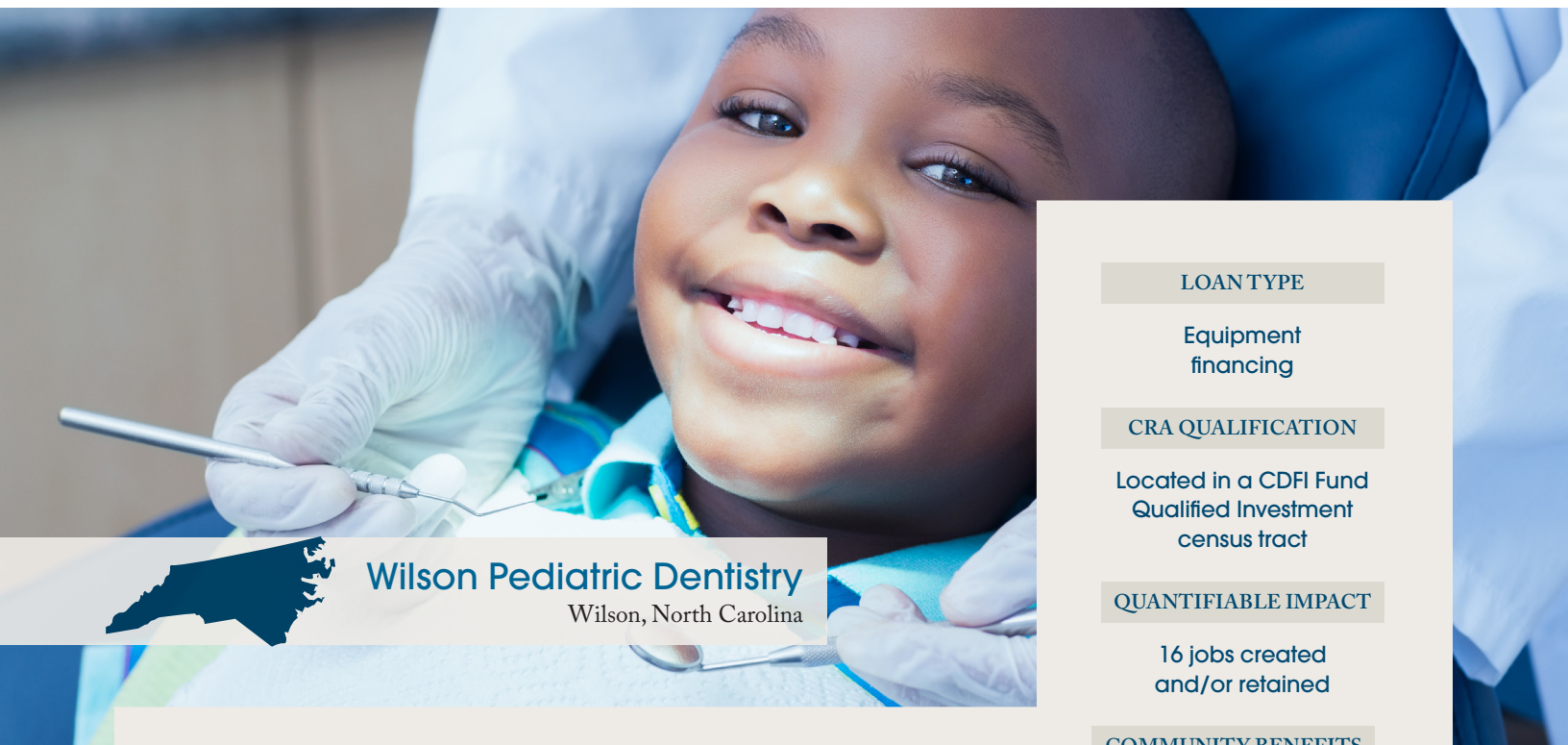


Piedmont Piano Company

Oakland, California



Piedmont Piano Company is a family-owned and operated store that provides quality piano rentals both long and short term and also operates a music school that provides classes and lessons for all ages and abilities.



LOAN TYPE

Equipment financing

CRA QUALIFICATION

Located in a CDFI Fund Qualified Investment census tract

QUANTIFIABLE IMPACT

16 jobs created and/or retained

COMMUNITY BENEFITS

Woman co-owned business
Minority-owned business



Wilson Pediatric Dentistry

Wilson, North Carolina

Wilson Pediatric Dentistry is a full-service dental practice that offers skilled pediatric dentistry services ranging from general exams and cleaning to early orthodontic treatment to emergency care.

LOAN TYPE

Equipment financing

CRA QUALIFICATION

Located in a moderate-income census tract

Located in a CDFI Fund Qualified Investment census tract

QUANTIFIABLE IMPACT

2 jobs created and/or retained

COMMUNITY BENEFITS

Focused on environmental sustainability



Brake Bread

Saint Paul, Minnesota



Brake Bread is a bakery committed to building community through sustainable practices in Ramsey county, Minnesota. The bakery focuses on crafting naturally leavened bread and each batch begins with a handful of wild yeast starter and ends 36 hours later in a loaf pulled from a stone deck oven. Delivery is provided by bicycle.



Maddi's Cookery & Taphouse

Worcester, Massachusetts

LOAN TYPE

Equipment financing

CRA QUALIFICATION

Located in a low-income census tract

Located in a CDFI Fund Qualified Investment census tract

QUANTIFIABLE IMPACT

42 jobs created and/or retained

COMMUNITY BENEFITS

New business that promotes economic development

Maddi's Cookery & Taphouse is a full-service restaurant located in Worcester's Canal District. The restaurant was designed to have a casual, neighborhood feel to go with its substantial draft beer list and classic comfort food menu which includes coconut shrimp, buffalo chicken meatballs and street corn.

LOAN TYPE

Equipment
financing

CRA QUALIFICATION

Located in a low-income
census tract

QUANTIFIABLE IMPACT

100 jobs created
and/or retained

COMMUNITY BENEFITS

Supports human capital
development, including
adult education, job
training and temporary
staffing services



Laurus College

Santa Maria, California



Founded in 2006, **Laurus College** is a private post-secondary career school. Its career-focused courses help students earn Occupational Associate Degrees in a number of fields including Medical Billing & Coding and Professional Business Systems. The college operates four locations in California, two in low-income census tracts.



Jefferson Crest

Milwaukee, Wisconsin

LOAN TYPE

Equipment
financing

CRA QUALIFICATION

Located in a CDFI Fund
Qualified Investment
census tract

QUANTIFIABLE IMPACT

100 jobs created
and/or retained

COMMUNITY BENEFITS

Minority-owned business
Serves mentally and
developmentally disabled

Jefferson Crest provides a state-licensed Community Based Residential Facility (CBRF) to accept ambulatory clients who are mentally ill, developmentally disabled, have traumatic brain injuries or are elderly.





LOAN TYPE

Property financing

CRA QUALIFICATION

Located in a moderate-income census tract

QUANTIFIABLE IMPACT

12 jobs created and/or retained

COMMUNITY BENEFITS

Focused on caring for seniors

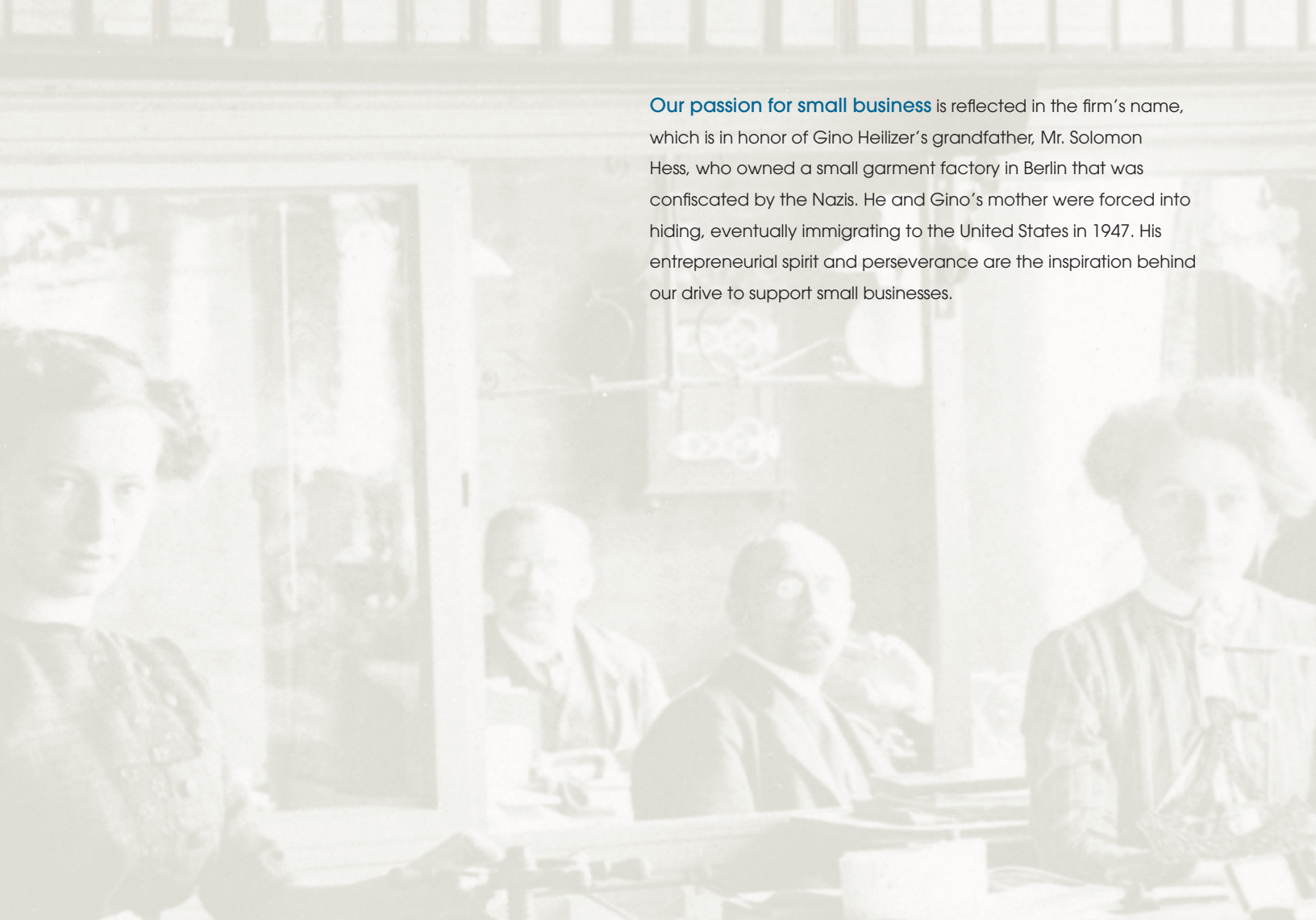
Serves persons with disabilities

Joyful Adult Daycare

Baltimore, Maryland



Joyful Adult Daycare Center is a provider of affordable daytime services for the elderly and persons with disabilities. The day care center provides services to adults who do not have the ability to live independently or carry out activities of daily living such as preparing meals.



Our passion for small business is reflected in the firm's name, which is in honor of Gino Heilizer'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 \$773 million in assets under management (as of 12/31/18). 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 Services 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. The SBA Loan Fund is only for qualified institutional buyers or accredited investors.

SOLOMON HESS CAPITAL MANAGEMENT

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