



2019 IMPACT REPORT

Solomon Hess SBA Loan Fund

YEAR IN REVIEW

Dear Investors,

Thank you for your investment in the **Solomon Hess SBA Loan Fund** (SBA Loan Fund). Your investment and partnership make it possible for the SBA Loan Fund to provide the capital that supports small businesses located in underserved communities throughout America. Small business is a key driver of our nation's economy, generating the permanent jobs needed to reduce poverty and promote economic development, particularly in low- and moderate-income (LMI) communities.

We are pleased to present the SBA Loan Fund 2019 Impact Report, where quantitative metrics and loan profile stories are used to highlight the impact of your investments. The SBA Loan Fund was certified as a Community Development Entity (CDE) in 2005 and has since invested more than \$2.1 billion to fund over 4,100 small business loans that supported the creation and/or retention of over 59,000 jobs nationwide. This impact holds great personal meaning to us.

Looking forward, we remain deeply committed to the SBA Loan Fund's mission to promote permanent job creation, retention, and/or improvement in LMI areas or of LMI persons who are employed by small businesses. Our dedication to the niche market of the Small Business Administration 7(a) Program for the last 15 years has enabled us to understand the drivers of risk and return and how to evaluate potential impact within this specialized community development asset. We will continue working collaboratively with our investors and are deeply appreciative of the partnership.

With our thanks and best regards,

The Solomon Hess Team



Members of Solomon Hess team with the chef-owner of Kashira Japanese Restaurant. The SBA 7(a) loan to the restaurant is one example of the types of loans in the SBA Loan Fund portfolio. The borrower is a full-service restaurant located in a moderate-income census tract in the Koreatown district of downtown Los Angeles. Proceeds of the SBA 7(a) loan were used to finance working capital. L to R: Mike Fallon, Michelle Lai, Chef Hiro and Bill Einstein.

FUND PROFILE

ABOUT THE SOLOMON HESS SBA LOAN FUND

Fund Mission:

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



As of December 31, 2019, the SBA Loan Fund had **\$638 million** in total assets and **\$450 million** of equity capital from **127 bank investors**.



Investment Asset Class

Equity: member ownership in a limited liability company



Investment Holdings

Federally guaranteed portion of US SBA 7(a) loans

Federally guaranteed portion of US Department of Agriculture (USDA) loans

SBA 504 loan pools



Target Beneficiaries

Economically distressed and underserved areas and individuals



Geographic Areas Served

United States



Certifications

Community Development Entity,¹

Certified for Impact Management by Aeris Insight

California Organized Investment Network Qualified Investment Fund

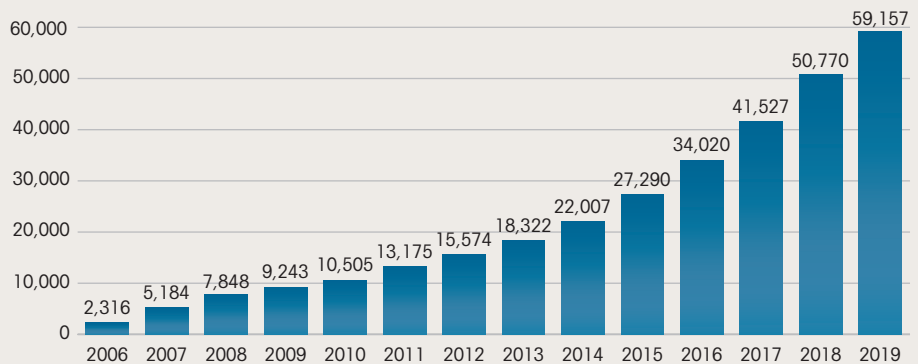
JOB CREATION

Permanent job creation

is key to reducing poverty and promoting economic development in LMI communities. The vast majority (81%²) of the portfolio's small business borrowers are located in LMI or otherwise distressed communities.

SBA Loan Fund Impact on Jobs

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



1. An investment in a CDE receives consideration for community development under the Community Reinvestment Act (CRA). As of December 31, 2019, every SBA Loan Fund investor who applied for CRA consideration earned the expected CRA credit. Past performance is no guarantee of future results. Prospective investors should consult with their respective regulators and counsel prior to investing.

2. As of December 31, 2019

FUND IMPACT

The SBA Loan Fund has been helping clients invest for both return and impact potential since 2004. For financial institutions pursuing CRA credit, we target capital toward investments that meet CRA requirements, centering around job creation/retention in LMI communities. For other qualified investors, we identify small business loans that align with their impact areas of interest.

INVESTING FOR IMPACT

Much of our impact investing can be viewed through the framework of the United Nations' 17 Sustainable Development Goals³ (SDGs). Below is a sampling of the UN SDGs represented by the community-based small business borrowers of the loans in our portfolio as of December 31, 2019:



GOAL #1

NO POVERTY

through supporting small businesses that donate revenue proceeds to provide resources and opportunities to the impoverished



GOAL #2

ZERO HUNGER

through supporting small farms and farm supply businesses in rural areas



GOAL #3

GOOD HEALTH AND WELL-BEING

through supporting businesses that provide health and recreation services for the underserved, persons with disabilities, seniors and children



GOAL #4

QUALITY EDUCATION

through supporting businesses that focus on the education of children



GOAL #5

GENDER EQUALITY

through supporting women-owned businesses



GOAL #8

DECENT WORK AND ECONOMIC GROWTH

through supporting new businesses that create permanent jobs and through supporting businesses that provide adult education and workforce training



GOAL #9

INDUSTRY, INNOVATION AND INFRASTRUCTURE

through supporting businesses that are engaged in infrastructure design and development



GOAL #10

REDUCED INEQUALITIES

through supporting minority-owned businesses and Veteran-owned businesses



GOAL #11

SUSTAINABLE CITIES AND COMMUNITIES

through supporting environmentally friendly recycling and waste management businesses



GOAL #12

RESPONSIBLE CONSUMPTION AND PRODUCTION

through supporting businesses committed to environmentally sustainable processes and procedures



GOAL #14

LIFE BELOW WATER

through supporting businesses that practice sustainable use of marine resources

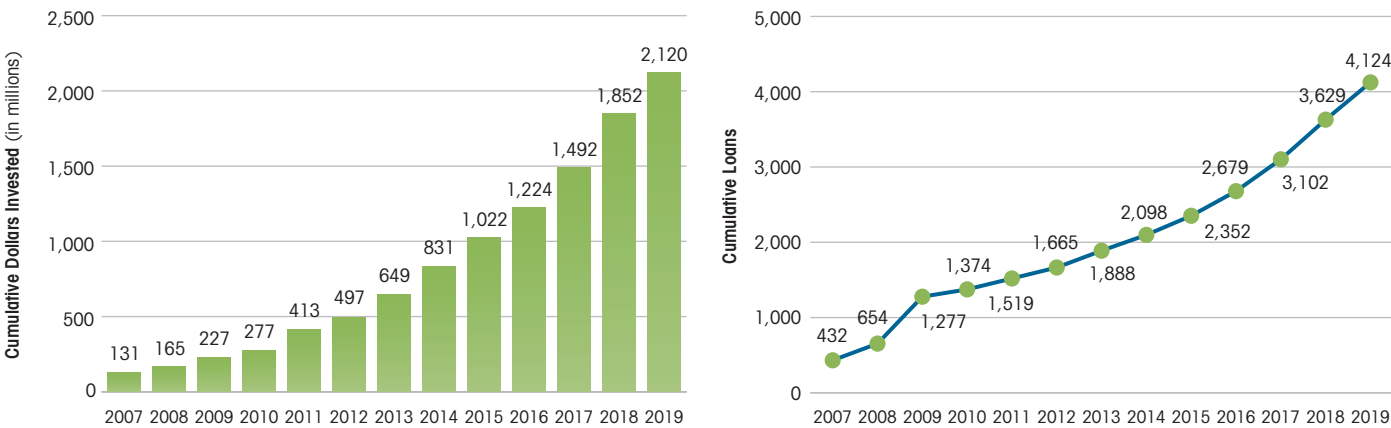
3. In 2015, the United Nations adopted a set of 17 goals to end poverty, protect the planet, and ensure prosperity for all, as part of a new sustainable development agenda. Each goal has specific targets to be achieved by 2030. For a complete list of the goals and specific targets, visit the United Nations' website, un.org.

LOAN FUNDING

During 2019, equity and assets under management in the SBA Loan Fund increased by **11%** and **8%**, respectively. This growth meant the Fund was able to invest in **495 small business loans** this year.

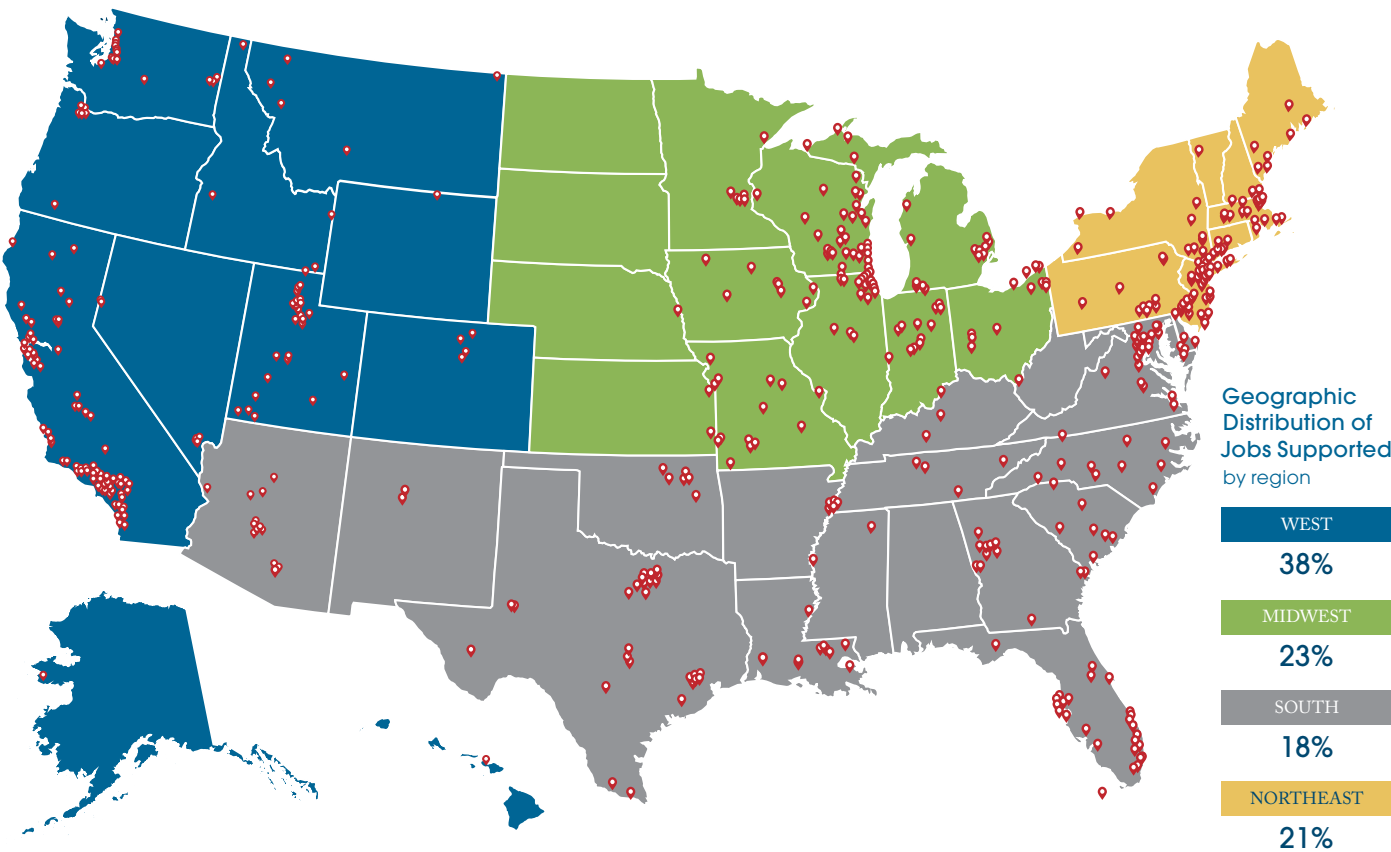
SBA Loan Fund Growth

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



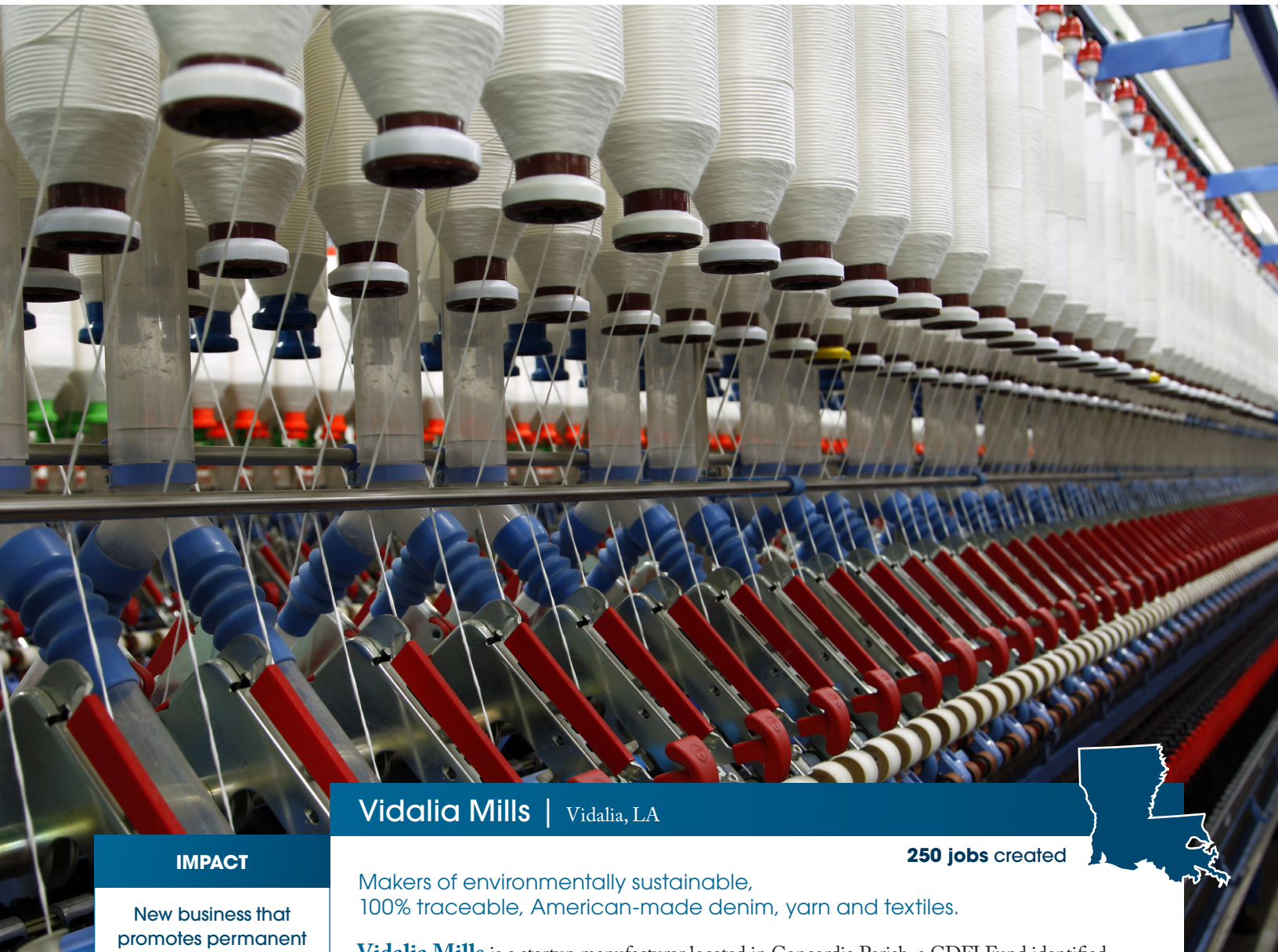
GEOGRAPHIC DISTRIBUTION OF LOANS

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



LOAN PROFILES

The following pages include a sampling of the Solomon Hess SBA Loan Fund portfolio holdings that represent the Fund and the impact the loans have on their respective communities.



Vidalia Mills | Vidalia, LA

250 jobs created



IMPACT

New business that promotes permanent job creation

Follows environmentally sustainable manufacturing processes

Located in an economically distressed census tract

Makers of environmentally sustainable, 100% traceable, American-made denim, yarn and textiles.

Vidalia Mills is a startup manufacturer located in Concordia Parish, a CDFI Fund identified Persistent Poverty County in a rural community with high unemployment. The company sources its cotton from local farmers who are compliant with the E3 Sustainable Cotton program. Its efficient equipment will make Vidalia Mills cleaner and more efficient than virtually all existing textile mills in the United States. Vidalia Mills intends to employ 600 people once fully operational.

UN Sustainable Development Goals





Brightspots Behavior and Learning | LaFayette, LA

33 jobs created and/or retained

Clinic-based autism therapy services provider for families.

Brightspots Behavior and Learning specializes in Applied Behavior Analysis (ABA) therapy to provide a safe environment for its clients, mainly children, with naturally occurring opportunities for learning and socialization during the day. Programs include pre-school and school readiness, parent training and social groups. The company works with a variety of funding sources with the goal of being able to serve as many families as possible.

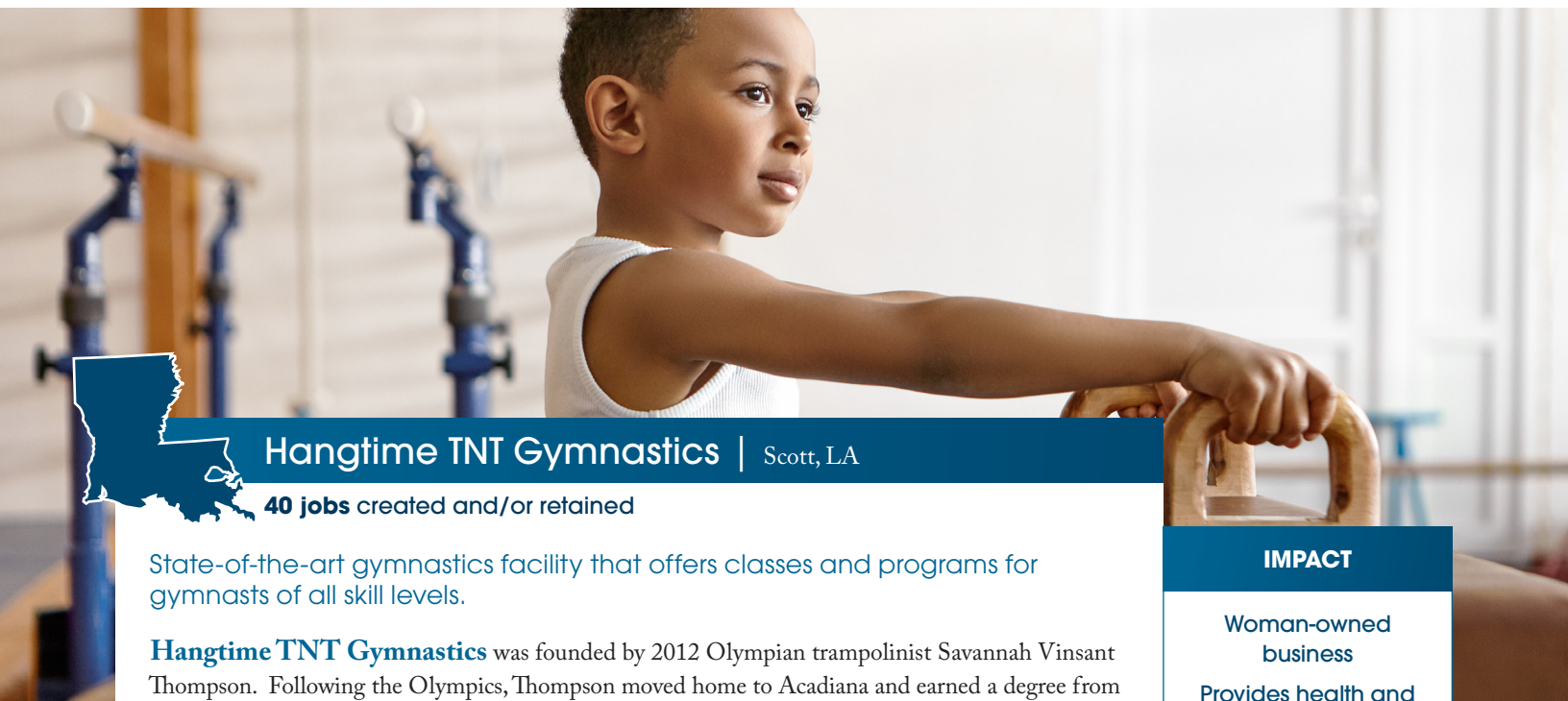
IMPACT

Woman-owned business

Provides healthcare needs of the underserved

Located in an economically distressed census tract

UN Sustainable Development Goals



Hangtime TNT Gymnastics | Scott, LA

40 jobs created and/or retained

State-of-the-art gymnastics facility that offers classes and programs for gymnasts of all skill levels.

Hangtime TNT Gymnastics was founded by 2012 Olympian trampolinist Savannah Vinsant Thompson. Following the Olympics, Thompson moved home to Acadiana and earned a degree from South Louisiana Community College. She opened Hangtime TNT Gymnastics in May 2016.

UN Sustainable Development Goals



IMPACT

Woman-owned business

Provides health and well-being activities for the community

Located in an economically distressed census tract



Servitek Solutions | City of Industry, CA

28 jobs created and/or retained

Certified Service Disabled Veteran Owned Small Business (SDVOSB) that provides engineering and electrical services to local, state and federal government entities.

Servitek Solutions is a full-service electrical contractor that specializes in transportation public works projects throughout Southern California. Geoff Reyes founded Servitek Solutions in 2008 in the spare bedroom of his home as a part-time venture. Since then, the company has grown to employ over 45 individuals and completed several large-scale projects. Reyes served in the U.S. Navy from 1996 to 2000 as an aircraft electrician and was deployed on Operation Desert Shield in Iraq.

IMPACT

Disabled veteran-owned business

Minority-owned business

Located in low-income census tracts

UN Sustainable Development Goals





Laurus College | Santa Barbara, CA

100 jobs created and/or retained

Post-secondary career school that operates four locations in California, two in low-income census tracts.

Laurus College provides career-focused courses to help students earn Occupational Associate Degrees. The Laurus model is designed to give its students, many of whom are working adults with families and full-time jobs, more flexibility to further their education.

UN Sustainable
Development
Goals



IMPACT

Provides services
to further human
capital development

Located in low-
income census tracts

Harney Sushi | San Diego, CA

35 jobs created and/or retained

Full-service Japanese restaurant that pioneered sustainable sushi in San Diego.

Harney Sushi was the first restaurant to offer sustainable sushi in San Diego and create awareness about sustainable solutions to environmental concerns. The restaurant does not serve fish that are endangered. When farmed fish is used, Harney Sushi only supports operations that can be maintained without harming the ecosystem where the farming is being done.

IMPACT

Supports
environmental
sustainability

Located in a
moderate-
income area

UN Sustainable
Development
Goals





Jeb Foods | Union, NJ

4 jobs created and/or retained

IMPACT

- Woman co-owned business
- Minority-owned business
- Supports women and girls
- Supports food production in Africa
- Located in a moderate-income area

Online specialty food importer of African food products for retail groceries, restaurants and consumers.

Jeb Foods founder Joy Ero grew up in the mid-western part of Nigeria. She established Jeb Foods with the goal of providing fresh, naturally grown foods that are often hard to find in American grocery stores. The business donates 10% of its profits to Save All Africa Kids (SAAK), a 501 (c)(3) non-profit organization that serves women and orphaned children in Africa by providing clothing, medical supplies and food. SAAK also offers skills training and employment to local women.

UN Sustainable Development Goals



Senior Care and Activities Center | Montclair, NJ

51 jobs created and/or retained

A non-profit organization that provides life enriching, affordable day health care services to meet the needs of senior participants and their caregivers.


Senior Care and Activities Center is an adult medical day care center staffed with Registered Nurses, social workers, activities directors and certified kitchen assistants who assist and monitor each member's health, activities and nutrition. For the caregivers, the facility provides counseling and support services.

UN Sustainable Development Goals



IMPACT

- Provides care for seniors and their caretakers
- Meets healthcare needs of the community
- Located in a moderate-income area



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.

Gino Heilizer, founding partner of Solomon Hess Capital Management, died from complications of lung cancer on April 19, 2019. "The continued success of the company is a true testament to Gino's intellect, creative thinking and dedication to service," said Bill Einstein. "We work daily to honor his legacy and to continue to adhere to the mission of the Fund that he and I established 15 years ago."

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 \$760 million in assets under management (as of 12/31/19). 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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