



# 2020

## IMPACT REPORT

Solomon Hess SBA Loan Fund

## YEAR IN REVIEW

### Dear Investors,

In a challenging year unlike any other, we at Solomon Hess are so grateful that we have such engaged and patient capital partners in the way of you all, our investors in the [SBA Loan Fund](#). Your support has enabled us to be steadfast in our focus to protect investor capital by adhering to the investment mandate of the Fund and carry out the Fund's community development mission in a manner consistent with providing targeted Community Development and Community Reinvestment Act ("CRA") benefits.

We are pleased to present the SBA Loan Fund 2020 Impact Report, now in its fifth year, where quantitative metrics and loan profile stories are used to highlight the impact of your investments. Since inception in 2004, the SBA Loan Fund has invested more than \$2.3 billion to fund over 4,300 small business loans that supported the creation and/or retention of over 64,000 jobs nationwide. This year, the Fund was able to acquire over 200 small business loans which supported over 5,000 jobs throughout our investor communities. This impact has even more meaning given the importance of supporting small businesses located in economically distressed communities and the mission-driven lenders and community banks that lend to them.

Looking forward, we remain dedicated to the SBA Loan Fund's investment strategy of providing liquidity to Small Business Administration (SBA) 7(a) loan originators while at the same time providing our investors with customizable targeted investments through a high credit quality asset with competitive risk-adjusted returns. We have committed to strengthening our relationships with lenders whose missions align with that of the Fund, particularly Community Development Financial Institutions ("CDFI"s) devoted to serving low-income, low-wealth and other disadvantaged individuals and communities.

*With our thanks and best regards,*

**The Solomon Hess Team**



Small businesses, which account for about 48% of total employment in America, are among the hardest hit financially by the COVID-19 pandemic disruption. Michelle Lai in front of a small business in Alexandria, Virginia, that is open for take-out services only.



## FUND PROFILE

### ABOUT SOLOMON HESS SBA LOAN FUND

#### Fund Mission

To promote permanent job creation, retention, and/or improvement in LMI areas or of 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.

#### 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, as certified by the Community Development Financial Institutions (CDFI) Fund
- Certified for Impact Management by Aeris Insight
- California Organized Investment Network Qualified Investment Fund



As of December 31, 2020, the SBA Loan Fund had **\$649 million** in assets and capital from **128 bank investors**.

**In 2004, William Einstein and Gino Heilizer** formed Solomon Hess with a mission to provide investors access to investment in small business loans made under the SBA 7(a) program.

#### 2004

- Loan Fund founded in December with 3 investors and \$3.5 million in assets

#### 2005

- Certified as a Community Development Entity by the US Department of Treasury

#### 2007

- Surpassed \$100 million in assets

#### 2009

- Received \$50 million New Markets Tax Credit allocation from the US Department of Treasury

#### 2010

- 10,000 jobs supported

#### 2012

- Solomon Hess is registered with the SEC as an Investment Advisor

#### 2014

- 20,000 jobs supported

#### 2015

- \$1 billion invested

#### 2016

- 100 CRA-motivated bank investors
- Certified as a California Organized Investment Network (COIN) Qualified Investment Fund

#### 2017

- Surpassed \$500 million in assets

#### 2018

- Rated Aaa-bf by Moodys Investors Services for high credit quality of assets
- Launched impact-theme investment options

#### 2019

- Certified by AERIS Insight for Impact Management Practices
- \$2 billion invested

#### 2020

- Surpassed 60,000 jobs

## 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

Permanent job creation is key to reducing poverty and promoting economic development in LMI communities. As of December 31, 2020, the Fund had supported 64,331 jobs created and/or retained since inception. The vast majority (80%) of the portfolio's small business borrowers are located in LMI or otherwise distressed communities.

Much of our impact investing can be viewed through the framework of the United Nations' 17 Sustainable Development Goals<sup>1</sup> (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, 2020:



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

1. 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](http://un.org).

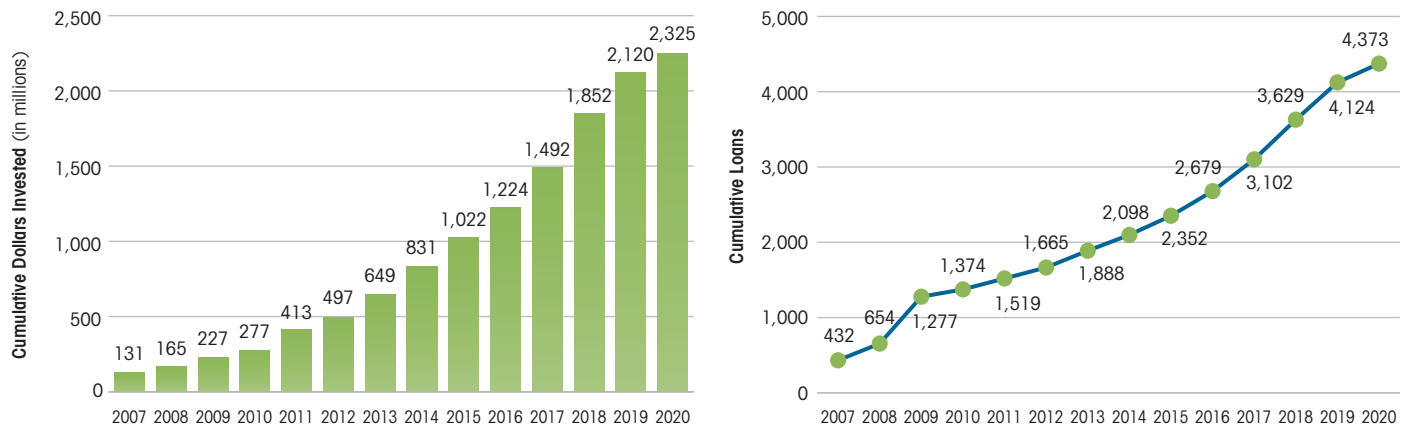


## LOAN FUNDING

During 2020, equity and assets under management in the SBA Loan Fund increased by **8%** and **2%**, respectively. This growth meant the Fund was able to invest in **200 small business loans** this year.

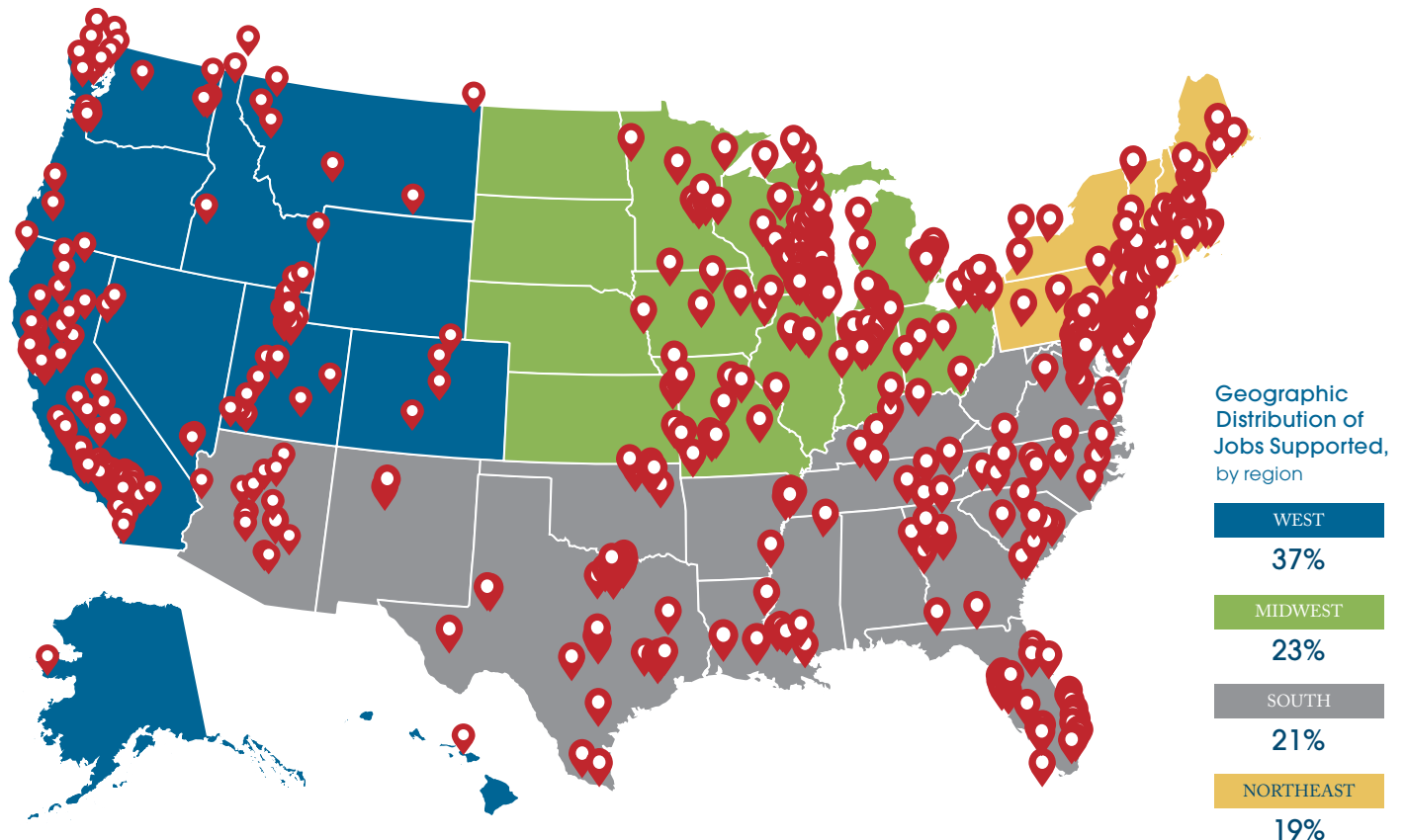
### SBA Loan Fund Growth

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 and the impact the loans have on their respective communities.



## Dioji K-9 Resort | Ventura, CA



### IMPACT

Woman-owned business

Located in a Moderate Income census tract and a CDFI Fund Qualified Investment census tract

New business that promotes economic development

**100 jobs** created and/or retained

Soon to open full service canine care facility that will offer cage-free boarding.

**Dioji K-9 Resorts & Athletic Club** is a provider of cage-free dog care and dog boarding services. The business was established in 2007 and operates three locations. The location in Ventura is set to open in 2021.



Originated by **California Statewide Community Development Company**, a non-profit lender that supports economic development.

UN Sustainable Development Goals







## Mr. East Kitchen | San Francisco, CA

**17 jobs** created and/or retained

Full service restaurant that serves Vietnamese-inspired dishes in downtown San Francisco.

**Mr. East Kitchen** opened in August 2018 and has an eclectic menu with classic Vietnamese dishes with a modern twist.

### IMPACT

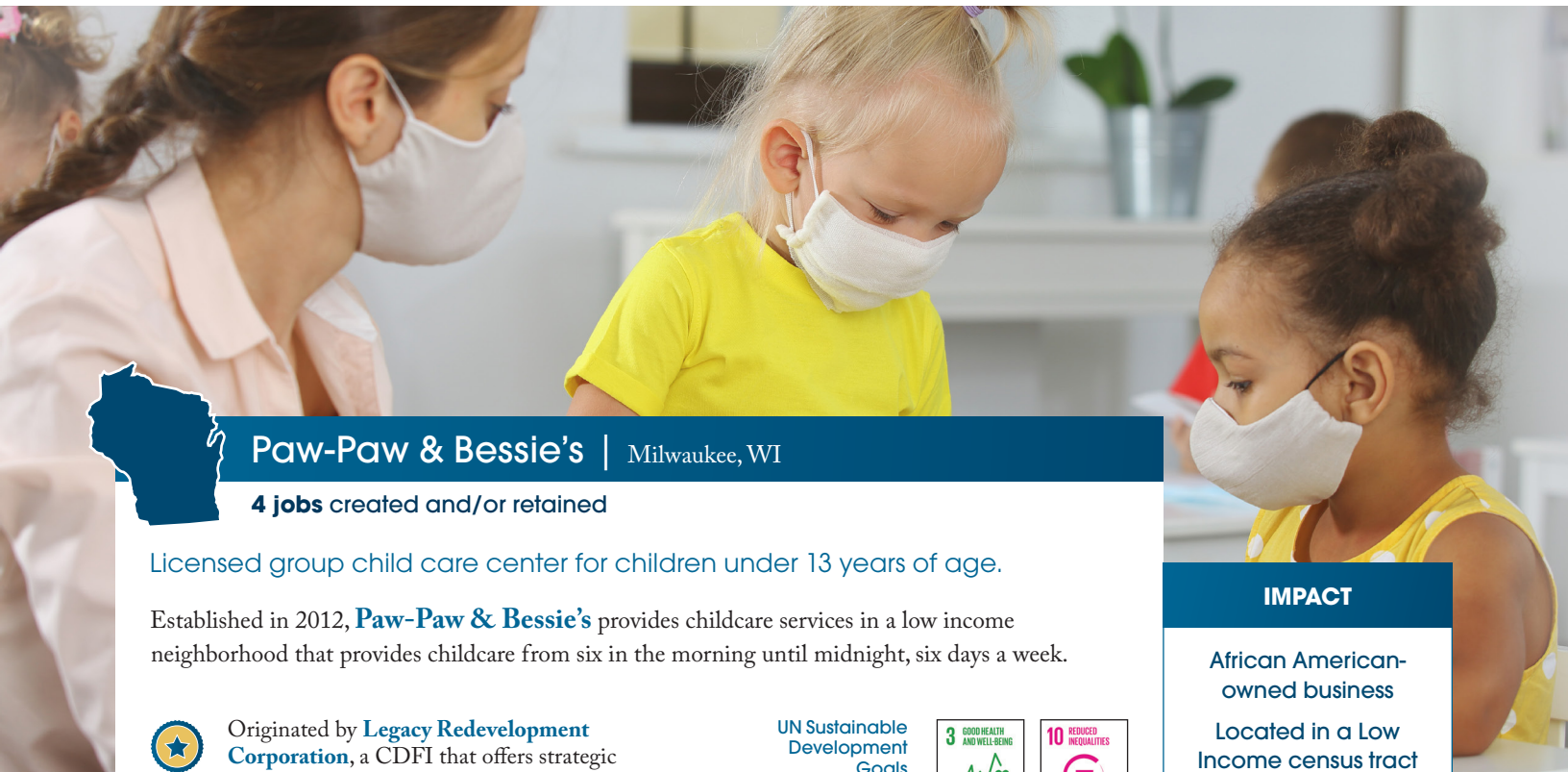
Asian-owned business

Located in a  
Moderate Income  
census tract



Originated by **Main Street Launch**, a nonprofit lender with a mission to empower small business owners to succeed, transforming their lives and helping their communities thrive.

UN Sustainable  
Development  
Goals



## Paw-Paw & Bessie's | Milwaukee, WI

**4 jobs** created and/or retained

Licensed group child care center for children under 13 years of age.

Established in 2012, **Paw-Paw & Bessie's** provides childcare services in a low income neighborhood that provides childcare from six in the morning until midnight, six days a week.



Originated by **Legacy Redevelopment Corporation**, a CDFI that offers strategic lending solutions to small businesses and nonprofits with the goal to improve Milwaukee's distressed neighborhoods.

UN Sustainable  
Development  
Goals

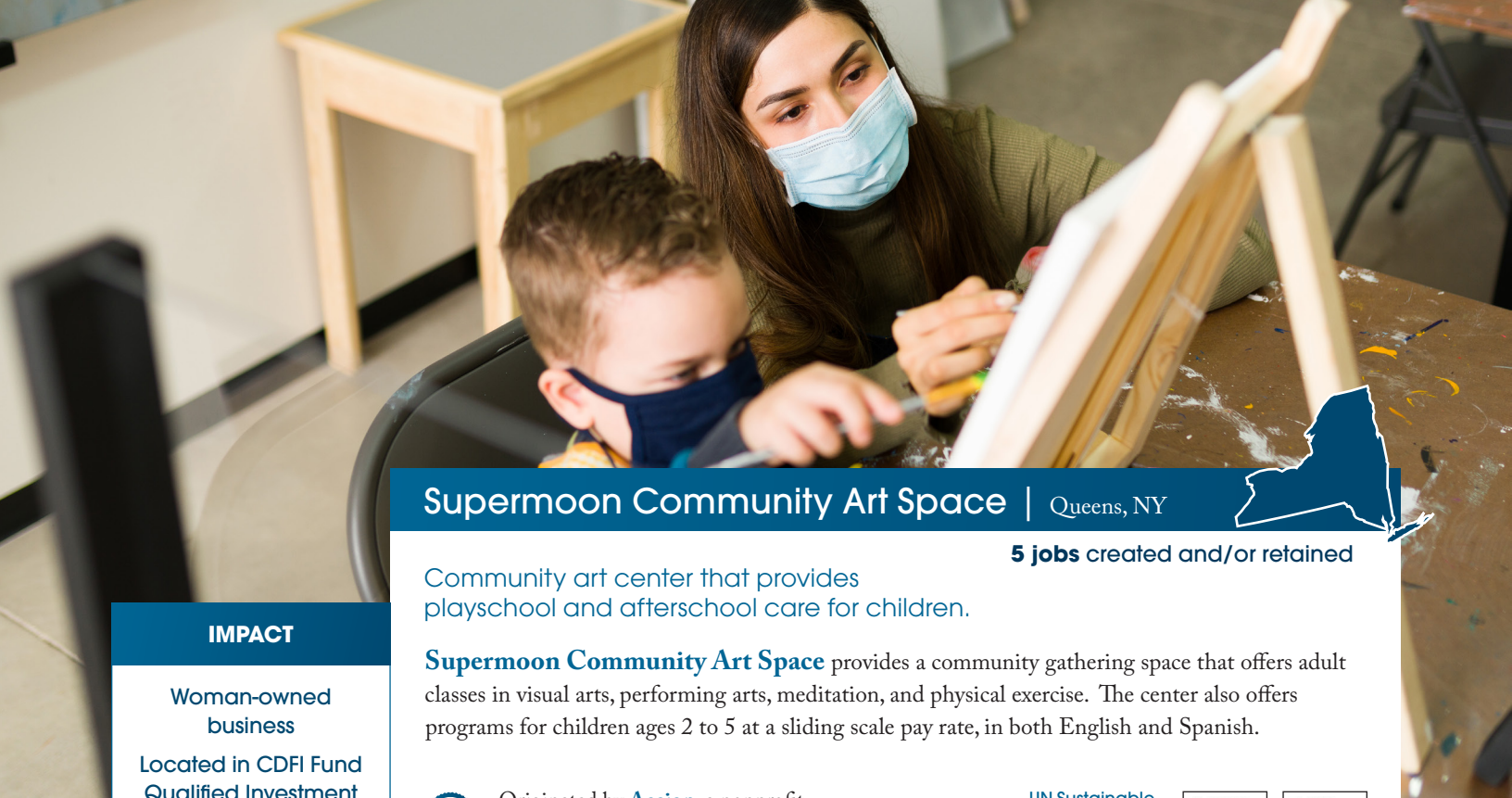


### IMPACT

African American-  
owned business

Located in a Low  
Income census tract  
and a CDFI Fund  
Qualified Investment  
census tract





## Supermoon Community Art Space | Queens, NY



**5 jobs** created and/or retained

Community art center that provides playschool and afterschool care for children.

**Supermoon Community Art Space** provides a community gathering space that offers adult classes in visual arts, performing arts, meditation, and physical exercise. The center also offers programs for children ages 2 to 5 at a sliding scale pay rate, in both English and Spanish.

### IMPACT

Woman-owned business

Located in CDFI Fund Qualified Investment census tract and CDFI Fund Qualified Low Income Community



Originated by **Accion**, a nonprofit microfinance organization that specializes in working with small business owners who need more flexible terms than found at a bank.

UN Sustainable Development Goals



## Vida Natural Baking Company | Santa Barbara, CA

**4 jobs** created and/or retained

Wholesale food manufacturer that produces hand-crafted Brazilian snacks.

**Vida Natural Baking Company's** products can be found at local markets and natural food stores in Santa Barbara County, Ventura, and Ojai. The company is owned and operated by a minority woman who immigrated to the United States from Brazil.



Originated by **CDC Small Business Finance Corporation**, a nonprofit lender that offers a variety of low-interest financing to support the growth of small businesses.

UN Sustainable Development Goals



### IMPACT

Woman-owned business

Hispanic-owned business

Located in CDFI Fund Qualified Investment census tract





**Stage Center** | Summit, OH

**3 jobs** created and/or retained

Retailer of dancewear, shoes and accessories for all degrees of performance.

**Stage Center** was established in 1979 and retails a wide selection of dancewear, shoes and accessories for all genres of dance and theater.



Originated by **Growth Capital Corporation**, a nonprofit loan provider that fosters economic growth and job creation in Ohio.

UN Sustainable  
Development  
Goals



**IMPACT**

Located in a Low  
Income census tract  
and a CDFI Fund  
Qualified Investment  
census tract



**Emanuel's Chapel Funeral Home** | Cook, IL

**2 jobs** created and/or retained

Full-service funeral home with the mission of providing families with social support with kindness.

**Emanuel's Chapel Funeral Home** serves the Gage Park, New City and Englewood communities with a full range of bereavement and emotional support services at affordable prices. The business was established in 1991 by Emanuel Jones, who began working in funeral services as a high school student.



Originated by **Community Reinvestment Fund Small Business Loan Company**, a nonprofit lender that offers sustainable financing solutions for business owners that are poised for positive community impact.

UN Sustainable  
Development  
Goals



**IMPACT**

African American-  
owned business  
Located in a Low  
Income census tract  
and a CDFI Fund  
Qualified Investment  
census tract

## OUR TEAM

We are proud of our team, who provided seamless and uninterrupted service to our investors despite the challenges this year. Together, we have over 100 years of financial services industry experience.

### LEADERSHIP



**BILL EINSTEIN**

*Founding Partner,  
Chief Financial Officer,  
Chief Compliance Officer*

- 45+ years' experience
- Former President of Meridian Capital Investments, Inc.
- Former Vice President at Fannie Mae and Host Marriott
- BA from College of William & Mary



**MIKE FALLON**

*Partner,  
Chief Investment Officer*

- 13+ years' experience
- Former Institutional Sales at Bank of America Merrill Lynch
- Officer in the U.S. Marine Corps
- MBA from Darden School of Business, UVA

### PORTFOLIO MANAGEMENT



**ISAAC FRADIN**

*Senior Associate*

- 7+ years' experience
- BS from George Mason University
- MBA Candidate from McDonough School of Business, Georgetown University



**SALVADOR HUTIRA**

*Associate*

- 4+ years' experience
- BS from the Wharton School, University of Pennsylvania

### CLIENT SERVICES & CRA REPORTING



**MICHELLE LAI**

*Senior Vice President*

- 14+ years' experience
- Former Senior Associate at Oliver Wyman and Associate at AT Kearney
- MBA from Sloan School of Management, MIT

### OPERATIONS



**CATHERINE MATHEW**

*Senior Vice President*

- 14+ years' experience
- MA from George Mason University



**RICH FRANCHINI**

*Manager, Financial  
Accounting and Reporting*

- 8+ years' experience
- Former Senior Associate at US Bancorp
- BS from The College of New Jersey




**MARY TUCKER**

*Operations Associate*

- 2+ years' experience
- Former Asset Transfer Service Specialist at Merrill Lynch
- BBA from Valdosta State University





The firm was named after Solomon Hess, founding partner Gino Heilizer's grandfather. Mr. Hess owned a small garment factory in Berlin, which provided employment to men and women. The factory was confiscated by the Nazis in 1938, after which Mr. Hess and his daughter, Gino's mother, escaped to Holland, where they spent the war years in hiding. They were able to emigrate to the United States in 1947. Bill and Gino named the company in Mr. Hess's honor as his entrepreneurial spirit and perseverance are the inspiration behind our drive to support the small business sector.

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 16 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 \$740 million in assets under management (as of 12/31/20). 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](http://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 Fund, 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 Fund 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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