



Solomon Hess SBA Loan Fund

# 2023 IMPACT REPORT

SOLOMON HESS  
Capital  
Management



ABOUT US

Dear Investors,

We are thankful for your continued investment in the Solomon Hess SBA Loan Fund (SBA Loan Fund) in support of community development within the small business sector. Small businesses form the backbone of the American economy and employ 61.7 million Americans nationwide, accounting for 46 per cent of private sector employees.\* Although the economy in 2023 was marked by robust consumer spending buoyed by government expenditures, small business owners faced pressures on profit margins owing to high inflation and increased costs. Access to affordable capital continued to be a challenge, especially for underserved borrower sectors. The SBA Loan Fund is proud to have partnered with investor banks to create greater financial liquidity and a lower cost of capital within the SBA 7(a) secondary market in support of promoting permanent job creation, retention, and/or improvement in low- to moderate-income (LMI) or otherwise economically distressed communities.

We are pleased to present the SBA Loan Fund 2023 Impact Report, now in its eighth 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 \$3.1 billion to fund over 5,200 small business loans that supported the creation and/or retention of over 76,000 jobs nationwide.

Looking forward, we remain committed to working with our investors to meet their investment goals and support small business growth in what continues to be a challenging economic environment. Our focus in the niche market of the SBA 7(a) secondary market for the last 19 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 to work collaboratively with you and are deeply appreciative of your partnership.

*With our thanks and best regards,*

The Solomon Hess Team



\*Source: the Small Business Administration Office of Advocacy.

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, certified by the Community Development Financial Institutions Fund since December 2005

Certified for Impact Management by Aeris Insight in December 2018

We are proud of our team, who are dedicated to the Fund’s mission and providing our investors with the best in class service. Together, we have over 125 years of financial services industry experience.



**Bill Einstein** is a founding partner of Solomon Hess Capital Management and serves as its Chief Financial Officer and Chief Compliance Officer.



**Mike Fallon** is a partner and Chief Investment Officer at Solomon Hess Capital Management.

PORTFOLIO MANAGEMENT



**ISAAC FRADIN**  
*Senior Associate,  
Portfolio Management*



**SALVADOR HUTIRA**  
*Analyst,  
Portfolio Management*

OPERATIONS



**CATHERINE MATHEW**  
*Senior Vice President*



**RICH FRANCHINI**  
*Manager, Financial  
Accounting and Reporting*

CLIENT SERVICES & CRA REPORTING







**MICHELLE LAI**  
*Senior Vice President*

FUND IMPACT

The SBA Loan Fund has been helping clients invest for both return and impact potential since 2004. We are intentional about investing for positive community impact and tracking the results.

Community and Economic Development Impact

It has been proven that the underserved segments of the population and low- and moderate-income neighborhoods are disproportionately impacted by the negative effects of economic disruptions and high inflation in the United States.

 <div><b>MINORITY</b> OWNED BUSINESS</div>	<b>\$89 million</b> Total loan balance	<b>3,161</b> Jobs Supported	<b>215</b> Total Loans	<b>159</b> In LMI or Distressed Tracts	<b>16</b> New Businesses
 <div><b>WOMAN</b> OWNED BUSINESS</div>	<b>\$124 million</b> Total loan balance	<b>4,851</b> Jobs Supported	<b>292</b> Total Loans	<b>196</b> In LMI or Distressed Tracts	<b>30</b> New Businesses
 <div><b>VETERAN</b> OWNED BUSINESS</div>	<b>\$10 million</b> Total loan balance	<b>228</b> Jobs Supported	<b>21</b> Total Loans	<b>16</b> In LMI or Distressed Tracts	<b>1</b> New Businesses
 <div><b>MISSION-DRIVEN</b> LENDER ORIGINATED</div>	<b>\$13 million</b> Total loan balance	<b>1,037</b> Jobs Supported	<b>95</b> Total Loans	<b>55</b> In LMI or Distressed Tracts	<b>1</b> New Businesses

Impact Metrics as of December 31, 2023. Loan characteristics are not mutually exclusive.



As of December 31, 2023, the SBA Loan Fund had **\$826 million** in assets and capital from **127 bank investors**.

Community Development Entity

A Community Development Entity (CDE) is a domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments, or financial counseling in Low-Income Communities (LICs).

To become certified as a CDE by the Community Development Financial Institutions (CDFI) Fund, an organization must:



Demonstrate a primary mission of serving, or providing investment capital for LICs or low-income persons and target at least 60% of activities to these groups, and



Maintain accountability to residents of its targeted LICs through their representation on an advisory board to the CDE.

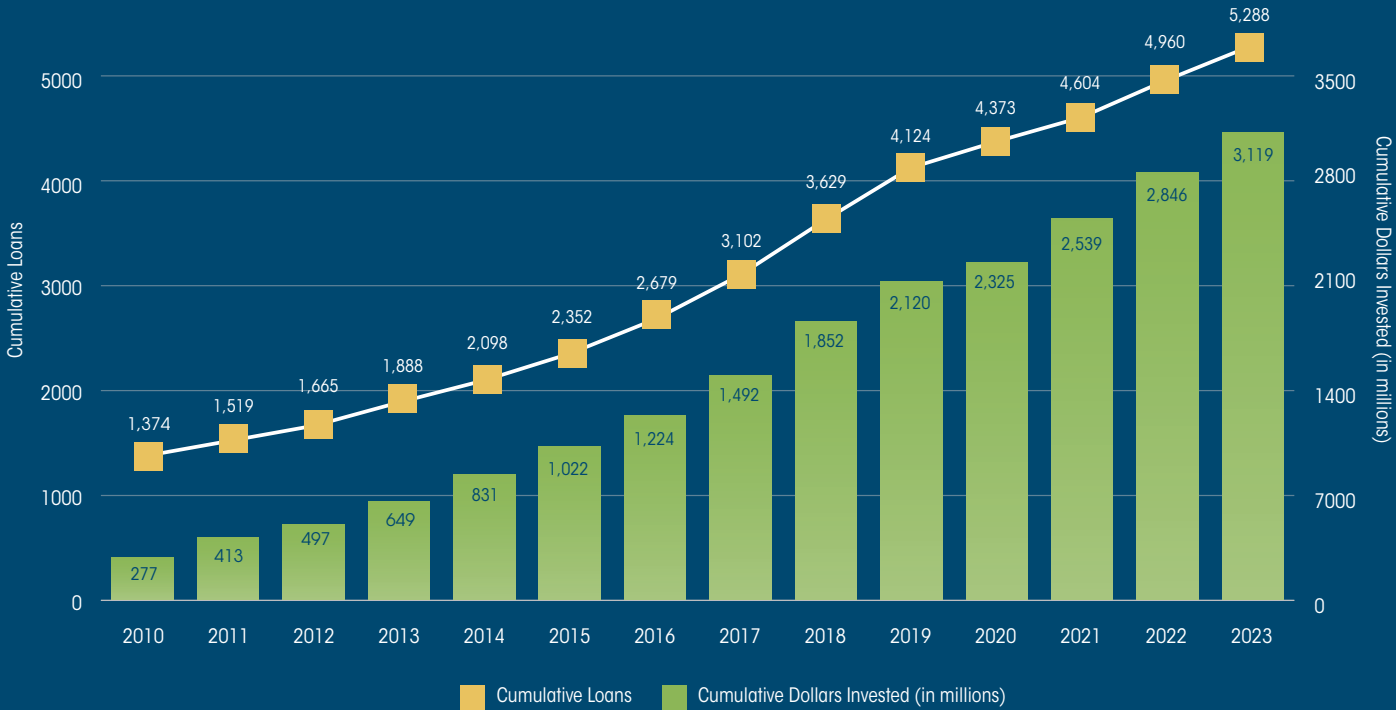
Solomon Hess SBA Loan Fund was certified as a CDE by the CDFI Fund on July 25, 2005, with accountability to LICs nationwide. The Fund is intentional about investment decisions which are driven in a large part by its commitment to maintaining its status as a CDE.

LOAN FUNDING

During 2023, equity and assets under management in the SBA Loan Fund increased by 9% and 4%, respectively. This growth meant the Fund was able to invest in over **300 small business loans** this year.

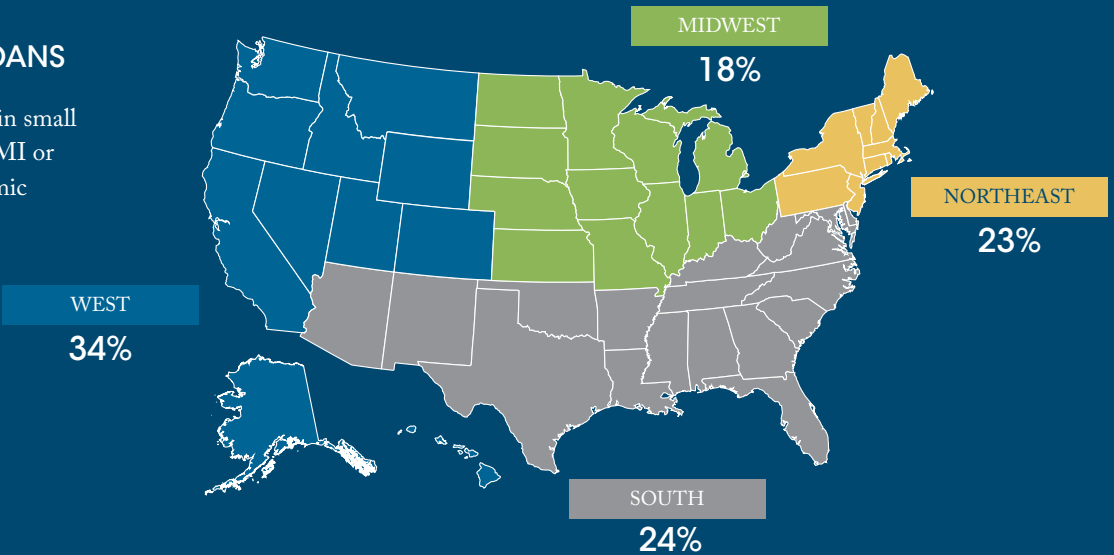
SBA Loan Fund Growth

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 acquisitions with impact stories.

Madison Chocolate Company

Chocolate shop and gluten-free bakery that is a community hub and neighborhood anchor for the local business community.



24 jobs created and/or retained



**Location**

Dane, Wisconsin

**Loan**

Equipment

**Community Development Impact**

The borrower is located in a low-income census tract and CDFI Fund Qualified Investment census tract.

**Location**

Dutchess, New York

**Loan**

Equipment

**Community Development Impact**

The borrower is located in a low-income census tract that is a CDFI Fund Qualified Investment census tract. This loan was originated by mission-driven lender Empire Community Development Corporation.



Hair on Hudson Academy

Accredited cosmetology school that is complemented by a salon studio, providing students with the opportunity to apply classroom learning with hands-on training.



6 jobs created and/or retained






**Making Scents**  
Wholesale manufacturer of natural spa products including body scrubs, lotions, lip balms, massage oils, and candles.

**Location**  
Lancaster, Pennsylvania

**Loan**  
Working capital

**Community Development Impact**  
The borrower is a Certified B Corporation that is located in a moderate-income census tract and a CDFI Fund Qualified Investment census tract. This loan was originated by mission-driven lender Community First Fund.

9 jobs created and/or retained





LOAN PROFILES



El Centario

Family-owned and operated full-service restaurant that serves authentic Mexican cuisine.

20 jobs created and/or retained



Location

Essex, New Jersey

Loan

Property

Community Development Impact

The borrower is located in a moderate-income census tract and a CDFI Fund Qualified Investment census tract.

Location

Brooklyn, New York

Loan

Equipment finance

Community Development Impact

The borrower is located in a moderate-income census tract and a CDFI Fund Qualified Investment census tract. This loan was originated by mission-driven lender Empire State Community Development.

Brooklyn Greens

Indoor golf recreation center that provides instruction for golfers at all stages of learning.

4 jobs created and/or retained



Location

Arlington, Virginia

Loan

Equipment finance

Community Development Impact

The borrower is located in a moderate-income census tract and a CDFI Fund Qualified Investment census tract. This is also a new business that promotes permanent job creation and retention.

Mims & McCree

Limited service restaurant that specializes in lobster rolls and fresh seafood delicacies.



15 jobs created and/or retained



Utepils Brewing Co

Family-owned brewery that features a unique beer garden and tap room on the banks of Basset Creek.

57 jobs created and/or retained



Location

Minneapolis, Minnesota

Loan

Equipment finance

Community Development Impact

The borrower is located in a low-income census tract and a CDFI Fund Qualified Investment census tract.



LOAN PROFILES



Cornerstone Healthcare System

Home health care service that offers customized home care programs to ensure health, wellness and continuous recovery of patients.

7 jobs created and/or retained



Location

Worcester, MA

Loan

Equipment

Community Development Impact

The borrower is located in a moderate-income census tract and a CDFI Fund Qualified Investment census tract.

Location

Sussex, Delaware

Loan

Property finance

Community Development Impact

The borrower is located in a moderate-income census tract that is a CDFI Fund Qualified Investment census tract and is a new business that promotes permanent job creation and/or retention.

BrightBloom Center

Provider of Applied Behavior Analysis therapy to children diagnosed with Autism not only in the clinic but also in the home, school and community.

50 jobs created and/or retained



Location

Gwinnett, GA

Loan

Equipment

Community Development Impact

The borrower is located in a moderate-income census tract that is a CDFI Fund Qualified Investment census tract.

JS Kitchen

Korean banchan restaurant that specializes in customized boxed lunches and dinners with food just like grandma used to make.

8 jobs created and/or retained



The Blok Climbing Co

Bouldering gym focused on providing challenging and rewarding problems for climbers of all skill levels and styles.

4 jobs created and/or retained



Location

Tarrant, TX

Loan

Equipment

Community Development Impact

The borrower is located in a moderate-income census tract that is a CDFI Fund Qualified Investment census tract and is a new business that promotes permanent job creation and/or retention.





**SOLOMON HESS CAPITAL MANAGEMENT** is an alternative asset manager specializing in fixed-income investing. Founded in 2004, Solomon Hess has over \$900 million in assets under management (as of 12/31/23). 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 presented in this report are current and former holdings of the 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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