SOLOMON HESS SBA LOAN FUND LLC

Aeris® Impact Management Assessment

Assessment Date — December 31, 2018

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CERTIFICATION CATEGORY AND DESCRIPTION

CATEGORY I. The Fund has put into practice appropriate policies, practices, systems and leadership expertise to qualify investments aligned with its impact thesis. Investors can be confident their capital will be invested in a manner consistent with the Fund's impact thesis.

ASSESSMENT METHODOLOGY

Aeris evaluates a Fund's quality of operations related to its impact investment management activities along a continuum from origination through exit.

A Fund's Category is determined based on its operating model and scope of activities. Aeris Certification is awarded based on an evaluation of performance meeting quality standards of the applicable Category. Categories are not rankings.

Aeris applies a consistent scope and process to every assessment and addresses the following:

- Corporate and investment policies and practices and portfolio composition relative to the Fund's impact investment thesis.
- Metrics used to qualify investments and to measure and monitor the resulting impact in relation to the impact investment thesis.
- Information collection systems and ways in which data are used to improve impact alignment, management, and results.
- Relevant expertise of leadership, commitment to impact, and consideration of impact sustainability beyond investment exits.

SOLOMON HESS SBA LOAN FUND LLC

Aeris® Impact Management Assessment

Impact Management Assessment
AERIS CERTIFIED

Release Date
AUGUST 2019

Fund name:
Solomon Hess SBA Loan Fund LLC

Impact management assessment:
Aeris Certified, Category I

Assessment Date:
December 31, 2018

Fund Manager:
Solomon Hess SBA Management LLC

Parent or affiliated organization:
Solomon Hess LLC, d/b/a Solomon Hess Capital Management
Solomon Hess NMTC I LLC
Solomon Hess NMTC II LLC
Solomon Hess NMTC III LLC
Solomon Hess NMTC IV LLC
Solomon Hess NMTC V LLC

Fund contact name:
Michelle Go Lai, Investor Relations

Phone number:
(703) 466-0483

E-mail:
mgolai@solomonhess.com

Website:
www.solomonhess.com

Analyst name:
Mary White Vasys

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INTRODUCTION

Impact Overview

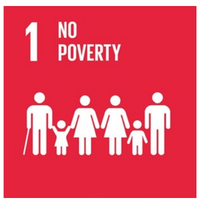
Investment Asset Class(es):

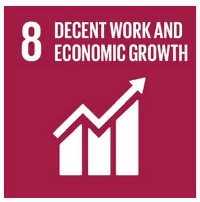
- Equity: member ownership shares in a limited liability company

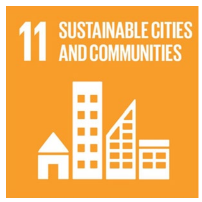
Investment Holdings:

- Federally guaranteed portion of U.S. Small Business Administration (SBA) 7(a) loans
- Federally guaranteed portion of U.S. Department of Agriculture loans
- SBA 504 loan pools

Alignment with United Nations Sustainable Development Goals[1]:







Impact Theme(s):

- Job creation and retention
- Community services
- Business ownership
- Access to capital

Target Beneficiaries:

- Distressed and underserved areas/individuals

Geographic Areas Served:

- United States

Legal Structure

This assessment is for the Solomon Hess SBA Loan Fund LLC but takes into account the related entities as relevant for the Fund's management. All the entities described herein were formed in 2004.

- Solomon Hess SBA Loan Fund LLC (the Fund) is a nonregistered investment company and a Delaware limited liability company (LLC). U.S. Bank N.A. acts as Fund Custodian, and U.S. Bancorp Fund Services LLC is the Fund Administrator. The Fund is a community development entity (CDE), as

[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.

certified by the U.S. Treasury's Community Development Financial Institutions Fund (CDFI Fund),[2] and a California Organized Investment Network qualified investment fund. It is rated Aaa-bf (triple-A bond fund) by Moody's Investor Services.

- Solomon Hess LLC (Solomon Hess) is a Delaware LLC and is wholly owned in equal portions by William E. Einstein, the Anthony J. Heilizer Revocable Trust dated March 12, 2012 (Heilizer Trust), and Michael P. Fallon. It was formed to be the managing member of Solomon Hess SBA Management LLC and employs the management and staff who actively manage the Fund.
- Solomon Hess SBA Management LLC (SBA Management) is a Delaware LLC and a U.S. Securities and Exchange Commission-registered adviser. SBA Management is wholly owned by Solomon Hess LLC. SBA Management manages the Solomon Hess SBA Loan Fund LLC (the Fund), with $591.2 million in total assets, and four other private funds, with a total of more than $770.0 million in assets under management, as of fiscal year-end (FYE) 2018. Solomon Hess and SBA Management are minority investors in some of these funds.

Capital Structure and Business Model

The Fund is an open-ended private fund that offers investors the opportunity to invest primarily in the federally guaranteed portions of SBA 7(a) loans in investor-specified geographical regions, with the intention of enabling the investor to earn Community Reinvestment Act (CRA)[3] credit under the Community Development Lending Test or Investment Test.[4]

The minimum initial capital contribution is $500,000, and additional capital contributions may be made in increments of $250,000; however, Solomon Hess may waive or modify contribution minimums. The Fund provides liquidity for investors on a monthly basis with 30 days' notice. Management reports that redemptions by investors are infrequent and generally result from a merger or acquisition of an investor's institution, which may alter its CRA footprint.

In addition to investor capital, the Fund has debt, mostly borrowings under repurchase agreements with several lenders. This debt does not carry specific CRA-motivated investor requirements and gives the Fund more flexibility to purchase loans that fit with the Fund's impact themes. The Fund packages SBA loans from its portfolio into pooled securities, which it sells under the repurchase agreements with buyback terms ranging generally between overnight and nine months. Repurchase agreement rates are not benchmarked but can be thought of on a Federal Fund-plus basis.

[2] The CDFI Fund is an agency of the U.S. Department of the Treasury, established through the Riegle Community Development and Regulatory Improvement Act of 1994. It promotes economic revitalization in distressed communities throughout the United States by providing financial assistance and information to community development financial institutions (CDFIs). CDFIs have a primary mission of community development, serve a target market, are a financing entity, provide development services, remain accountable to their community, and typically are nonprofit entities. Loan funds, community banks, and credit unions can be CDFIs. CDFIs are located primarily in the United States but also exist in the United Kingdom.

[3] The CRA is a federal law enacted in 1977 to encourage commercial banks and savings associations to help meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods. Federal financial supervisory agencies enforce the statute by regularly examining these institutions for CRA compliance and take this information into consideration when approving applications for new branches or for mergers or acquisitions. An investment in a CDE-certified fund receives consideration as a qualified CRA investment.

[4] Solomon Hess reported that as of FYE 2018, all investors that have sought CRA credit for their participation in the Fund have received the expected credit from their regulator.

In 2009, the Fund received a $50.0 million allocation of New Markets Tax Credit (NMTC)[5] authority, which it deployed in partnership with a large diversified financial institution into four qualifying projects. To facilitate these investments, the Fund established five new subsidiary LLCs that became subsidiary allocatees under an allocation agreement with the CDFI Fund. Four of the five subsidiary LLCs were used to invest in the four qualifying projects. The Fund accounts for the investment in these LLCs on its balance sheet using the equity method. As of FYE 2018, one of the four LLCs was still active.

Investors receive a Preferred Return[6] which is annualized, re-set each quarter, and is net of all expenses and fees, including the management fee. The Fund pays SBA Management an annual management fee equal to 0.60% (60 basis points) of total assets in the Fund; the Fund pays an additional 0.10% (10 basis points) for invested capital that has specific geographic requirements. However, if the Fund does not have enough earnings to pay the Preferred Return, SBA Management will waive all or a portion of the management fee.

As of FYE 2018, the Fund had $591.2 million of total assets and, management reported, 121 investors.

History

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, which focuses on borrowers in distressed communities or that employ low- and moderate-income (LMI) persons.

The firm is named to honor Solomon Hess, Gino Heilizer's grandfather, who owned a small garment factory in Berlin that the Nazis confiscated from him immediately after Kristallnacht. Hess soon fled to Holland where he and his daughter spent the war years in hiding. Hess immigrated to the United States in 1947.

The firm's tagline is "managing good capital well."

[5] The NMTC program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called CDEs.

[6] The Preferred Return is fully described in the operating agreement between the Fund and the Fund Manager. It is a targeted return to an investor which is set by SBA Management at the beginning of each quarter and based on the projected performance of the entire Fund. The Preferred Return will never be set lower than the Prime Rate less 260 basis points.

SUMMARY OF FINANCIAL DATA

Fiscal Year End	AUDIT 12/31/2014	AUDIT 12/31/2015	AUDIT 12/31/2016	AUDIT 12/31/2017	AUDIT 12/31/2018
Capital					
Total Assets	345,645,572	434,321,277	424,081,816	527,677,690	591,236,238
Borrowings	81,954,959	107,768,537	93,244,353	122,189,475	171,859,897
Loan Purchase Commitments	6,726,862	28,908,476	10,856,595	28,001,327	11,111,937
Capital Paid in by Members	247,950,000	287,166,250	306,760,000	364,232,916	393,772,934
Distributable Net Income	8,377,314	9,703,746	12,390,896	12,341,798	13,377,920
Total Net Assets	256,327,314	296,869,996	319,150,896	376,574,714	407,150,854
Investment Returns (a)					
SBA Loan Fund - Annualized Preferred Returns	1.51%	1.26%	1.41%	2.06%	2.56%
Bloomberg Barclays U.S. 3-Month Treasury Bill Index	0.03%	0.03%	0.26%	0.81%	1.85%
Earnings					
Total Investment Income	5,510,611	6,344,900	9,076,023	13,904,854	23,139,873
Management Fees	1,860,943	2,191,312	2,478,946	2,705,464	3,417,486
Distribution & Admin. Fees & Expenses	382,733	418,444	474,411	486,760	530,671
Interest Expense	590,467	806,463	1,066,689	1,651,609	3,950,811
Total Operating Expenses	3,214,187	3,827,298	4,389,564	5,199,106	8,389,505
Net Investment Income from Operations	2,296,424	2,517,602	4,686,459	8,705,748	14,750,368
Total Other Changes in Net Assets	768,129	1,884,933	1,873,708	(2,797,245)	(9,517,210)
Change in Net Assets	3,064,553	4,402,535	6,560,167	5,908,503	5,233,158
Investment Activity					
Total Investment Capital	345,009,135	433,547,009	423,251,844	526,765,516	590,122,688
Total Investments	297,501,084	417,572,499	404,231,083	507,376,276	578,286,080
Management					
Total FTE Staff	6	6	9	10	10
Total FTE Investment Staff	2	2	4	4	3

Note:

(a) Investment returns are for targeted CRA investments, are provided my management and are net of all fees and expenses.

IMPACT MANAGEMENT ASSESSMENT

Impact Investment Thesis and Fund-Level Investment Contribution

Solomon Hess's mission, as stated on its website, is "to provide investors with community and economic-development focused investment solutions that generate both attractive risk-adjusted returns and positive and quantifiable impacts on investors' communities."

The Fund's mission, as stated in its prospectus, is "to promote permanent job creation, retention and improvement in low- or moderate-income ('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 Section 7(a) loan secondary market."

The Fund accomplishes these missions primarily by purchasing the federally guaranteed portion of SBA 7(a) loans in the secondary market from community lenders, including community banks, credit unions, and community development financial institutions (CDFIs). This creates financial liquidity on the balance sheets of these community lenders, providing them capital to make new loans. The SBA 7(a) program and the secondary market for its loans are critical components of the financial system that supports small business lending in the United States.

Certification Category and Assessment Summary

Aeris Certified, Category I: The Fund has implemented appropriate policies, practices, systems, and leadership expertise to qualify investments aligned with its impact thesis. Investors can be confident their capital will be invested in a manner consistent with the Fund's impact thesis.

Solomon Hess employs investment practices that are strongly aligned with the Fund's impact thesis to provide its investors both attractive risk-adjusted returns and the quantifiable, targeted community and economic development impact of small business loans. In addition to investor capital, the Fund enhances its ability to create liquidity in the secondary market for small business loans by using repurchase agreements. This capital can be used flexibly, beyond investors' targeted CRA goals, to invest in loans that meet broader impact goals. In each of the periods reviewed, impact-aligned investments accounted for between 127% and 148% of capital paid in by investors to the Fund.

Management uses a mix of publicly available loan data from the SBA 7(a) program and internal measurement and research tools to qualify the CRA eligibility and impact features of each loan prior to purchase; Solomon Hess uses additional practices to verify loan data post-purchase. The bank regulatory agencies[7] acknowledge that an investment in the Fund is a qualified investment for CRA purposes, evidencing the Fund's strong compliance with CRA regulations. It has detailed processes and systems that track each loan's qualifying impact characteristics, and the Fund's loan portfolio data show continued achievement of investor objectives. Management routinely adjusts its investment practices to improve its effectiveness in achieving the impact priorities of the Fund's investors, which change over time.

In addition to meeting CRA requirements and investor priorities, Solomon Hess has a minimum goal of making 60% of the Fund's investments in CDFI Fund qualified investment census tracts in order to maintain the Fund's status as a Community Development Entity. It has achieved a range of between 64% and 77% of the portfolio during the period examined. An expansion of the Fund's impact screening

[7] The bank regulatory agencies are the Office of the Comptroller of the Currency, the Federal Reserve Board, and the Federal Deposit Insurance Corporation.

and tracking system, to include an additional set of business impact metrics that Solomon Hess is developing to address broader social and environmental objectives, will enable the Fund to further target its loan purchases. The Fund is currently working with a vendor to customize a cloud-based software system to house both financial and qualifying impact data on each loan. This new system, when operational, will enhance the efficiency of reporting to investors.

At this time, post-investment data are not collected or monitored by Solomon Hess for the Fund. This will require developing agreements with the loan servicers of the purchased small business loans or directly with the borrower businesses, as well as further investment in data management systems. Since the Fund only purchases loans and does not make equity investments in small businesses, exit strategies are not relevant to its business model.

Management is deeply committed, long tenured, and has the requisite skills and experience to lead the Fund in alignment with its impact thesis. Staff work collaboratively and productively together in pursuit of the Fund's investment objectives. Management and staff have a shared vision of the impact goals for the Fund, including a desire to expand the Fund's targeted loan purchases beyond the current CRA and regulatory focus. The partners of Solomon Hess LLC have engaged in succession planning that ensures a continued focus on its impact mission.

Management closely monitors the bank regulatory environment for possible changes in CRA regulations and in federal policies related to the SBA program that could affect the Fund's ability to raise capital from its traditional investors. Finally, management is working to position itself with a broader group of impact investors that support its impact investment thesis and are interested in social and environmental objectives beyond CRA requirements.

ASSESSMENT COMPONENTS

Investment Qualification and Portfolio Alignment

Investment Policies and Practices

The Fund pursues its impact thesis by purchasing the guaranteed portion of loans that are located in investors' CRA assessment areas and meet the definitions of qualified CRA investments.[8] Solomon Hess uses a combination of SBA 7(a) eligibility requirements, CRA requirements, and additional investor-driven criteria to achieve its investment goals. Investors can designate specified geographic areas which Solomon Hess refers to as a "target region." Typically, an investor's target region is the same as its CRA assessment area but can be more specific. Target regions may be metropolitan areas, a state, a multistate region, or the entire United States.

Prior to purchase, Solomon Hess screens each loan for 11 "community impact metrics," which relate to the definitions of qualified CRA investments. Although some of these metrics may appear similar, they are distinct based on CRA regulations:

1. Business is in a **low-income** census tract.
2. Business is in a **moderate-income** census tract.
3. Business is in a CDFI Fund qualified investment census tract, which is a geographic area that meets the CDFI Fund's defined criteria for **economic distress**.
4. Business is within the confines of an area **targeted for redevelopment** by federal, state, local, or tribal governments.
5. Business supports **permanent job creation**, retention, and/or improvement for persons who may be currently low or moderate income.
6. Business is in a designated **distressed or underserved non-metropolitan** middle-income geography
7. Business is in a **major disaster area** designated by the federal government.
8. Business is in a CDFI Fund **qualified low-income community**, which is purely defined by income data for a census tract (unlike metric 3, **economic distress**, which includes other requirements).
9. Business is in an **SBA-designated HUBZone**, which encourages economic development in historically underutilized business zones, in line with Congress's efforts to promote economic development and employment growth in distressed areas.
10. Business is adjacent to and provides services to a **low- or moderate-income community**.
11. Loan is to a **recently formed small business** and promotes economic development.

At all times, the Fund strives to ensure that at least 60% of the portfolio is invested in LMI areas or areas otherwise targeted for revitalization (metrics 1 through 4 and 6 through 9, listed previously).

In addition to screening each loan for its community impact metrics prior to purchase, Solomon Hess assesses the quality and types of jobs created or retained by a business based on job characteristics common in the related industry using salary data for different types of jobs in different geographies from the U.S. Bureau of Labor Statistics. Whenever possible, Solomon Hess will opt to purchase loans made to businesses that provide "living wage" jobs.

[8] The CRA requires the federal agencies with responsibility for assessing depository institutions' CRA performance to periodically conduct CRA examinations of the institutions they supervise. To facilitate CRA examinations, the regulation requires that depository institutions delineate a geographic assessment area(s).

The Fund avoids purchasing loans that finance the following types of businesses:

- liquor stores;
- tobacco stores;
- adult entertainment establishments;
- gun stores; and
- pawn shops.

Since all purchased loans undergo the same qualification process, management reports that all loans in the Fund's portfolio are consistently aligned with the community impact requirements.

Post-purchase, each loan's community impact data are coded. In addition, each loan is earmarked for a specific investor. Solomon Hess regularly communicates with investors to understand their needs and will modify its investment strategies to purchase specific loans that are relevant for that investor's impact strategies and target geographies. The Fund's investment targeting changes over time as new investors are added to the Fund or if existing investors' CRA and community development priorities change (e.g., resulting from mergers or acquisitions).

To date, the three federal regulators of banks have conducted testing to determine that investments in the Fund are CRA qualified. This verification has helped raise additional capital for the Fund from bank investors seeking CRA-qualified investments, thus expanding its capacity to pursue its impact thesis.

In 2017, Solomon Hess developed a set of "business impact" metrics to position the Fund around a more expansive set of impact goals beyond CRA requirements. This was done in part to be responsive to existing investor preferences but also to begin to attract a broader range of socially motivated investors. This initiative helps to insulate Solomon Hess against any adverse change in CRA regulations, to continue to maintain and develop a vibrant source of investors supporting the Fund's impact investment thesis.

At FYE 2018, Solomon Hess was using 11 business impact metrics for screening new loan purchases:

1. Business is **minority** owned or minority co-owned.
2. Business is **woman** owned or woman co-owned.
3. Business is **military service veteran** focused or veteran owned, including service-disabled veteran small businesses.
4. Business is focused on **care for seniors**, including medical, social, and housing services.
5. Business is focused on meeting **health care needs** for the community, including community health centers, care for individuals with mental and developmental disabilities, and rehabilitation facilities.
6. Business is focused on **children's welfare**, including child care, education, and health services.
7. Business is focused on **supporting women and girls** through educational or health-related programs.
8. Business is focused on **animal welfare**, including veterinary, pet care, and animal conservation.
9. Business is focused on **food production**, food services, access to food/grocery, or agriculture.
10. Business supports the **arts and cultural programs** that have an educational or community-enhancing focus.
11. Business is focused on **environmental sustainability**, including recycling.

While the business impact metrics are used during the screening process for new loan purchases, Solomon Hess staff have not to date consistently coded newly purchased loans with the business impact data, and therefore Solomon Hess cannot reliably report on portfolio composition as it relates to these metrics. However, management stated its intent to hire additional staff in 2019 to help fully operationalize the use of the business impact metrics for future impact reporting.

Portfolio Composition

A. Use of Financial Resources

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Capital Paid In by Members (000s)	247,950	287,166	306,760	364,233	393,773
% change from prior year	*15%*	*16%*	*7%*	*19%*	*8%*
Other Investment Resources (000s)*	97,059	146,381	116,492	162,533	196,350
% change from prior year	*-4%*	*51%*	*-20%*	*40%*	*21%*
Total Investment Capital (000s)	345,009	433,547	423,252	526,766	590,123
% change from prior year	*9%*	*26%*	*-2%*	*24%*	*12%*
Impact Aligned Investments (000s)**	313,920	403,614	389,860	490,164	554,321
% change from prior year	*11%*	*29%*	*-3%*	*26%*	*13%*
Impact Aligned Investments / Capital Paid In by Members	*127%*	*141%*	*127%*	*135%*	*141%*
Impact Aligned Investments / Total Investment Capital	*91%*	*93%*	*92%*	*93%*	*94%*

* Other investment resources include borrowings, loan purchase commitments, and distributable net income (retained earnings).
** Impact-aligned investments exclude interest-only yield securities and investments in limited liability companies.

- Total investment capital grew at a compound annual growth rate (CAGR) of 15.2% during the period reviewed.
- "Other investment resources" are mostly borrowings under repurchase agreements as noted previously under "Capital Structure and Business Model."
- As loans in the portfolio mature and are repaid, Solomon Hess continually acquires new loans in order for the Fund to maximize deployment of an investor's capital in targeted assessment areas and to fulfill the investor's impact goals.

B. Annual Investor and Portfolio Activity

FUND-LEVEL IMPACT DATA*	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
New Investors #	12	10	17	18	13
New Capital Contributions ($000s)	38,850	62,975	32,160	70,524	54,080
New Small Business Loans #	210	254	327	423	527
New Small Business Loans ($000s)	181,656	191,607	201,275	268,225	360,145
Jobs Created/Retained #	3,685	5,283	6,730	7,507	9,423

* Data reflect annual activity for each fiscal year.

- Solomon Hess tracks the annual number of new investors and dollars of new capital contributions to demonstrate the growth in additional capital resources available for deployment to further the Fund's impact goals. While the dollar amount of annual new capital contributions varied over the assessment period, the Fund experienced steady growth in new investors (see Table B) and total capital paid in by members (see Table A), the latter growing at a CAGR of 12.3%.
- Management reports that since inception, the Fund has invested more than $1.85 billion in small business loans. These loans, made to more than 3,600 small businesses located in 47 states, have supported more than 50,000 jobs created or retained. In addition, as of FYE 2018, 82% of the small businesses funded were located in LMI or otherwise distressed areas.

C. Portfolio Composition, Qualifying Community Impact Metrics

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Business is in a **low-income** census tract.	82	108	124	164	191
Business is in a **moderate-income** census tract.	312	351	381	429	517
Business is in a CDFI Fund qualified investment census tract with **economic distress.**	97	86	107	144	201
Business is within the confines of an area **targeted for redevelopment** by federal, state, local, or tribal governments.	18	17	14	12	9
Business is in a designated **distressed or underserved non-metropolitan** middle-income geography	8	6	6	11	9
Business is in a **major disaster area** designated by the federal government.	1	0	0	0	0
Business is in a CDFI Fund **qualified low-income community.**	5	4	7	8	13
Business is in an **SBA-designated HUBZone.**	1	1	1	1	2
Business is adjacent to and provides services to a **low- or moderate-income community.**	2	2	1	10	13
Loan is to a **recently formed small business** and promotes economic development.	NA	NA	0	11	19
Total # of loans with community impact	526	575	641	790	974
Total # of loans in portfolio	717	790	809	955	1124
% of loans with community impact	*73%*	*73%*	*79%*	*83%*	*87%*
% of loans in LMI or economically distressed areas (metrics 1, 2, and 3)	*68%*	*69%*	*76%*	*77%*	*81%*

NA = not applicable.

- Each loan's impact data are coded after loan purchase. The number of jobs created/retained by a business is provided by the SBA, which in turn receives it from the originating lender who typically collects this information at the time of the loan application by the small business borrower.

- In the rare cases where number of jobs for a small business borrower is not available from the standard SBA loan documentation, investment team staff will search on the web for these data from other public sources and occasionally reach out to the loan originator or to the small business borrower. If not available, staff attributes 12 jobs to the loan, which is the historical average number of jobs per loan in the Fund's portfolio. According to management, roughly 20% of job data is calculated using the 12 average jobs per loan proxy.
- In Table C, loans are counted only once, in the category where the loan has the highest impact relevance.
- As noted under "Investment Policies and Practices," in 2017 Solomon Hess developed an additional 11 business impact metrics to screen for a broader set of social and environmental outcomes. While those metrics are being used to screen new loan purchases, they are not yet fully implemented in the impact-tracking system and therefore cannot be used to break down the portfolio. This is planned for 2019.

Qualifying Impact Data Collection Systems

Solomon Hess's investment team receives bid sheets of SBA loans for sale from brokers on a daily basis. Staff prescreen each loan to determine that the impact data align with the Fund's qualifying community impact and business impact metrics, and specifically to determine whether the business is located in an LMI or otherwise distressed area that is in an investor's targeted CRA area. The Federal Financial Institutions Examination Council's geocoding system and the CDFI Fund's Information Mapping System are used for this purpose.

Post-purchase, the investment team reviews the loan documents and additional information sources to verify each loan's qualifying community impact and business impact data as reported on the bid sheets. Typically, this is done through reviewing the business's website, consulting trade association websites, and through other research via Internet.

As of FYE 2018, all post-purchase qualifying impact data are recorded in a master Excel file. Management was in the process of working with a vendor to customize a cloud-based software system to house both financial and qualifying impact data on each loan, including the newly established business impact metrics.

Use of Qualifying Impact Data

Solomon Hess regularly monitors the portfolio's qualifying community impact data to ensure that at all times, at least 60% of the portfolio is in LMI or otherwise economically distressed areas (community impact metrics 1 through 4 and 6 through 9). It conducts formal quarterly management committee meetings and informal weekly staff team meetings for this purpose. As Table C notes, this goal was exceeded in all years since fiscal year (FY) 2014, and the performance trend has been increasing. These meetings are also used to review strategies and to adjust investment practices to improve efficiencies in achieving portfolio impact alignment.

Solomon Hess routinely provides investors with the following reports on the Fund's impact and investment performance:

- Quarterly
  - — a two-page fact sheet on the Fund that summarizes cumulative investment returns and qualifying impact data and provides an overview of the investment process;
  - — a quarterly letter that summarizes qualifying impact data; and
  - — on demand, a quarterly overview of Solomon Hess and the Fund, its purpose, impact characteristics and cumulative results, historical investment returns, and sample investor reporting
- Annually
  - — an annual impact report that includes cumulative impact results and highlights profiles of several small businesses in the Fund's portfolio;
  - — the annual audited financial statements; and

— an annual investor webinar and report that summarizes the investment portfolio's financial and impact performance for that year.

In addition to these regular Fund-wide reports, Solomon Hess provides all investors with individualized detailed schedules of loans allocated to their investment in the Fund. These schedules include geographic targeting information (e.g., located in an LMI area), jobs created/retained data for each loan, and outstanding loan balances and payments. Also, at the time of an investor's CRA exam, the Fund can prepare a customized impact report for the investor with details of its investment in the Fund and the related individual loan profiles.

In 2017, Solomon Hess produced an impact capabilities brochure for marketing purposes that highlighted its qualifying community impact and business impact metrics. In addition, the brochure described how the Fund achieves its impact goals by investing in small businesses through the secondary market (i.e., the Fund's investment model contribution to achieving impact).

Post-Investment Impact Measurement and Monitoring

At this time, the Fund generally does not engage directly with the small businesses in its portfolio to monitor impacts over time. Servicing of the loans in the portfolio is retained by the originating community lender.

Post-Investment Impact Data Collection Systems

Not applicable.

Use of Post-Investment Impact Data

Not applicable.

Investment Exit Strategies and Impact Sustainability

As noted, the Fund invests only in loans with set terms.

Leadership and Corporate Responsibility

Fund Manager Staffing

As noted in "Legal Structure," Solomon Hess is the managing member of SBA Management, the Fund's manager, and employs the management and staff.

Management[9]

- **William Einstein**, partner, chief financial officer, and chief compliance officer. Einstein is a founding principal of Solomon Hess. He is responsible for overseeing the financial controls, compliance, and administrative functions of the firm and its funds. Previously, he was president of Meridian Capital Investments Inc., which specialized in raising equity for tax-favored and CRA-eligible investments. Prior to Meridian Capital Investments, Einstein was a vice president with Fannie Mae and Host Marriott responsible for tax reporting. He holds a bachelor of arts degree from the College of William & Mary.
- **Michael Fallon**, partner, chief investment officer. Fallon is responsible for overseeing the firm's portfolio management, trading, and risk management functions. Fallon joined Solomon Hess in 2012. Previously, he was an institutional fixed-income sales associate with Bank of America Merrill

[9] **Subsequent event**: Anthony "Gino" Heilizer, the co-founding principal of Solomon Hess, passed away in April 2019. The staffing information including titles and responsibilities have been updated to reflect the Fund's management structure as of June 2019.

Lynch and also served four years as an officer in the United States Marine Corps. He holds a master's in business administration from the University of Virginia's Darden School of Business.

- **Michelle Go Lai**, senior vice president, investor services and marketing. Lai is responsible for investor services and business development, and has some responsibilities for impact metrics and reporting. Previously, Lai was a project manager responsible for special projects. Prior to joining Solomon Hess Capital Management, Lai was a senior associate at Mercer Management Consulting and an associate at A.T. Kearney. She holds a master of business administration from the Massachusetts Institute of Technology's Sloan School of Management.
- **Catherine Mathew**, senior vice president, operations. Mathew is responsible for overseeing the firm's settlement and fund management operations. Since joining the firm in 2007, she has settled more than 3,000 small business-related assets. She holds a master of arts degree from George Mason University.

Solomon Hess had a staff of 10 full-time equivalents, made up of four members of the management team as described, a financial accounting and reporting manager, two investment associates, a business development associate, an operations associate and a support staff person.

Management was in the process of hiring an investor services support person to expand the firm's impact-reporting capacity, which will enable the transfer most of the impact-reporting responsibilities from the investor services and marketing officer to the new hire.

Corporate Responsibility

Fund Manager Diversity

D. Fund Manager and Fund Diversity as of FYE 2018

GROUP	TOTAL FTES IN GROUP	PEOPLE OF COLOR	WOMEN
Management	4	1	2
Staff	6	3	4

FTE = full-time equivalent.

Environmental Policies and Practices

- Currently, Solomon Hess does not have in place policies to address its own environmental impact, such as carbon offset investment for travel, corporate recycling, among others.

Legal Risk

- The Fund's FY 2018 audit did not disclose any pending lawsuits or contingent liabilities.
- Management reported no outstanding or pending lawsuits for the Fund or Solomon Hess.

LEADERSHIP STATEMENT

SOLOMON HESS
Capital Management

July 24, 2019

Solomon Hess was founded with a mission to promote economic development by investing in small businesses located in distressed communities nationwide. Our investors have mainly been US depository institutions that target investments in low- or moderate-income (LMI) or otherwise distressed communities under the Community Reinvestment Act (CRA). Together with our investors, we have invested over **$1.9 billion** in over **3,800** small business loans nationwide that supported the creation and/or retention of over **54,000** jobs, the majority of which benefit low- or moderate-income individuals.

Small business is a key driver of our nation's economy, providing the permanent jobs needed to reduce poverty and promote economic development, particularly in LMI communities. According to the Small Business Administration ("SBA"), there are **30.2 million** small businesses in the United States. These businesses directly contribute to the strength of local communities by employing **59 million** individuals (**47.5%** of the nation's workforce), generating **1.9 million** net new jobs and promoting diversity (**8 million** minority-owned businesses, **10 million** women-owned businesses and **2.5 million** veteran-owned businesses). Despite the importance of small businesses in the economy, small business owners -- particularly women, people of color and other underserved populations -- face significant hurdles accessing capital from conventional lenders. In fact, **90%** of small business owners identify inability to access capital as one of the biggest challenges they face.

The SBA's 7(a) loan program was created to address this specific need and designed to provide capital to small businesses that would not otherwise qualify for conventional financing. Solomon Hess invests in the guaranteed portion of select SBA 7(a) loans originated by banks, mission-driven lenders, credit unions, non-profit institutions and non-bank lenders. Through this investment strategy, Solomon Hess provides liquidity to 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. Our dedication to this niche market 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 take a collaborative approach to working with our investors. Whether you wish to support female entrepreneurs, environmental sustainability or a specific geographic region, we can help by sourcing investment opportunities that align with the impact goals you care about. We look forward to partnering with you in supporting small businesses in local communities across America.

William Einstein, Partner
Chief Financial Officer

Michael Fallon, Partner
Chief Investment Officer

AERIS® IMPACT MANAGEMENT ASSESSMENT METHODOLOGY AND CERTIFICATION CATEGORIES

Assessment Methodology

Aeris evaluates a Fund's quality of operations related to its impact investment management activities along a continuum from origination through exit.

A Fund's Category is determined based on its operating model and scope of activities. Aeris Certification is awarded based on an evaluation of performance meeting quality standards of the applicable Category. Categories are not rankings.

Aeris applies a consistent scope and process to every assessment and addresses the following:

- Corporate and investment policies and practices and portfolio composition relative to the Fund's impact investment thesis.
- Metrics used to qualify investments and to measure and monitor the resulting impact in relation to the impact investment thesis.
- Information collection systems and ways in which data are used to improve impact alignment, management, and results.
- Relevant expertise of leadership, commitment to impact, and consideration of impact sustainability beyond investment exits.

Certification Category Descriptions

	CATEGORY	DESCRIPTION
Certification Pending	New Funds only	The Fund has established the management expertise, oversight, strategies, policies and procedures to make investments consistent with its impact thesis. The Fund has not yet established a track record that demonstrates the effectiveness of its investing and impact measurement.
Aeris Certified	Category I	The Fund has put into practice appropriate policies, practices, systems and leadership expertise to qualify investments aligned with its impact thesis. Investors can be confident their capital will be invested in a manner consistent with the Fund's impact thesis.
	Category II	The Fund appropriately qualifies investments that align with its impact thesis and has policies, practices, and systems in place to consistently measure and monitor the positive impacts created by its investments. The operating model includes active management of investments to realize benefits consistent with its impact thesis.
	Category III	The Fund appropriately qualifies investments that align with its impact thesis and consistently measures and monitors both positive and negative impacts created by its investments. The operating model supports active investment management in pursuit of long-term net positive impacts. If applicable, when conducting exits, the effect on impact sustainability is considered in good faith and in a manner consistent with fiduciary responsibilities.

IMPACT MANAGEMENT ASSESSMENTS

DATA SERVICES

CDFI RATINGS AND PERFORMANCE DATA

100 SOUTH JUNIPER STREET
THIRD FLOOR
PHILADELPHIA, PA 19107
P. 1+267.233.5150